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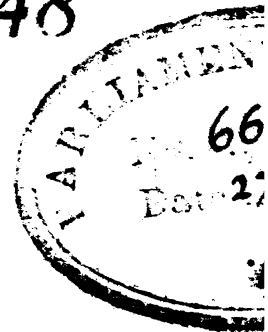


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*Report of the
Public Accounts Committee*

Accounts of 1947-48

(Pre-partition)



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CORRIGENDA.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (Pre-partition)

- Page 21 In the Heading, for '*Reerve Sock*' read '*Reserve Stock*'.
- Page 44 APPENDIX XIII—Paragraph 4, in line 3, for '*onger*' read '*longer*' and in line 4, for '*n*' read '*In*'.

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Composition of the Public Accounts Committee

Chairman

1. The Hon'ble Dr. John Matthai, Finance Minister.

Members

2. Shri B. Das
3. Kazi Syed Karimuddin
4. Shri Krishna Chandra Sharma
5. Shri Upendranath Barmans
6. Shri Mahavir Tyagi]
7. Professor Shibban Lal Saksena
8. Shri L. Krishnaswami Bharathi
9. Professor Nibaran Chandra Laskar
10. Shri R. Sankar
11. Shri Raj Bahadur
12. Professor K. T. Shah

In accordance with the arrangement agreed to by our predecessors the usual appropriation accounts and Audit Reports were not prepared for the pre-partition period of 1947-48 but memoranda containing the more important financial irregularities prepared by the Auditor General were placed before us for consideration. We have examined these memoranda and we append the minutes of the proceedings which we desire, as usual, to be treated as part of our Report.

2. In our Report on the accounts for 1946-47 we drew attention to the view expressed before us by a number of departmental witnesses that the present Control and Appeal Rules made it difficult in most cases to take adequate disciplinary action. This view found further expression during our examination of the transactions relating to 1947-48 and we suggest that the review of these rules should be considered as early as possible.

3. Our attention has been drawn to the very substantial amounts which are still due from Indian States and Provinces for the food-grains supplied to them. The amounts involved are very considerable and their non-recovery distorts the ways and means position of all the Governments concerned and makes it unreal. We also consider this very unfair to the Centre which takes the initial financial burden for the supply of foodgrains while the States and Provinces who sell them to the public collect the sale proceeds and retain or utilise them temporarily for other purposes without repaying the Centre. We take a serious view of the delays in these adjustments and recommend that the entire procedure for the settlement of these transactions should be completely overhauled and arrangements made for the prompt recovery of sums due from the Provinces and States.

4. With this Report we have completed the examination of the transactions of the pre-partition period. We are left with the impression that in a large number of cases the disciplinary action taken had been less than adequate. Except in a few cases we have not pressed for the reconsideration of such cases particularly in view of the fact that most of the senior officers concerned had either retired or left the service and also in view of the lapse of time since the irregularities occurred. With the progressive expansion of Governmental activity it is, in our view, of the utmost importance to see that laxity in the administration of public funds is discouraged and we can think of no more salutary method of securing this than adequate disciplinary action when the responsibility for irregularities is established beyond doubt. We trust that in future Audit Reports we shall find a more encouraging picture in this respect than we have found in the Audit Reports of recent years.

5. We were glad to hear from the Auditor General that he had under consideration certain proposals which will enable him to bring before the Committee important financial irregularities for consideration as soon as possible after their occurrence thus avoiding the inevitable delay involved in bringing them to their notice through the formal Audit Reports, after the completion of the accounts. The Committee will in consequence have to meet more frequently than at present. We welcome this suggestion and we trust that a decision on this matter would be taken in consultation with the Committee in time to come in operation for the next financial year.

6. We desire to record our appreciation of the assistance given to us by the Auditor General and his staff and by our Secretary and the staff of the Finance

Ministry. The rest of us would also like to express our appreciation of the service rendered to the Committee by our colleague Shri B. Das who presided over some of our meetings in the absence of our Chairman.

JOHN MATTHAI.
B. DAS.
K. T. SHAH.
MAHAVIR TYAGI*.
U. N. BARMAN.
N. C. LASKAR.

M. V. RANGACHARI, *Secretary.*
The 25th January, 1950.

**Proceedings of the first meeting of Public Accounts Committee held on Friday,
the 20th January, 1950 at 10.30 A.M.**

PRESENT

Dr. John Matthai	<i>Chairman.</i>
Shri B. Das	} <i>Members.</i>
Shri Krishna Chandra Sharma	
Shri Upendranath Barman	
Shri Mahavir Tyagi	
Prof. Shibban Lal Saksena	
Kazi Syed Karimuddin	
Shri Raj Bahadur	
Prof. K. T. Shah	

Shri H. M. Patel, Secretary, Ministry of Defence	} <i>Witnesses.</i>
Shri K. Bhawani Shanker Rao, Financial Adviser, Military Finance.	
Shri K. S. Sundararajan, Dy. Financial Adviser (Bud- get).	
Major Genl. H. Williams, Engineer-in-Chief	
Brig. E. A. Rodrigues, M.G.O. Branch	
Lt. Col. A. S. Bhujwala, Q.M.G's. Branch	
Shri L. M. Ghatak, Military Accountant-General	
Shri S. A. Venkataraman, Secretary, Ministry of Indus- try and Supply.	
Shri A. K. Roy, Joint Secretary, Finance (I. & C.)	
Shri V. Narahari Rao, Auditor General of India.	
Shri K. R. Rama Iyer, Director of Audit, Defence Services.	
Shri V. N. Adavi, Accountant-General, Food, Rehabilitation and Supply.	
Shri R. P. Sarathy, Director of Establishment, Office of the Auditor General of India.	

Defence Services

The proceedings commenced with a brief general review of the position relating to the improvement in the administration of Defence Services in the light of the experience gained in the war years and the irregularities which had been brought to the notice of the Committee in the Audit reports relating to those years. It was explained that the administrative machinery had been continuously improving although it could not be said that normal conditions had returned in their entirety, particularly in matters like stock verification there was a considerable amount of back-log from the war years still to be cleared. Even here there had been considerable improvement. There was complete cooperation between the administration and the Accounts and Audit Departments ; in each Ordnance Depot there

was a representative of the M. A. G. looking after the proper maintenance of initial accounts while the accounts as a whole were subject to the statutory audit by the Auditor General. The point was again emphasised by the departmental representatives that in the conditions created by war the peace time procedure was apt to breakdown while the experience gained from one war was not always found useful in the changing circumstances of another war. For example, in the operations in Kashmir the peacetime procedure for accounting was being maintained and it may be that when the operations are closed irregularities in accounting may come to light particularly as in the despatch of stores and other equipment to the forward areas it had obviously not been possible to maintain the peacetime arrangements for proper documentation.

2. In reply to a question regarding the procedure for stock verification it was stated that the stock was kept in two sections, one for bulk stores and the other for retail stores. In verifying bulk stores packages are taken at random and examined. The rules provided that the selection of these packages for verification should be at random and that they should not be taken from the most convenient place in the stack in order to secure that as far as possible selection of packages was representative of the contents of a stack. Owing to the fact that in the war years receipt of stores in the various depots had been far in excess of the normal quantities and very much in excess of what the staff could cope with or for which accommodation was available a substantial quantity of stores had to lie in the open. There had, therefore, been some amount of unavoidable deterioration in the contents of the packages.

3. The Committee then proceeded to examine in detail the various irregularities mentioned in Defence Audit Report. With reference to the case mentioned in para. 2 of the Audit Report it was explained that the Ministry were satisfied that taking all the circumstances into account that the price realised was not unreasonable having regard to the fact the assets were located in an out of the way place. The question of taking action against the officer who delayed the investigation was still under consideration and a report would be made to the Committee in due course.

4. On the case mentioned in para. 3 of the Report it was stated that at the time the order was placed for the potatoes it was difficult to anticipate the number of troops who would be located in that area and for whom provision had to be made. Subsequent changes in the programme for the movement of troops and demobilisation made the original estimate of the quantity excessive. It was not possible to foresee these developments at the time the provisional arrangements were made.

5. The Committee then reviewed the irregularities and losses in the various Engineering parks mentioned in para. 6 of the report. The Engineer-in-Chief explained that in considering these losses the dimensions of the stores involved had to be borne in mind. The average monthly tonnage of goods handled was of the order of 10,000 tons and the annual cost Rs. 4 crores for each park so that the losses involved were relatively small. He pointed out that certain stores like timber had to be purchased and stocked to meet overseas demands and there had been some unavoidable losses due to the deterioration in the quality. There was, of course, no question of justifying these losses and all possible steps were being taken to see that such losses did not occur in the future.

6. A point was raised about the disposal of obsolete stores in Defence Services. It was explained that wherever stores were found obsolete they were declared as surplus to the Disposals authorities for disposal at the best price that could be obtained.

7. The attention of the Committee was next drawn to the delay in the receipt of imprest accounts mentioned in para. 9 of the Audit Report. It was stated that the military accounts authorities kept a watch on the prompt receipt of these ac-

counts and whenever any of these accounts were delayed the matter was reported to the higher authorities and necessary action was taken to obtain these accounts. There was no defect in the existing procedure and whenever any delay occurred in the receipt of these accounts prompt action was always taken.

Ministry of Industry and Supply

8. The Committee first considered the case mentioned in para. 5 of the Audit Report of Defence Services. Out of a total amount of Rs. 1,66,476 due from four contractors a sum of Rs. 87,930 had been accepted for recovery by one contractor of which a little over of Rs. 40,000 had actually been recovered and the balance was in process of recovery in monthly instalments. The other three contractors were in Pakistan. Efforts were being made to recover the amounts due from them but these had proved fruitless so far. As regards the action to be taken against the officers concerned, the Committee desired that the matter should be investigated further and a report made to them in due course. The Committee also commented on the delay in the disposal of the case which seems to have arisen as far back as December, 1946.

9. The Committee then took up the examination of the cases relating to the Industry and Supply Ministry mentioned in the Civil Audit Report. In regard to the scheme for the building up of a reserve stock of coal it was explained that the accounts were in process of being reconciled and that it was unlikely the scheme would show any loss. The accounts of the scheme for the purchase of rubber which had been closed with effect from the 1st April 1946 were also being finalised and the scheme was expected to show a good profit. In reply to an enquiry it was stated that certain machines and accessories valued at Rs. 3.57 lakhs which were lying at Karachi at the time of the partition were still due to be received from Pakistan. Negotiations for the issue of necessary export permit were going on with the Pakistan Government but so far this export permit had not been granted.

10. The Committee then raised the need for maintaining the reserve stocks under the late D. G. M. P. which were created during the war years and of which there was an outstanding balance of over Rs. 6 crores. It was stated that these stores had been declared as surplus but in accordance with the policy laid down immediately after the partition stopping disposal of surpluses till Government's own requirements of surplus stores for refugees and other purposes had been settled it had not been possible to dispose of these stores earlier. Stocks worth Rs. ½ crore had been disposed of since last June and the tempo of disposals was steadily rising.

10A. In regard to the scheme for the purchase of colliery stores it was stated that certain debits for stores obtained from the United Kingdom during 1945-46 and 1947-48 which were overdue had since been received and adjusted.

11. The Committee then briefly discussed the progress in the disposals of surplus stores. Out of the large volume of surplus stores with Government representing both American surpluses and surplus stores acquired from the U. K. Government a substantial portion had been disposed of. The volume of disposals has been rising in recent months and now averaged at about Rs. 7.5 crores a month. The Disposals Organisation was gradually contracting and the position was under continuous review. In addition to the disposal of surplus stores fresh risings of surpluses mainly from Defence Services were of the order of Rs. 2½ crores a month. It was expected that the disposal of the outstanding stores would be completed in the next few months.

11A. In regard to the cases mentioned in paras. 1 and 2 of the Civil Audit Report it was stated that the question of taking disciplinary action against the officer concerned was still under consideration and the matter had been referred to the Federal Public Service Commission for their advice. The Committee desired

that a report of the final action taken in this case should be made to them. The point was again made in discussion that under the Civil Services (Classification, Control and Appeal) Rules it had been very difficult to take disciplinary action against officials at fault and the Committee reiterated the recommendation they had already made for tightening up the rules to secure that adequate action could be taken against officers found guilty of irregularities.

12. In regard to the case mentioned in para. 14 of the Audit Report it was stated that the officer concerned had retired early in 1947, and the Administrative authorities had no reason to suspect any *malafides* on his part.

**Proceedings of the second meeting of the Public Accounts Committee held on
Friday the 20th January, 1950 at 2-30 P.M.**

PRESENT

Shri B. Das	Chairman. ✓
Shri Krishna Chandra Sharma	}
Shri Upendranath Barman	
Shri Mahavir Tyagi	
Professor Shibban Lal Saksena	
Shri Raj Bahadur	
Professor K. T. Shah	Members. ✓

Shri Krishna Prasad, Director General Posts and Telegraphs.	}	Witnesses.
Shri B. R. Batra, Chief Engineer, Posts and Telegraphs		
Shri R. Narayanaswamy, Joint Secretary, Finance (Communications).		
Shri K. C. Bhakhle, Chief Commissioner, Railways		
Shri A. K. Chanda, Financial Commissioner, Railways		
Shri N. C. Deb, Director of Finance (Budget) Railways		
Shri V. Narahari Rao, Auditor General of India.		
Shri P. C. Das Gupta, Accountant General, Posts and Telegraphs.		
Shri P. M. Joseph, Director of Railway Audit.		
Shri R. P. Sarathy, Director of Establishment, Office of the Auditor General of India.		

Posts and Telegraphs Department

13. The case mentioned in para. 5 of the Audit Report was first discussed. It was stated that special quality wood had to be obtained and the prices paid were on subsequent investigation accepted as reasonable by the appropriate Finance Officer. It was agreed that the officer's failure to call for tenders and his action in sub-dividing the contracts were both irregular but the officer had come over from service under a Company and was new to the prescribed Government procedure in these matters. He had since retired and the Committee agreed that the matter may be dropped.

14. In regard to the case mentioned in items 1 and 40 of the Annexure 'A' to the Audit Report it was stated that there had been some confusion in the matter of interpreting the relevant rules. The position had since been made more explicit but the Committee felt that there was no case for letting off the Treasurer without taking any action against him. They wished the matter to be further pursued and a report made to them in due course.

15. The losses due to the forging of signature and the paying of money orders and insured articles by postmen referred to in items 2, 10, 17, 22 and 33 of Annexure 'A' were then considered. It was stated that there was no machinery for making any test check as to whether the postmen were making payments to the genuine payees, but taking the volume of money orders issued (the total number of money orders issued was about 45 million involving about Rs. 145 crores) the percentage of loss due to frauds which amounted to no more than .007 % compared favourably with similar percentages in more advanced countries like the United Kingdom.

16. The frauds caused by the payment of bogus money orders was next considered. A suggestion was made that the office issuing the money order should send a separate advice list to the office on which the money order is issued to enable that office to see that the money handed over to the postmen for disbursement was limited to the amount indicated in the advice list. It was realised that in view of the very large number of post offices involved difficulty may be experienced in implementing this suggestion but it was agreed that it should be further considered by the Department in consultation with the Accountant General.

17. Turning to the misappropriations from savings bank accounts mentioned in the report the existing arrangements in post offices for making deposits and withdrawals were briefly explained. It was realised that there was need for tightening the internal controls to avoid such misappropriations and the Committee suggested that the Department should consider what further steps could be taken in this behalf.

18. The attention of the Committee was then drawn to the frauds committed by some of the extra-departmental agents. It was explained that security was not required in the case of Government pensioners as their pensions were subject to good conduct and Government had sufficient hold on them. As regards inspection of these extra-departmental agents, it was stated that the inspections had recently been reduced as a measure of economy. The Committee wished to impress on the department the necessity for more frequent inspections of their offices and it was agreed that this should be further considered.

19. A point was made that in a large number of cases only nominal penal recovery had been made from officers whose negligence had contributed to loss of public money. In the individual cases mentioned in the Audit Report it was pointed out that recoveries in most cases were really not nominal and they were more than adequate taking into account the pay of the officer concerned. The attention of the Committee was also drawn to a ruling of the F. P. S. C. that monetary penalties imposed on officers should not be such as to cause them financial embarrassment which was likely to result in the reduction of their efficiency and morale.

20. The question of the adequacy of the security deposits taken from the mail contractors was then discussed. It was explained that these deposits related to the amount of subsidy given to the contractors and were not based on the value of the mail carried which was bound to fluctuate and which was never divulged to them in the interests of security. If the security deposits were raised it was bound to involve Government in additional expenditure as these contractors would obviously ask for larger subsidies than at present.

21. In regard to the case mentioned in item 43 of Annexure 'A' to the report it was stated that although the amount recovered from the officer was small the officer had lost his promotion because of this irregularity and it was considered that the punishment was on the whole adequate.

Ministry of Railways

22. The Committee first considered the irregularity mentioned in para. 5 of the Audit Report. In regard to the past cases a point was raised whether legal action could not be taken against the officials concerned for impersonation and

cheating and it was explained that this aspect of the problem had not been considered. For the future, it was agreed that action should be taken to secure that a Railway employee on retirement or termination of services in possession of a ration card should be asked to surrender it before his dues were finally paid off. It was also agreed that it should be made clear to all holders of ration cards that the drawal of rations after they cease to be entitled to it was serious offence.

23. The Committee then considered the case mentioned in para. 6 of the Audit Report. It was agreed that there was considerable force in the argument that the purchase at this exorbitant price need not have been made but it was stated that in the interests of keeping labour contented this step had to be taken. The Committee did not accept the contention. As regards the levy of the penalty from the contractor for not performing his contract the view was expressed that he had been let off lightly. It was explained that there were certain extenuating circumstances. The export of potatoes had been banned from Assam and Punjab, the usual sources of supply and transport strike had also made the position very difficult. It was also not possible to enforce the contract against the contractors in all cases and in dealing with them Government had to take into account any special circumstances which may have made it difficult for them to complete their contracts.

24. The financial results of the running of grocery shops were next reviewed. It was stated that the expectations on which the prices were fixed had not materialised and the volume of purchases had been less than expected resulting in high overhead costs. As grocery shops had since been closed down, the matter was not further pursued.

25. As regards the case mentioned in para. 10 of the Audit Report it was accepted that the delay in taking action in this case had been most regrettable and the displeasure of the Board had been communicated to the management of the Railway.

26. In regard to the case mentioned in para. 2 the view was expressed that the prices fixed for the disposal of the mules had been very small. It was explained that the mules were sold in open auction and sold at the best price obtained.

27. About the case in paragraph 3 the point² was made that the expenditure on litigation had perhaps not been worthwhile in view of the small amount involved. It was explained that the matter had been taken to the higher courts as an important matter of principle which would have wider repercussions was involved. The stand taken up by the Railways had been vindicated by the Privy Council and the expenditure involved had been fully worthwhile.

Proceedings of the third meeting of the Public Accounts Committee held on Saturday the 21st January 1950 at 10-30 A.M.

PRESENT

Shri B. Das	<i>Chairman.</i>
Kazi Syed Karimuddin	} <i>Members.</i>
Shri Krishna Chandra Sharma	
Shri Upendranath Barman	
Shri Mahavir Tyagi	
Prof. Shibban Lal Saksona	
Prof. Nibaran Chandra Laskar	
Shri Raj Bahadur	
Prof. K. T. Shah	

Shri K. R. Damle, Joint Secretary, Ministry of Food .
Shri Brij Narayan, Joint Secretary, Ministry of Finance
Shri A. L. Saxsena, Dy. Secretary, Ministry of Finance
Shri S. N. Roy, Dir. Genl., Re-settlement and Employ-
ment.

Shri B. K. Gokhale, Secretary, Ministry of W. M. P. .
Shri M. P. Pai, Joint Secretary, Ministry of W. M. P. .
Mr. E. V. Gregory, Controller of Printing & Stationery .
Shri P. M. Menon, Joint Secretary, Ministry of Health .
Shri R. S. Sen, Asstt. Director-General, Health Services
Shri S. Ratnam, Joint Secretary, Ministry of Finance .
Shri H. V. R. Iengar, Secretary, Ministry of Home
Affairs.

Witnesses.

Shri V. K. R. Menon, Secretary, Ministry of Communi-
cations.

Shri R. Narayanaswami, Joint Secretary, Ministry of
Finance.

Shri B. N. Chakravarty, Joint Secretary, Ministry of
External Affairs.

Shri P. N. Krishnaswami, Dy. Secretary, Ministry of
External Affairs .

Shri K. L. Panjabi, Secretary, Ministry of Agriculture .

Shri S. Y. Krishnaswami, Joint Secretary, Ministry of
Agriculture.

Shri V. Narahari Rao, Auditor General of India.

Shri V. N. Adavi, Accountant-General, Food, Rehabilitation and Supply.

Shri B. N. Sengupta, Accountant-General, Central Revenues.

Shri R. P. Sarathy, Director of Establishment, Office of the Auditor General of
India.

28. The Committee proceeded to consider the irregularities relating to the
remaining Ministries.

Ministry of Food

29. The attention of the Committee was drawn to the substantial amounts
outstanding from a number of Indian States for foodgrains supplied to them. The
up-to-date position was explained to the Committee and it was stated that the whole
matter had been discussed with the representatives of the States concerned at a
recent meeting. The position was that while the Centre had not been paid for the
grain the States had used the sale proceeds for easing their ways and means posi-
tion. The Committee expressed their grave concern at the large amounts which
were outstanding from the States and Provinces and desired that the special atten-
tion of the authorities concerned should be drawn to the urgent need for the very
early settlement of these outstandings. As regards the present arrangements for
recovery it was explained that except in the case of one State where it had been
agreed that payment should be made within 15 days of the supply of the food
grains recoveries were effected on the despatch of the grains. The Committee de-
sired that a complete and self-contained report on the clearance of these outstand-
ings should be submitted.

30. In regard to the case mentioned in para. 17 of the Audit Report, it was
stated that the contract had been cancelled on two grounds. Firstly the contractor
had been blacklisted by another department after the contract had been placed
and secondly the Defence Services authorities had reported that the condiments
were being prepared in unauthorised premises. Some doubt was expressed as to
the necessity of the Ministry of Food cancelling this contract on the ground that the
contractor had been blacklisted for irregularities which had occurred in another

department. The point was also raised whether legal advice had been taken before the contract was cancelled. The full circumstances in which the contract had been cancelled were explained but the Committee were not altogether satisfied that the cancellation of the contract was justified. But as the officer concerned was reported to have retired long ago they did not wish to proceed further in this matter. But they wished to emphasise the necessity for taking legal advice in all cases before any contract was cancelled.

31. The Committee then considered the case mentioned in para. 16 of the Audit Report. Under the terms of the contract either side could resort to arbitration and the reference to the arbitrator was something which Government could not help.

Ministry of Labour

32. In regard to the case mentioned in item 18 of the List of Outstanding Recommendations the Committee suggested that the question of taking adequate disciplinary action against the officers concerned should be taken up again by the Ministry. The mere fact that the accounts were not available for audit and audit had in consequence been waived was no reason why disciplinary action should not be taken against the officers for the non-maintenance of these accounts.

Ministry of Works, Mines and Power

33. The attention of the Committee was drawn to the outstandings on account of cash sales in the India Stationery Office, Calcutta which amounted to about Rs. 14 lakhs on the 31st March 1947. These outstandings had been mostly cleared and the balance was now only about Rs. 2½ lakhs. The rules which allowed for sales against 90% advance payment had been amended and 100% payment was now being insisted upon. The Committee expressed satisfaction with this arrangement.

34. The Committee drew attention to the very large discrepancies that existed between the balances in the Stores Ledger and those in the bin cards at the Central Publications Branch, Delhi. There used to be a continuous system of stock taking which had to be given up in the stress of war years. This had since been re-introduced and it was hoped that the position would improve in the future.

35. In reply to an enquiry regarding the capital expenditure on the scheme for Prospecting for Oil which had, before the partition, been incurred in an area now located in Pakistan it was stated that this expenditure would be taken into account in the financial settlement between the two Dominions.

Ministry of Home Affairs

36. The sums due from the Governments of the Netherlands and Malaya in respect of expenditure incurred on internment camps were first discussed. Nearly the whole of the sum of Rs. 50,19,215 due from the Netherlands Government had been realised. As regards the sum due from the Malayan Govt. (Rs. 127 lakhs) there appeared to be an argument between the U. K. Government and the Malayan Government as to who should pay this amount. The Government of India had suggested that the United Kingdom Government should pay the amount and settle their liability with the Malayan Government separately and it was hoped that the amount would be realised shortly.

37. The Committee took the opportunity to draw attention to the point which had arisen more than once in the course of their examination of recent accounts and audit reports that the existing Control and Appeal Rules made it difficult to take adequate disciplinary action against officials. They wished to reiterate their recommendation that this matter should be examined by the Home Ministry to see if the rules could not be suitably modified.

Ministry of Communications

38. About the case referred to in para. 23 of the Audit Report the Committee wished to know if any disciplinary action had been taken against the persons in the Civil Aviation Department responsible for overlooking the payment made by the United Kingdom Government to the Officers concerned which had resulted in the overpayment not being detected earlier. It was stated that three people were involved in this irregularity of whom two had been reprimanded and the third had retired from service.

Ministry of Health

39. In regard to the scheme for the purchase of quinine and quinine substitutes, the Committee enquired why the recoveries had been so much less than the expenditure. It was explained that there was a discrepancy of about one crore of rupees in the amount debited to this head and the question of reconciling this was under correspondence with the Accounts Officers concerned. Although this related to the pre-partition period and no formal adjustment may now be considered necessary, it was agreed that the discrepancy should be reconciled so that the financial results of the scheme could be satisfactorily assessed.

40. The Committee then considered the case mentioned in para. 27 of the Audit Report. It was stated that the indent for the purchase of one ounce bottles had been placed by the Defence Services who had subsequently changed their specification. In the then acute shortage of bottles it was considered, once the supply had been located that it should be kept in reserve to meet possible demand in the future. This had not materialised and the bottles had been disposed of.

Ministry of External Affairs

41. The circumstances in which the omission mentioned in para. 25 of the Audit Report occurred were explained to the Committee. The matter had been under continuous correspondence between the Accountant General and the Provincial Government and in the humid conditions of Calcutta the destruction of the records by white ants was not improbable.

Ministry of Agriculture

42. The Committee reviewed the results of the scheme for the purchase of Agricultural and Dairy Machinery. The accounts for 1946-47 showed very little recoveries as compared to the expenditure and it was explained that this was due to a lag on distribution in that year. A considerable part of the machinery had been paid for and received in that year and the distribution had been spread over the following year also.

43. The Committee had no comments to make in regard to the remaining Ministries. The Committee then adjourned to meet again on the 25th to consider and approve the report.

APPENDIX I.

Statement showing action taken or proposed to be taken on the Recommendations of the Public Accounts Committee.

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
(1)	(2)	(3)	(4)	(5)	(6)
1	1946-47	1-R	Finance	The machinery for pursuing an irregularity as soon as it is noticed should be speeded up so that adequate action, both remedial and disciplinary, could be taken as early as possible. This should be brought to the notice of all the Ministries.	Necessary instructions have been issued.
2	1944-45 1945-46	4-R 5-R 61-P	Finance	There is still very considerable room for improvement in the standard of budgetting and control.	Noted.
3	1945-46	7-R 61-P	Finance	Administrative authorities at whose disposal funds are placed should exercise proper control of expenditure. The Finance Ministry should energetically pursue this matter and lay down a suitable procedure for effective control. The Committee should be informed in due course of the revised procedure for the control over expenditure which should be settled in consultation with the Auditor General.	Necessary instructions have been issued to the Administrative authorities that effective steps should be taken immediately to observe the procedure already laid down for reconciling departmental figures of expenditure with those booked in the accounts offices. The whole question of control over expenditure is under examination in connection with the new Constitution.

4	1944-45 1945-46	6-R 8-R	Finance All other Ministries	Special steps should be taken to review all the schemes under State Trading which are still open, close such of them as are not necessary as early as possible and to finalise the accounts of all the closed schemes. A complete review of the schemes should be submitted for the information of the Committee at an early date.	Necessary instructions have been issued. The results of the review undertaken by the various Ministries will be communicated to the Committee in due course.
5	1945-46	10-R	Finance	The Finance Ministry should draw the attention of all Controlling Officers to the observations of the Committee that objections raised in audit should be settled speedily.	Reviews submitted by the Ministries of Commerce, I. & S., Food, Health, Agriculture, Home Affairs, Transport and W.M.P. have already been circulated to the Committee. (Appendices II to XII).
6	1945-46	11-R 19-P	Finance	The Finance Ministry should draw the attention of all Ministries to the observations of the Committee to the need for consulting the Accountants General concerned on the accounting problems before undertaking new schemes.	Necessary instructions have been issued.
7	1945-46	82-P	Finance	The Ministry of Works, Mines and Power should be requested to give an indication in their annual Report on the working of that Ministry of the outstanding commitments in respect of purchases of stores.	Necessary instructions have been issued.
8	1945-46	61-AP	Finance	The Committee suggested that the explanatory Memorandum supplied with the budget papers should be enlarged on the lines adopted in certain Provincial Governments.	This point will be considered along with the changes to be made in the budgetary procedure under the new Constitution.

Necessary instructions have been issued to Railway Administration to follow up the suggestion of the Public Accounts Committee.

With reference to the cases mentioned in paras. 6 and 7 of the Audit Report the Committee endorsed the Auditor General's suggestion that a directive should be issued that unless there were strong reasons in the view of the FA and CAO and the Railway Administration the audit view should normally be accepted by the administration and acted upon provisionally, pending a decision by the higher authorities.

Necessary action has been taken and suitable instruction have been issued to Railway Administrations.

The Committee endorsed the Auditor General's view that the procedure in regard to the handling of money should be clearly laid down in a manner in which it would always be possible to fix responsibility for any losses which might occur.

The question is under active examination.

The orders issued by the then Finance Deptt. in 1947 for securing Parliamentary control over the utilisation of unanticipated credits should be applied to Railway Grants also.

Noted.

The budgetting and control over expenditure could have been better.

The suggestion of the Committee is feasible in cases where savings are available for diversion from the supplementary grants taken in the Autumn Session of the Legislature. In the case of the supplementary grants taken at the end of the year during the budget session on the basis of the revised estimates, it will not be possible to follow this course, obviously because of time factor.

Where a grant had been obtained for a specific purpose, the approval of the Legislature should be obtained through a token demand for its diversion to other purposes.

(1)	(2)	(3)	(4)	(5)	(6)
14	1945-46	74-P	Director General, Posts and Telegraphs.	The Department should re-examine the question of fixation of the reserve limit of stores balances.	A Memorandum will be submitted to the Committee in due course.
15	1945-46	78-P	Director General, Posts and Telegraphs.	The whole question of procedure for the purchase and issue of stores should be gone into by the Posts and Telegraphs Department in consultation with the Accountant General, Posts and Telegraphs and a detailed report submitted to the Committee dealing among other things with the remedial action taken by Government.	A report will be submitted to the Committee in due course.
16	1945-46	79-P	Director General, Posts and Telegraphs.	Effective steps should be taken to see that irregularities of the kind mentioned in para. (a) of the P. & T. Audit Report 1946 do not occur in future.	Necessary instructions will be issued.
17	1945-46	80-P	Director General, Posts and Telegraphs. Communications.	The Communications Ministry should, in consultation with other Ministries, devise steps to secure that delay in departmental adjustments regarding telephone dues is eliminated.	The matter is under consideration.
18	1945-46	41-P	Labour	The case mentioned in para. 24 of the Audit Report should be re-examined and a detailed report should be submitted to the Committee explaining the circumstances in which it had not been possible to submit accounts and why no disciplinary action had been taken against the officer or officers concerned.	A report was submitted to the Committee. (Appendix XIII.)
19	1946-47	57-P	Health	The Committee suggested that each medical stores depot should keep a list of the losses written off for scrutiny by the administrative authorities during their inspection of the depots and that the accounts should also be available to audit at the time of the local audit of the depots.	The suggestion of the Committee has been noted and will be acted upon.

- 20 1944-45 Health 46-P
 1945-46 20-P
- The old transaction regarding purchase of quinine substitute from the UK Government should be finalised without further delay and recovery effected of the overpayment already made at an early date.
- A note was submitted to the Committee. The Accounts authorities have been asked to expedite the settlement of accounts and the progress made by them in the matter is being watched. (Appendix XIV).
- 21 1945-46 Education : 28-P
- A recent publication by the Education Ministry containing a survey of Education, together with a report on the latest position regarding overseas scholarships scheme, should be supplied to the Committee.
- The publication and the report were submitted to the Committee.
- 22 1946-47 Auditor-General 59-P
- A report should be submitted to the Committee in due course as the result of his enquiry into the accounting mistake referred to in this para.
- The matter is under consideration and a report will be submitted to the Committee in due course.
- 23 1945-46 Information and Broadcasting 70-P
- The Committee enquired whether it was necessary to include the accounts of All India Radio in the Commercial Appendix to the Appropriation Accounts as it was not clear whether the service was really a commercial one.
- The matter is under consideration.
- 24 1942-43 Finance (Revenue Division) 23-P
 1944-45 65-P
 62-P
 43-P
- The final decision on the proposal for legislation on the lines of the UK Registration of Business Names Act, 1916 should be reported to the Committee in due course.
- A report was submitted to the Committee. (Appendix XV).
- 25 1945-46 Commerce 64-P
- The final settlement with the UK Government of the question of recovery from that Government of compensation paid by India to officers and crews of ships for war injuries and for damages to their effects should be expedited.
- A report was submitted to the Committee. (Appendix XVI).

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26	1945-46	52-P	External Affairs	Every effort should be made to expedite the recovery of recoverable grants given to evacuees from Burma.	Noted.
27	1946-47	1-P	Defence	The Ministry of Defence should consider further the Auditor General's suggestion that some training should be imparted to Defence Services personnel in fundamental principles of public property and the elementary principles of accounting.	The suggestion is under consideration.
28	1946-47	2 A-P	Defence	With reference to paras. 7 and 24 of the Audit Report the Committee desired that an analysis of the broad categories and amounts of objections dropped and pursued and a report on the results should be prepared by the Ministry of Defence to enable audit to ensure that objections dropped were only those which could not be profitably pursued.	Necessary action is being taken.
29	1946-47	9-P	Defence	The Committee desired that a report should be submitted to them regarding the progress made in bringing the accounts in the Air Force Formation up-to-date.	A report will be submitted to the Committee in due course.
30	1946-47	12-P	Ministry of Finance (Defence)	The Ministry of Finance (Defence) should review the position in regard to the maintenance of pay accounts and submit a report indicating the action taken or proposed to be taken to prevent the recurrence of the defects.	A report was submitted to the Committee. (Appendix XVII).
31	1944-45 1945-46	3-R Mily. 9-R	Defence	The normal peace-time procedure and control in the maintenance of store accounts should be reverted to in their entirety as early as possible.	Noted.

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32	1944-45 1945-46	10-P Mily. 2-P	Defence	The punishment meted out to the officer referred to in para. 10 of the Defence Audit Report 1946 was not adequate and should not be taken as a precedent for the future.	Noted.
33	1945-46	5-P	Defence	The cases reported in para. 32 of the Defence Appropriation Accounts for 1945-46 should be reinvestigated and a report whether any further disciplinary action could be taken at this stage against any officers still in service should be submitted to the Committee in due course.	A Memorandum was submitted to the Committee. (Appendix XVIII).
34	1946-47	31-P	Industry and Supply	A report should be submitted to the Committee in due course regarding the disposal of the outstanding cases.	A report will be submitted to the Committee in due course.
35	1946-47	32-P	Industry and Supply	The case mentioned in para. 15 of the Defence Audit Report should be re-examined in consultation with the law advisers of Government to consider if any legal action could be taken at this stage against those at fault.	Necessary action is being taken and a report will be submitted to the Committee in due course.
36	1946-47	34-P	Industry and Supply	The Committee desired that the further progress made in the adjustment of outstanding sale accounts referred to in para. 66 of the Defence Audit Report should be reported to them.	A report will be submitted to the Committee in due course.
37	1946-47	53-P	Industry and Supply	The Committee desired that a report should be submitted in due course on the case mentioned in para. 16 of the Civil Audit Report.	A report will be submitted to the Committee in due course.
38	1945-46	10-P	Industry and Supply	The outstanding recoveries from contractors should be cleared at an early date.	Noted.

(1)	(2)	(3)	(4)	(5)	(6)
39	1944-45 1945-46	11-R Mily. 16-P Mily. 46-P	Industry and Supply	A note on the whole question of disposal of surplus stores should be submitted to the Committee.	A note was submitted to the Committee. (Appendix XIX.)
40	1945-46	58-P	Industry and Supply	In cases similar to the one mentioned in para. 23(a) of the Audit Report 1947, a provisional price subject to a ceiling should be fixed.	The matter is being examined in the light of the remarks made by the Public Accounts Committee.
41	1946-47	1-R 29-P 40-P	Home Affairs	The Classification, Control and Appeal Rules should be amended to secure that prompt and disciplinary action was taken against Government Servants responsible for committing irregularities etc.	The question whether an amendment of the rules is called for or whether any further instructions should be issued in the matter is under consideration.
42	1944-45 1945-46	101-P 68-P	Home Affairs	A report on the progress of the recoveries from the foreign Governments in connection with the Internment Camps should be submitted to the Committee.	A report was submitted to the Committee. (Appendix XX).
43	1946-47	39-P	Information and Broadcasting	The Committee endorsed the suggestion of the Auditor General that a <i>pro forma</i> account of the production and distribution of the various publications should be maintained which could be audited by the Audit Department.	Noted. Necessary action is being taken in the matter.
44	1945-46	73-P	Information and Broadcasting	The Fund for the Development of Broadcasting should be closed	The fund was closed with effect from the 1st April 1948.
45	1946-47	41-P	Agriculture	A report should be submitted to the Committee regarding the recovering from the Government of Siam of the sum of Rs. 2 lakhs shown as outstanding in the accounts of the Indian Veterinary Institute, Izatnagar.	The amount has since been re-covered.
46	1945-46	24-P	Agriculture	The Agriculture Ministry should submit the Committee a report showing whether the results achieved has been commensurate with the expenditure incurred on Grow More Food Schemes.	A report will be submitted to the Committee.

(1)	(2)	(3)	(4)	(5)	(6)
47	1946-47	47-P	Food	A report should be submitted to the Committee on the cases referred to in para 6 of the Audit Report which the Ministry said were being reopened.	A report was submitted to the Committee. (Appendix XXI).
48	1945-46	29-P	Food	A statement showing the latest position in regard to the outstanding recoveries on account of food-grains supplied to the States should be submitted to the Committee.	A note was submitted to the Committee. (Appendix XXII).
49	1945-46	32-P	Food	A report giving <i>inter alia</i> the total cost of construction of storage accommodation mentioned in the Review of State Trading Schemes against the estimate of Rs. 93.5 lakhs and whether the rate of surcharge which seems to have been based on an estimate of the cost of construction was adequate in relation to the actual expenditure should be submitted to the Committee. It should also be stated whether recoveries had been made satisfactorily.	A report was submitted to the Committee. (Appendix XXIII).
50.	1945-46	44-P	Food	The purchase of rice mentioned in Section C on page 550 of the Appropriation Accounts of 1945-46 should not have been made beyond the storage capacity at the disposal of Government. The system of employment of agents instead of contractors for Government purchases should not be adopted in future.	Noted.
51	1945-46	50-P	Communications.	The Committee should be informed in due course of the decision taken on the question of continuance of the Civil Aviation Fund.	A report will be submitted to the Committee.
52	1945-46	56-P	States	A detailed report on the outstandings of loans to Notabilities and the Governments of Indian States sanctioned by the late Crown Representative should be submitted to the Committee in due course.	A statement was submitted to the Committee. (Appendix XXIV)

APPENDIX II

Memorandum prepared by the Ministry of Commerce on the Scheme for the chartering and running of vessels for coastal Trade.

During the last War the following three Vessels for the period shown against them were under charter from the U.K. Ministry of Transport :—

"Graciosa"	28-11-42 to 14-4-44.
"General Michaels"	6-12-42 to 4-2-43.
"Helikon"	15-11-44 to 25-1-46

These vessels during the period of their charter were operated by the Bombay Steam Navigation Company on behalf of Government under an agreement the terms of which included *inter alia* the payment to the shipping company of the following rates of commission of the gross freight and passenger fares :—

(I) upto 1-5-45 @ a flat rate of 5% on all runs.

(II) from 1-5-45 @5% on the Bombay/Karachi runs and
@ 3% on the Bombay/Marmugao runs.

The accounts relating to the operation of these vessels were audited by a firm of Registered Accountants. All these accounts were finalised during the year 1948-49 and the net financial results of the operation of these vessels were communicated to the Accountant General, Bombay, in February 1949. These results are summarised as follows :—

	Earnings			Expenditure			Profit (+) or loss (—)	
	Rs.	As.	Ps.	Rs.	As.	Ps.	Rs.	A Pa.
"Graciosa"	21,42,071	5	4	18,48,467	3	10	(+)2,93,604	1 6
"General Michaels"	1,40,461	9	8	1,75,453	3	6	(—)34,991	9 10
"Helikon"	19,11,184	1	10	15,84,282	5	2	(+)3,26,901	12 8
Grand total	41,93,717	0	10	36,08,202	12	6	(+)5,85,514	4 4

APPENDIX III

Memorandum prepared by the Ministry of Commerce on the Jute Purchase Scheme

In regard to the Jute Purchase Scheme it may be stated that a provision for one crore-of rupees was made in the Budget for the year 1945-46 for the purpose in case it became necessary for the Government to enter the market in order to maintain the price of jute at the minimum level laid down in the Jute (Price Control) Order, 1945. There was, however, no occasion for the Government to enter the market and the Scheme did not come into operation at all. A deduct provision of corresponding amount was accordingly provided in the same budget on account of recoveries.

APPENDIX IV

MINISTRY OF INDUSTRY AND SUPPLY

Review of the Capital Outlay on Schemes of State Trading

The Ministry of Industry and Supply is concerned with thirteen schemes of State Trading. The enclosed notes give the present position of each scheme.

2. With reference to paragraph 47 of the proceedings of the Public Accounts Committee, a detailed note on the scheme for the production and supply of Coal (open cut coal Mining) is appended. ¶

3. With regard to paragraph 59 of the proceedings and para 8 of the Report of the Public Accounts Committee on the Accounts for 1945-46, it may be stated that most of the schemes which were started during the war still continue due either to the inclusion of certain new items in the scheme or to the non-finalisation of the accounts of the schemes.

4. A statement showing the account of expenditure and recoveries as it stands at present, is also enclosed. The net profits will be appreciably increased when all the outstandings have been recovered and stock held at present have been sold out.

*Scheme for Reserve Stock of Coal.**Building up of a Reserve Stock of Coal at Pit-heads.*

Early in 1942 when the stocks of coal fell short, it was decided to build up stocks at pit-heads in the Jharia and Raniganj coalfields for use in emergency. Labour Department drew up a scheme and issued formal orders for the stacking of one million tons of coal during 1942-43. Orders for the stacking of a further quantity of one million tons were issued during 1943-44. The contractors who took up the work of stacking were to be paid 75% of the market price of coal on measurement by a Joint Committee on the basis of cubic feet per ton. After "on account" payment of 75%, the ownership of coal passed to Government. The contractors were authorised to sell coal from the stocks to Government Departments or public with the previous permission of the Chief Mining Engineer, Railway Board. For sales to public, the rates to be charged were not to be less than four annas per ton above tender rates. The recoveries in respect of the coal sold to Government Departments are effected by book adjustments and regarding sales to public the value of the coal are kept as deposit in advance by the parties concerned in a Government Treasury.

A technical Committee composed of the Chief Mining Engineer, Railway Board and the Chief Inspector of Mines in India was set up to operate the scheme and a Joint Committee consisting of the Chief Inspector of Mines in India and State Railway Coal Superintendent was set up to certify measurements of coal stacked.

In December 1943 another scheme for stacking of one million tons of coal was sanctioned. It worked upto the end of December, 1944. Under this scheme "on account" payments were to be made at the rate of 90% and the balance after despatch of coal.

In August 1945, another scheme for stacking 1,001,000 tons coal on Government account during the Calendar year 1945 was sanctioned. The scheme provided for:—

- (a) the payment to the colliery owners of an advance equal to 90% of the F.O.R. value of coal certified as having been put into stock by the Regional Coal Controller (Distribution) at the statutory prices fixed by Government. The advance is refundable as and when the coal is despatched, final adjustment being made in the last despatch invoice;
- (b) the stacking charges to be claimed by the colliery owners at agreed rates. The colliery owners are also responsible for stacking and loading of coal.

No stacking scheme was sanctioned for 1946 but the coal stacked under the previous scheme, will be financed till the closure of accounts in respect of the schemes.

The Gross Expenditure and recoveries under the scheme during 1942-43 to 1949-50 are shown below:—

	Gross expenditure	Gross recoveries	
	Rs.	Rs.	Rs.
1942-43	8,96,959	(—)	59,844
1943-44	10,84,680	(—)	11,93,797
1944-45	5,52,892	(—)	8,80,989
1945-46	21,81,260	(—)	9,44,632
1946-47	2,07,318	(—)	7,75,609
1947-48	1,09,439	(—)	4,29,827
1948-49	42,715	(—)	35,732
1949-50 (upto Sept. '49)	9,493	(—)	61,809
C.G. Suspense.	65,331	(—)	42,325
Total	51,50,087	(—)	44,24,564]

The stocks of coal stacked were physically verified by the Chief Inspector of Mines in consultation with the Deputy Coal Commissioner (Production). 35,038 tons 8 cwts. of coal were lying at pit-heads on the 31st March, 1946. At present only 1598 tons of coal, the cost of which is Rs 19,000 approximately are lying undisposed of, which is expected will be disposed of during the next brick burning season. It is not possible to forecast whether there will be any profit or loss under the scheme till the accounts of the scheme are finally closed.

It has since been decided that the difference between the contract and control price of coal supplied from Government Reserve stock under 1942-43 and 1943-44 schemes, but sold at contract rate even after 1-5-44 should be realised. Some recoveries on this account have also been effected.

Purchase of Alumina

The production of aluminium in India was advocated by the American Technical Mission. Two firms M/s. Aluminium Corporation of India Ltd., Anupnagar near Asansol and M/s. Aluminium Production Co., Ltd., (later changed to Indian Aluminium Co., Ltd.) operated this industry in India during the period 1944-45. One firm was engaged in the production of Aluminium from native bauxite and the other firm in operating smelters in the Travancore State.

It was proposed to purchase the Alumina produced by the former firm and to supply it to the latter for reduction into Aluminium. The Alumina produced, however, was not of requisite purity and in sufficient quantity and no purchase was actually effected.

On review of the manufacturing position in respect of the first firm it was considered by the Government of India that expert advice from specialists engaged in the Aluminium Industry in Canada and the United States of America was necessary to enable the factory to improve its working and it was arranged that the services of a team of three Technicians, two from Canada (M/s. R.D. Palmer and J. E. Popall) and one from the United States of America (Mr. W. J. Boanziger) should be borrowed through the agency of the India Supply Mission. This team arrived during 1943-44 and returned to Canada and the United States of America during the early part of the year 1944-45.

The total expenditure incurred under this scheme amounted to Rs. 1,11,498/14/- and the amount recoverable from Messrs. Aluminium Corporation in the ratio 50:50 amounted to Rs. 55,749/7/-. As a sum of Rs. 7,324/4/- was spent by the firm on behalf of the Government, the balance of Rs. 48,425/3 was credited to Government and accounted for in 1946-47. Since then there have been no further developments.

Acquisition of Frustrated Cargo

The scheme comprised requisitioning, acquisition and issue of stores which were originally consigned to Burma and other Far Eastern countries, but were diverted to Indian ports due to the exigencies of the war. The cargo thus landed included commercial goods as well as goods intended for governments of those countries. The decision to acquire these stores was taken at the instance of the late Secretary of State for India with the intention to utilise them, as far as possible, for Defence Services' requirements.

Gross expenditure.—Total expenditure recorded upto 31-2-1949 was Rs. 2,88,55,733 and during the six months ending 30-9-1949 another Rs. 91,615 have been adjusted thus raising the total to Rs. 2,89,47,348.

Total recoveries upto end of September, 1949.—The total amount recovered from the indentors upto the 30-9-1949 is Rs. 3,30,94,883.

As would be observed from the figures given above, the recoveries effected are in excess of the expenditure incurred. This is because recoveries in most cases have already been made whereas compensation has not yet been paid in several cases as no claimants have come forward so far.

The work relating to the requisition, acquisition, and issue of stores landed as frustrated cargo was completed long ago and most of the payment of compensation and recovery work is also over. The work at present in hand is with regard to effecting recovery in the outstanding cases, which are not many, and payment of compensation in cases where claims are being received. The scheme is at its final stage. It is expected that the work will be completed either by the close of the current year or at the most by the middle of the next year.

The scheme has not so far shown any loss to Government rather there are excess recoveries of Rs. 41,47,535 over the expenditure. It is unlikely that the scheme may show any loss till it is finalised.

Purchase of Rubber

The scheme has been closed with effect from 1-4-1946.

	Rs.
Gross expenditure upto end of September, 1949	11,83,93,196
Total Recoveries upto end of September, 1949	12,33,74,628

No further large scale recoveries are anticipated. The profit on the scheme works out to Rs. 49,81,732.

Purchase of Machine Tools

Although this scheme has been closed, action in regard to the disposal and the recovery of the cost in respect of the following items has still to be finalised :—

(1) 31 Machines valued at Rs. 9 lakhs which were indented for the Machine Tool Controller from U. K. are expected to be received in 1950

(2) 17 machines and 54 spares valued at Rs. 4,57,000 which are held in stock for distribution to indentors.

(3) 10 machines valued at Rs. 1,83,000 declared surplus and reported to D.G., Disposals.

(4) 18 machines and 4 chucks and accessories valued at Rs. 3,57,000 intended for consignees in Indian Dominion are lying at Karachi.

It is not possible to give any precise date by which recoveries in respect of all the above items will be completed.

	Rs.
Gross expenditure	9,20,76,359
Total recoveries	9,59,18,296

So far the scheme shows a profit of Rs. 38,41,937, but what the final position will be after the disposal of the outstanding item cannot be said at present.

It has been decided that the machines lying at Karachi for the North-Western Railway consignees will be despatched to them and full value recovered through debt settlement. Necessary instructions have accordingly been issued for their despatch to the respective consignees. It has also been decided that 2 machines valued at Rs. 65,700 declared surplus and lying at Karachi should be handed over to the Disposals Organisations, Pakistan Government and full value recovered through debt settlement.

At the time of partition 18 machines and 4 chucks and accessories valued at Rs. 3,57,000 intended for consignee in the Dominion of India were lying at Karachi. All possible steps are being taken to expedite their despatch to India.

Purchase of Wattle Bark

The reserve of wattle bark which was built up during the war has been liquidated.

	Rs.
Gross expenditure	47,85,155
Total recoveries	45,54,355

It will appear that the Government will incur a net loss to the extent of Rs. 2,30,800, but this loss has been covered by the import duty on wattle bark. The possibility of loss in liquidating the reserve was anticipated at the time of the creation of the Reserve and 3% *ad valorem* import duty was imposed on wattle bark to build up the necessary fund to cover possible losses. The duty was removed in September, 1945 after collecting 8.4 lakhs.

Scheme for Purchase and Distribution of Cloth

This scheme consists of two parts (1) Standard cloth to manufacture and provide cheap cloth especially to lower income group and (2) Imported cloth—to import cloth to meet the shortage of cloth, under this part of the scheme the following schemes were run :—

1. Hydari Mission goods.
2. Import and sale of Japanese cloth.
3. Import of Raw silk and Silk yarn from Japan.
4. Supply of cloth and yarn to Pakistan.

The present position of these schemes is as follows :—

1. *Standard cloth*

Gross expenditure	Rs. 61,99,26,916.
Total Recoveries upto end of September 1949	This entire expenditure has been recovered except a sum of Rs. 5,89,125.

The balance is expected to be recovered by 31-3-1950.

The Scheme was discontinued from 31st January, 1946.

No loss was sustained by the Centre. Most of the Provinces incurred net losses in working the scheme. When it was known that Provinces were likely to incur loss in working the scheme, it was decided to open an Equalisation Fund, the credits to which were made up by charging to Provinces for standard cloth supplied certain flat rates, which were slightly higher than the purchase rates.

The losses sustained by the Provinces were reimbursed from out of the credit in the Equalisation Fund, and in respect of those Provinces which had a credit in the Equalisation Fund higher than the loss sustained by them, their full credit was transferred to them. Partitioned Provinces like Bengal and Punjab were paid only a certain percentage of the total dues. The stamping fee collections on standard cloth was also credited to the Centre.

The result of these transactions is a net credit of a sum of Rs. 100·85 lakhs to the Capital Head.

2. *Imported cloth.*

(a) *Imported cloth as a result of Hydari Mission to U.K.*

Gross Expenditure— Rs. 50,95,383.

Total recoveries upto the end of Sept. 1949 —Rs. 52,45,069.

The scheme was closed during the financial year 1946-47, but certain claims in respect of shortage, damage and wharfage charges were to be adjusted by D.A.G., I. & S. Bombay, in their final accounts. Out of the entire transaction, the Government has profited to the extent of about Rs. 1,49,600.

(b) *Import and sale of Japanese cloth.*

Gross Expenditure —Rs.6,00,22,720.

Total Recoveries upto the end of September 1949—Rs. 3,93,69,946.

Recovery of the value of the entire balance quantity is likely to be completed by the end of the current financial year.

The scheme has been closed.

It is too early to say what the financial effect of the scheme will be from the present point of view of a regular trading proposition. Initial sales were made at a handsome profit to the Government, but due to the progressive reduction in prices of comparable material produced locally and with the constant scaling down of SCAP selling rates of the same quantities, sales had subsequently to be effected at uneconomic rates. Judging from the present price trends it is probable that we may close the scheme with a net loss to Government of round about of Rs. 50,00,000.

(c) *Import of Raw Silk and Silk Yarn.*

Gross Expenditure—Rs. 1,99,15,136.

A refund of about Rs. 10,96,624 is due from the Collector of Customs. If this is granted the Gross expenditure will be reduced by this sum.

Total recoveries upto end of September, 1949.—Rs. 2,35,93,456.

The entire consignment has been disposed of. Only a few adjustments have yet to be made.

The scheme yielded a profit of Rs. 36,78,319. This profit would be increased by Rs. 10,96,624 if the refund indicated above is granted, and decreased by the expenses incurred in advertisement.

A part of the consignment was advertised through the Advertising Consultant, Simla. The charges for advertisement are not known and have not been included in the gross expenditure.

(d) *Supply of cloth and yarn to Pakistan under the Inter Dominion agreement of 1948-49.*

The gross expenditure incurred on the above scheme up to the end of September 1949 according to the books of the Textile Commissioner, Bombay, is Rs. 2,18,71,227. Against this expenditure a sum of Rs. 2,45,26,452 has been recovered from Pakistan indentors. Though the Inter-Dominion Agreement lapsed on 31st August 1949, certain items of work still await completion like payment of bills preferred by certain mills and clearing agents and disposing of certain stocks which have already been acquired but not lifted by Pakistan. A further expenditure of Rs. 34,89,000 is, therefore, likely to be incurred during the current year and against this a recovery of Rs. 29,79,000 is likely to be effected.

2. The scheme has been on the whole profitable and a net profit of over Rs. 20 lakhs is expected to be realised.

Purchase of Reserve Stores.

(1) *Late D.G.M.P. Portion.—*

Gross Expenditure upto 31-7-1949 —Rs. 32,74,00,000.

Total recoveries upto 31-7-1949—Rs. 35,33,00,000.

The value of stock in hand on 31-7-1949 was Rs. 6,50,00,000. So far as decontrolled stores i.e., Stores other than pipes, Tubes, Fittings and tins are concerned, these have already been declared surplus and reported to D.G. (Disposals) for disposal. But it is not possible to say when they will be liquidated by D.G. Disposals. Recoveries in respect of controlled stores is in progress. It may be noted that Pipes, Tubes and Fittings are still being imported by debit to the head 'Import of Steel'. Tin to the value of Rs. 1½ crores will be imported during the current financial year. It would thus appear that recoveries in respect of controlled items will continue.

Except for decontrolled stores the scheme is still continuing.

The scheme was profitable.

The question of discontinuing Trading in Tin by Government is under the consideration of the Ministry of Industry and Supply.

(2) *D.G.S. Portion.*

(a) *Chemicals.*

Gross Expenditure upto 30-9-1949—Rs.2,71,52,940.
Total recoveries upto 30-9-1949—Rs.3,17,69,546.

A sum of approximately Rs. 23,850 due from Government Agents is expected to be recovered within the current financial year.

The scheme has been closed.

The scheme was profitable. Losses were to the value of approximately Rs. 4,68,600 on some chemicals due to shortage, defective packing, repacking, leakage and evaporation, etc.,

Instruments and Appliances.—

Gross Expenditure upto July, 1949—Rs.10,97,699.
Total Recoveries upto July, 1949—Rs.10,64,948.

The entire surplus stock of raw materials has been reported to D.G. (Disposals) long ago.

The scheme is already in the process of liquidation. Stock of the approximate book value of Rs. 1,15,329 is still lying at Depots undisposed of.

The scheme was profitable.

Sawmill Machinery and Tools.—

Gross Expenditure upto end of September, 1949—Rs. 52,23,162.
Total recoveries upto end of September, 1949—Rs. 65,24,937.

The balance stock of the value of Rs. 3,56,400 which has been declared surplus is expected to be finally disposed of, by the end of this year, by the D.G. (Disposals).

The scheme has been closed.

The scheme was profitable. The total profit to date, amounts to Rs. 13,01,775 plus the value of the residual stock to be obtained from its disposal.

SISAL HEMP

Gross Expenditure.—Rs. 1,69,48,350 approx.
Total Recoveries—Rs. 1,79,32,364 do.

No recoveries in respect of issues made are pending.

The scheme has been closed.

The scheme was profitable (Rs. 9,84,014).

Expenditure on certain claims for customs duty which are in the process of assessment by customs authorities, is yet to be incurred by the Government. The question of Government's claim for compensation in respect of damage sisal EX-N.V. LUXMI is still pending with the Average Adjustors in London who are awaiting confirmation of various figures put forward for loss and damage, from their agents.

RADIO AND SPARES

Gross Expenditure—Rs. 50,00,000.
Total Recoveries—Rs. 49,93,772.

There is only a balance of 19 sets in stock to the value of Rs. 3,125. It is expected that these sets will be disposed of within this financial year.

The scheme has been closed.

The idea of importing of radio sets was not inspired with any profit motive. It was a part of allied war propaganda and as such America was persuaded to widen the basis of L/L operation to include this scheme also. There was apparently no loss involved as the sets were distributed on prepayment basis at controlled rates which naturally included all the elements that go up to make up the cost of each unit landed in India at different periods during the war. As far as it is seen from the records 17 sets to the value of Rs. 3,103 have been short landed and the said amount has also been accounted for through the issue of write off sanction.

Scheme for the production and supply of coal.—

This scheme originally comprised three different projects *viz.*, Open Cut Coal Mining, Ponri Hill Colliery and Baluchistan Scheme. An additional project Power Station at Jharia Coal Fields was also started towards the close of 1945.

A. Open Cut Coal Mining.—Early in 1944, it became evident that rapid improvement in coal raisings could not be secured by augmenting the labour force in the coalfields, by imported unskilled labour or by following orthodox methods of underground mining. It was therefore decided to adopt mechanical methods of open cut mining successfully introduced in the United Kingdom and United States of America and to obtain machineries for the purpose from U.K. & U.S.A. on Government account. A sum of Rs. 3,24,25,333 was sanctioned for the purchase, repairs, processing and boxing of equipments including spares from U.S.A. upto March 1946, Rs. 1,20,44,333 being for 1944-45 and Rs. 2,03,81,000 for 1945-46. The expenditure incurred through India Supply Mission amounted to Rs. 97,01,000 for 1944-45 and Rs. 56,58,443 for 1945-46.

The machineries purchased from U.S.A. were cleared to the coalfields on arrival in India and erected under the expert supervision of a U.S.A. firm with whom an agreement had been concluded for this purpose. The operations of the scheme were carried out by Directorate of Open Cut Coal Mining with the assistance of Military operators and units with equipment upto end of October 1945. Upto end of December 1945, D.O.C.C.M. handled the stores. Since January 1946, the project was placed under the supervision of a U.K. firm *viz.*, Sir Lindsay Parkinson and Co., Ltd., who worked as Government Agent upto 31st March 1946.

An agreement was concluded with Messrs. Sir Lindsay Parkinson and Co., Ltd. whereby they took up the O.C.M. operations as a private company for two years with effect from 1-4-46. It was also decided that necessary adjustments for the cost of machineries stores, etc. handed over to S.L.P. would be made during the year 1946-47 and 1947-48.

The two years contract with S.L.P. & Co., Ltd. which commenced from the 1st April 1946—after the departmental working had been given up—terminated on 31-3-1948. It was considered unsatisfactory both for Government and the Company to continue on the basis of short termed contract like the one which expired on the date mentioned above. Moreover, strip mining and overburden has a long future at the two Government collieries at Bokaro and Kargali. This apart, excavation through strip mining will be very useful in the proposed large scale river valley developments schemes and also for the excavation of gypsum for the Sindri Fertilizer Factory and for the production of coal required for the manufacture of synthetic oil. For those reasons Government decided to form a Company in which they and S.L.P. and Co., Ltd. of the U.K. will be the only shareholders. In the initial period there will be 7 Directors—4 representing the Firm and 3 Government. At any time after the 31st December 1950 Government or their partners M/s. Sir Lindsay Parkinson and Co., will have the option on giving 3 months notice in writing to require that Government will buy up the whole of the Companies' shares.

On this option being exercised Government will be free to decide whether any of the Company nominees should be elected to continue to serve on the Board of Directors.

Sir Lindsay Parkinson & Co., Ltd., will be appointed General Managers of the new Company for a period of ten years, subject to their right to resign at any time on 12 months' notice and the right of Government to terminate the management on 12 months' notice at any time after first six years.

The initial issue capital of the Co., is Rs. 45 lakhs, of which Government have subscribed Rs. 22 lakhs and the Co., Rs. 23 lakhs; Government will, in addition, advance upto Rs. 15 lakhs according to the Company's requirements as a loan secured by the hypothecation of goods. The total expenditure on the part of Government will thus stand at Rs. 37 lakhs.

The following are figures of expenditure and recoveries booked during the years 1944-45 1945-46, 1946-47, 1947-48, 1948-49 and 1949-50 (September 1949).

	Expenditure	Recoveries
	Rs.	Rs.
1944-45	1,02,32,104	(—) 4,569
1945-46	1,29,64,546	(—) 17,69,453
1946-47	1,08,80,636	(—) 71,02,725
1947-48 Pre-partition	13,86,020	(—) 8,96,189
Post do.	8,069	(—) 9,61,895
1948-49	1,15,378	(—) 6,84,620
1949-50 (Sept. 1949).	11,317	(—) 56,678
C. G. Suspense	3,23,057	(—) 6,44,759
Total	3,59,19,127	(—) 1,21,20,888

The expenditure incurred during 1944-45 and 1945-46 was mainly of capital nature. About 546 residential quarters and 35 godowns and repairs shops were constructed under this scheme during 1944-45 and 1945-46. The quarters were allotted to labourers and ministerial staff who were entitled to rent free accommodation.

Following amounts as on 31-3-48 were due from M/s. Sir Lindsay Parkinson and Co., Ltd. which pertain to the old contract :—

	Rs.	As.	Ps
1. Rent for office accommodation, etc., at Calcutta for February and March 1948	384	0	0
2. Rent for furniture hired out to the firm for February and March 1948	2,560	0	0
3. India Supply Mission Stores	2,13,856	7	0
4. Hire of plant and equipment for February and March 1948	3,25,000	0	0
5. Cost of D.O.C.C.M. stock of P.O.L. and explosives taken over by the firm	14,100	0	0
6. Cost of seven Euclid Dump Trucks taken over by the firm	4,44,276	0	0
7. Cost of consumable stores other than P.O.L. and explosives taken over by the firm on 1-4-1946	1,00,000	0	0
8. Cost of tools and stores indented from U.S.A. taken over by the firm	1,44,084	0	0
9. Advances made to the firm during the period from January 1946 to May 1946 for payment of salaries etc. less the amount of paid vouchers for the same period	2,62,347	0	0
10. Grainshop cash balance and value of stocks as on 31-5-1946	27,073	9	0
11. Cost of drilling holes at Standard Colliery	12,464	6	3
12. Amount deposited with Treasury Officer, Dhanbad, for license of D.O.C.C.M. Lorries utilised after 1-4-1946	22,877	0	0
13. Sundry recoveries	2,015	1	0
14. Bihar Government debits pertaining to the cost of police guards at the D.O.C.C.M. magazine at Bermo for 1946-47	4,600	0	0
15. Hire Charges for immovable Government properties at the market collieries	50,000	0	0
16. Rent for Sunday Bazar Quarters, land occupied by Canteen, etc,	50,000	0	0
17. Value of the plant and equipment to be recovered from the firm	1,00,000	0	0
18. Cost of India Supply Mission Stores supplied since 1-7-1946	87,395	0	0
	18,63,032	7	3

The amounts shown against items 1 to 4 above have been recovered in May, 1948.

Government hold a surety from the Lloyds Bank—the firm's bankers—to the extent of Rs. 9 lakhs against the dues mentioned above. In addition a sum of Rs. 5,32,556 is due to be paid by Government to the firm for the period ending 31-3-48. The net deficit which was at one time estimated at Rs. 210 lakhs will be debited to the Coal Production Fund. The above figures is only a rough estimate and no precise idea about the extent of the deficit can be given pending settlement of the various outstanding issues connected with the scheme.

B—Ponri Hill Colliery.—The New Chirimiri Ponri Hill Colliery was taken over from Sir Maneckji Dadabhoy on a five years' lease with effect from the 1st October, 1944. It was an undeveloped colliery adjacent to the Railway Colliery at Kurasia, offering ideal conditions for rapid development. Under the terms of the Lease Government are required :—

- (i) to equip the colliery with plant and machinery capable of raising 30,000—40,000 tons of coal per month;
- (ii) to sell all coal raised during the currency of the Lease without paying anything to the Lessor; and
- (iii) to return the colliery without any charge on the termination of the Lease, to the Lessor together with all plant and equipment installed for producing 30,000/40,000 tons of coal per month.

No plant and machinery were received and installed during 1944-45 and 1945-46 and the coal raising work proceeded slowly with hand labour. It was only during 1946-47 and 1947-48 that certain items of machinery were received and installed. The cost of the machinery already installed for permanent use or proposed to be installed and the cost of buildings already completed and of those still under construction are given below :—

	Rs.
(a) Machinery already installed for permanent use	4,27,630
(b) Machinery partly received	38,973
(c) Machinery still on order	4,25,000
(d) Buildings already completed	13,47,009
(e) Buildings under construction.	77,032

Due to the late arrival of the plant and machinery it has not so far been possible to achieve the production target. The tonnages of coal raise during the financial years 1946-47, 1947-48 and the months of April—September 1948 are given below :—

1946-47 (from 1-4-1946 to 31-3-1947)	Tons 1,45,537
1947-48 (from 1-4-1947 to 31-3-1948)	Tons 1,75,088
1948-49	Tons 1,30,863

Some improvement in production is expected during 1949-50 when the imported machinery is likely to be fully in position. Full advantage of the machinery will, however, not accrue before 1950-51.

2. On account of the various unforeseen circumstances beyond the control of Government the maximum monthly output from the New Chirimiri Ponri Hill Colliery is about half of the target. This is very disconcerting from Government's point of view since an adequate return on the investment is not expected to accrue till the termination of the present lease. The lease has, therefore, been extended by 12 months with effect from the 1st October, 1949.

Sir Maneckji Dadabhoj has also expressed a desire to give Government the option of taking for a period of 3 years with effect from 1-10-1950; 80% of the output of the colliery at a cost equivalent to -/8/- per ton less than the control price, or Re. 1/- per ton less than the market price, if the present control on coal is withdrawn. This offer infringes the provisions of the Colliery Control Order and the question of accepting it in a modified form (e.g., determination of an approximate amount to be paid to Government in advance every year in consideration of the considerable financial investment made by Government in the Colliery) is under consideration.

3. The total gross expenditure and recoveries during the years 1944-45 to 1949-50 (September 1949) are shown below :—

	Expenditure Re.	Recoveries Rs.
1944-45	66,602	(—) 1,56,738
1945-46	11,07,124	(—) 2,46,836
1946-47	22,21,851	(—) 24,95,106
1947-48 pre-partition	13,06,168	(—) 6,41,540
1947-48 Post partition	10,80,278	(—) 4,87,654
1948-49	17,46,037	(—) 24,08,709
1949-50 (September 1949)	6,10,021	(—) 8,17,189
C.G. Suspense	2,07,581	(—) 3,10,764
Total	83,45,662	(—) 75,64,536

The value of dead stock items of the scheme is Rs. 9,55,069.

From the above figure it would be seen that at the close of the financial year 1948-49, the expenditure will exceed the recoveries but particularly recoveries in 1948-49 will exceed the expenditure by 30% approximately. It is also anticipated that a similar recovery will be made in 1949-50 provided fresh machinery for which provision in the R.E. 1949-50 has been made are not installed during the year. Consequently the recovery may not exceed the total expenditure upto the end of 1949-50 but there is every possibility of reducing the Government's liability by 9 lakhs approximately keeping a difference of 1 lakh approximately in the debit and credit sides of the scheme. It is also hoped that the output of the colliery will increase considerably and it is likely to touch the figure 25,000 tons per month. If, however, output comes to 25,000 tons per month the total recoveries should exceed the total expenditure by the close of 1949-50. Further if Sir Maneckji Dadabhoj's offer mentioned above is availed of by Government, there is likely to be a good saving on the scheme. In any case the profit or loss on the scheme cannot be assessed finally unless the accounts of the scheme are finally closed.

C.—Baluchistan Scheme.

A scheme for the production of coal was launched by the local administration, Baluchistan in 1943-44. It consisted of:—

1. Purchase and sale of coal.
2. Working of Mines departmentally and
3. Manufacture and sale of Briquetts.

The scheme showed a profit to the extent indicated below during the years 1943-44 to 1945-46 :—

	Rs.
1943-44	17,665/15/6
1944-45	19,329/6/3
1945-46	1,88,318/-/7
Total	2,25,313/6/4

A Briquetting Plant was purchased during 1945-46 for the manufacture of Briquetts. It was anticipated that the scheme would entail appreciable profit. * No idea can, however, be given about its present financial position, since it is now the responsibility of the Pakistan Government.

The scheme was under the control of the Government of India upto 14-8-47 and its accounts were operated through the Personal Ledger Account of the Agent to the Governor General Baluchistan opened under the head "87 Capital Outlay etc.," The accounts for the year 1944-45 to 1947-48 (upto 14-8-47) are shown below :—

	Gross recoveries.	Advance	Suspense	Repayment of Advances
1944-45 . . . . .	..	5,87,660	(—) 4,03,014	1,60,798
1945-46 . . . . .	..	1,34,755	..	(—) 3,98,408
1946-47 . . . . .	..	..	..	(—) 2,26,683
1947-48	(—) 861 10 0	..	..	(—) 69,237
	(—) 861 10 0	7,22,415	(—) 4,03,014	(—) 5,33,530

The working of the scheme was under the accounts control of A.G.C.R. till May 1944 and from June 1944 to 14th August, 1947 under the Controller of Coal Accounts. From the 15th August 1947 the scheme is the responsibility of the Pakistan Government.

D.—Central Electricity Commission.

Scheme in respect of package Power Plant procured by the Central Electricity Commission and supplied on hire to M/s. Sijua (Jherriah)—Electric Supply Co., Ltd., for installation at Loyabad—Account head "87—Capital Outlay on Schemes of State Trading, P-Scheme for the production and supply of Coal".

The project, namely, establishment of a power Station at Jherriah Coal Fields, comprises procurement by the Government of 2 Nos. 2000 K.W. Steam power stations from America including purchases in India of certain incidental items and releasing the same on hire to a private electric supply undertaking in the Jherriah coal fields, Messrs. Sijua (Jherriah) Electric Supply Co., Ltd., for the latter to instal and run this station at their own cost. The object of this project is to improve the power position in the coal fields area. There does not appear to be any indication whether the scheme should be a profitable one; but as it was undertaken with a view only to improve the power position it may not probably have been the intention of the Government to derive any profit out of it. The entire transaction is governed by a hire agreement between the Government and the party and this was duly executed in September, 1946.

The Power Station was secured and delivered to the party by June 1946 and has been in commission since September, 1946.

2. It may be seen from the above that the major commitments of the Government relating to this project have been carried out during the pre-partition period and the activities during the post-partition period have been mainly as follows :—

- (a) Recovery of hire charges which are payable by the party in quarterly instalments since the date of commissioning of the power station i.e., 1-9-46.

The hire contract is for a minimum period of 3 years from this date, but the Government is committed to extend the period of hire until equivalent amount of power is available from the coal fields & grid of the Damodar Valley Corporation. It is expected that this power station will remain on hire to the party till about the end of 1950.

- (b) In terms of hire contract, the Government is committed to supply a few additional items of plant such as transformer, switches etc. for efficient use of this power station. Some of these imported items, although ordered during prepartition period, have been received in India during post-partition period and in fact, one or two such items are yet to be received.
- (c) In terms of the hire contract, the Government is liable for replacement free of cost of materials lost or damaged during transit and defective stores.

There have been no losses. One package was however, shortlanded, but the steamer agents have accepted our claim on account of the cost of the same.

3. The up-to-date position of progressive expenditure and recoveries may be summarised as below :—

Prepartition period—(from date of inception of scheme i.e. 4-6-45 to 14-8-47).

Expenditure	=Rs. 19,21,406
Recoveries	=Rs.(—) 1,96,500

Post partition period—(15-8-47 to 31-3-48).

Expenditure	=Rs. 367
Recoveries	=Rs. (—)2,62,000

1948-49

Expenditure	=Rs. 11,895
Recoveries	=Rs. (—)1,96,500

1949-50

Estimated Expenditure	=Rs. 64,700
Recoveries	=Rs. (—) 2,62,000

1950-51 (up-to December '50)

Estimated Expenditure	=Rs. Nil.
Recoveries	=Rs. (—)2,18,838

It may be seen that total liability to Government after taking into account recoveries effected by way of hire charges will amount to Rs. 8,63,035. On the termination of the hire of this plant i.e., about the end of 1950, the liability to Government on the Scheme will stand at Rs. 8,63,035 plus interest on the net capital outlay of the Government on this Scheme. Assuming interest @3½% per annum, interest charges will amount to Rs. 2,34,000 approximately so that the total liability to Government will be about Rs. 10,97,035 (Rs. 8,63,035 plus Rs. 2,34,000). On the other hand, we anticipate that there will be no difficulty in selling the assets at a price of Rs. 12,00,000 and accordingly it may be seen there is likely to be a small profit on the scheme and in any case the possibility of incurring loss is extremely remote.

Scheme for purchase of colliery stores.—

As there was no organisation in the United Kingdom to progress indents from market collieries for essential plant and machinery and to ensure that they were accorded high priority in the manufacture and shipment the Coal Commissioner was charged with the duty of collecting and co-ordinating all demands for such equipment and arranging for assistance in procurement in the U.K. and United States of America. The requirements of Railway and market collieries were consolidated. The value of the indent placed during 1944 and 1945 amounted to Rs. 80 lakhs approximately. A colliery panel officer was appointed till 13-2-48 by Government in the U.K. and attached to the India Office to deal with all Indian Colliery requirements and to act as Liaison Officer between the India Office, various supply organisations and manufacturers. From 5th November 1945, an independent organisation known as India Supply Mission with Mr. P. C. Chaudhuri as its Director, came into being. It took over practically whole of the agency work which was then being done in the Economic and Overseas Department of India Office in connection with supplies to India. The Colliery Panel Officer was attached to this new Organisation.

The Machineries and stores received against the indents placed abroad under the scheme are not stocked by Government but efforts are made to distribute them immediately on arrival to collieries according to demands. Most of the items against bulk indents have already been received and distributed to collieries. Only 9 Haulage Engine worth Rs. 3,14,778 are at present in Government stock at Giridih; arrangements are being made to dispose of them to avoid any loss to Government.

The sale price is fixed by adding to F.O.B. price, ocean freight, the percentages fixed from time to time for High Commissioner's charges, war and Marine Risk Insurances, Custom duty etc. handling and clearing charges at the rate fixed by Government from time to time plus 2½% Departmental charges. It is not anticipated that there will be any dead stock.

Apart from the general arrangements referred to above Government entered into an independent agreement on 27-7-1945 with Hari Prasad Bhowsinga for the supply of colliery machineries and for their erection at his Upper Kajora colliery. The Agreement provides for :—

- (i) The payment by Hari Prasad Bhowsinga of 25% of the estimated cost of Machinery (F.O.R. station of despatch) before its delivery;
- (ii) a further 25% after 12 months of the payment mentioned in (i);
- (iii) another 25% 18 months after the date of first payment; and
- (iv) the balance 25%, 24 months after the date of payment of the 1st instalment.

Under the agreement Hari Prasad Bhowsinga will also pay interest at the rate of 4% per annum on the amounts of advances together with any expenditure on repairs and supplies.

The gross expenditure including expenditure in England booked by Chief Accounts Officer (American Purchases) and recoveries during 1944-45 to 1949-50 (Sept. 1949) are as shown below :—

	Expenditure Rs.	Recoveries Rs.
1944-45	25,013	(—) 2,88,971
1945-46	44,14,363	(—) 37,97,083
1946-47	16,59,104	(—) 22,08,704
1947-48 Pre-partition (Supply II Batch)	6,83,787	(—) 4,70,751
(Supply III Batch)	1,015	(—) 96,972
Central Government Suspense	2,04,499	(—) 1,67,179
1947-48 Post-partition	42,503	(—) 3,561
1948-49	76,690	(—) 94,613
1949-50 (September, 1949)	20,962	(+) 29,893
Total	71,57,936	(—) 70,97,941

Debits for considerable quantity of stores obtained have not been received from the U.K. during 1945-46 and 1947-48. It is anticipated that there will be some profit under the scheme provided the Haulage engines referred to above are disposed of.

Purchase of Woolen Goods

	Rs.
Gross Expenditure	8,25,35,280
Total Recoveries	Rs. 10,01,61,259

Against an estimated balance recovery of Rs. 2,59,494 an adjustment of further Rs. 1,83,515 is still to be made on the expenditure side.

The Scheme was closed on 31-12-1946.

When the transactions are all completed, there will be a profit on this scheme.

COST OF CONSUMER GOODS IMPORTED ON GOVERNMENT ACCOUNT

In view of the acute supply position of consumer goods in the country and the difficulties in their procurement from overseas countries during the last war through regular trade channels, the Government of India arranged for import on Government Account of certain consumer goods.

- (a) Medical stores.
- (b) Grocery stores purchased through the Canteen Stores Department.
- (c) Other Consumer Goods.

2. The late Controller General of Civil Supplies whose office was abolished with effect from 31st December, 1945, arranged for distribution of these consumer goods and in order to meet expenses connected with the scheme, he was authorised in September, 1944, to open a personal ledger account with an initial capital of Rs. 5 lakhs. The personal ledger account was, however, closed in June, 1946; and thereafter the expenditure is being met by drawing the required amounts through contingent bills. There have been no imports of these goods after 1946-47 and the scheme is practically closed. There is, however, some balance of stock of Medical and Grocery stores and these are being disposed of.

3. *Medical stores.*—These consisted of drugs, chemicals and biologicals and were received mostly from U. S. A. under lease-lend. A few items were also obtained by cash purchases from United Kingdom and U. S. A. The goods were stored by Government in hired godowns and distributed to the public through trade channels. Certain items were issued to Provincial Government Institutions and railway hospitals, while a few drugs, which were in excess of the civil demand, were issued to the Defence Department. During the year 1945-46 the distribution of drugs suffered for a time owing to the ban on sale of Lease-Lend goods. Subsequently, on the removal of the embargo, tenders were invited in June, 1946, and some items were disposed of. Arrangements were made to dispose of the remaining items (in respect of which offers were considered low and rejected) through the Directorate General of Disposals, New Delhi. During the post-partition period of 1947-48, the stores were removed from hired godown to Government godown and the disposal of the stores is being effected by the Directorate General of Disposals, New Delhi, and Regional Commissioner (Disposals), Bombay. The book value of the closing stock as on 31-3-1949 was Rs. 4,27,208 while the book value of the stock as on date is Rs. 3,87,230. The present stock comprises 15 items.

4. *Grocery stores.*—These were supplied from January, 1945, by Canteen Stores Department to the various grocery shops established by the Central and Provincial Governments on the basis of indents submitted through the late Controller General of Civil Supplies. The Controller General of Civil Supplies did not handle the stores himself but made payment to Canteen Stores Department for the stores supplied and recovered the cost plus certain departmental charges thereon, from the grocery shops concerned. There is still some balance of stock which is held by the Canteen Stores Department (in liquidation) on our behalf. Exact book value of the material is not known. The arrangement for disposal is that the balance of stocks should be disposed of by the C. S. D. directly on the profit. Sharing basis in view of the storage and other facilities provided by them; profits being shared in equal proportions while losses are to be completely borne by this Ministry. The accounts relating to these stores are locally audited by the Accountant General, Bombay.

5. *Other Consumer Goods.*—Purchases of certain consumer goods, which were in short supply, such as Oil Lamps, Hurricane Lanterns, Buckles, Handsaws, Tooth Brushes, etc., and Thermos Flasks were arranged by India Supply Mission. These goods, excepting the Thermos Flasks, were received in India between June and December, 1944, and emergency measures had to be adopted for their clearance and storage. These goods were distributed to the public through trade channels and authorised distributors and there is no balance stocks on hand.

6. The trading results upto the end of 31-3-1949 disclose an accumulated loss of Rs. 31,58,262. As against this there is a reserve of Rs. 9,38,835. During the current year (1949-50) further losses on disposals of grocery stores and medical stores have occurred, amounting to about Rs. 2,29,560. The losses on medical stores, consumer goods etc., have been mainly due to certain items having to be sold at prevailing market rates which were lower than the cost price. Shortages and breakages also occurred in some items.

7. The figures of progressive expenditure and receipts from inception to date are as below :

	Rs.
Gross Expenditure	1,74,46,732
Deduct Receipts and Recoveries on Capital Account	1,54,45,603

8. Final debits for several items of "Medical Stores" and customs duty on "Other Consumer Goods" have yet to be received and adjusted in the accounts. So also credit for several amounts paid by various parties into the treasuries in respect of sale amounts are yet to be received by the A. G., Bombay. The matter is being pursued with the authorities concerned.

LEASE/LEND SHUTTLES IMPORTED FROM U. S. A.

	Rs.
Total expenditure	11,37,833
Recoveries	13,75,725

The scheme has been closed. It was profitable to the extent of approximately Rs. 2,37,892.

Salicylic Acid.

	Rs.
Expenditure	2,260
Recoveries	2,500

No stocks are now held and the scheme has been closed. It was profitable to the extent of Rs. 240.

PURCHASE OF PAPER

The scheme for the purchase of paper falls under three categories.

1. *Newsprint*

	Rs.
Gross Expenditure	13,34,793
Total Recoveries	15,48,075

The Scheme has been closed. There is no balance to be recovered. The Scheme was profitable. The profit will amount to about Rs. 2,11,264. There is only one small payment of about Rs. 2,018 which is still due to be made to the Stockists. The action to finalize this payment is in progress. Thereafter the accounts of the scheme will be closed.

2. *Paper Imported on Government account*

	Rs.
Gross expenditure	57,84,086
Total Recoveries	62,22,431

Only 300 tons of paper now remains unsold out of the total quantity imported. The delay in liquidating the stocks is due to costly variety of paper and its unusual sizes. Large imports of paper under O.G.L. were also partly responsible for the delay. Steps are being taken to dispose of the balance by the close of the financial year.

The present trend of figures indicate that the scheme will result in profit to Government.

3. *Imported paper stocked by Supply Departments*

	Rs.
Gross Expenditure	1,57,90,000
Total recoveries upto end of September, 1949	1,35,29,993

The balance is expected to be recovered by 31st March, 1950.

The scheme has been discontinued and the accounts are in the process of finalization.

As some quantity of paper is still to be accounted for, it is not possible to state at this stage whether the scheme as a whole would result in profit or loss.

Statement showing gross expenditure and total recoveries in respect of the Capital Outlay on Scheme of State Trading

Scheme	Gross Expenditure	Total Recoveries
	Rs.	Rs. (—)
1. Scheme for Reserve stock of coal	51,50,087	44,24,564
2. Acquisition of Frustrated Cargoes	2,89,47,348	3,30,94,883
3. Purchase of Alumina	1,18,823	48,425
4. „ of Rubber	11,83,93,196	12,33,74,928
5. „ of Machine Tools	9,20,76,359	9,59,18,296
*6. „ of Wattle Bark	47,85,155	45,54,355
7. <i>Scheme for Purchase and distribution of cloth.</i>		
1. Standard Cloth	61,99,26,916	61,93,37,791
2. Hydari Mission Scheme	50,95,383	52,45,069
3. Japanese Cloth	6,00,22,720	3,93,69,946
4. Japanese raw silk and silk yarn	1,99,15,136	2,35,93,456
5. Supply of cloth and yarn to Pakistan	2,18,71,227	2,45,26,452
Total for the Scheme	72,68,31,382	71,20,72,714
8. <i>Purchase of Reserve Stores.</i>		
1. Late D.G.M.P. items	32,74,00,000	35,33,00,000
2. D. G. I.&S. Items.—2 Chemicals.	2,71,52,940	3,17,69,546
3. Instruments and Appliances	10,97,699	10,64,948
4. Saw Mill Machinery and Tools	52,23,162	65,24,937
5. Sisal Hemp	1,69,48,350	1,79,32,364
6. Radio Sets and spares	50,00,000	49,93,772
Total for the Scheme	38,28,22,151	41,55,85,567

*Loss of Rs. 2,30,800 met from import duty

	Gross Expenditure	Total Recoveries
	Rs.	(—) Rs.
9. <i>Production and Supply of coal.</i>		
1. Open Cut Coal Mining	3,59,19,127	1,21,20,888
2. Ponri Hill Colliery	83,45,662	75,64,536
3. Central Electric Commission	19,98,368	11,35,838
Total for the Scheme	4,62,63,157	2,08,21,262
10. Purchase of Colliery Stores	71,57,936	70,97,941
11. „ of Woolen Goods	8,25,35,280	10,01,61,259
12. „ of Consumer Goods	1,74,46,732	1,54,45,603
Shuttles from U.S.A.	11,37,833	13,75,725
Salicylic Acid	2,260	2,500
Total for the Scheme	1,85,86,825	1,68,23,828
13. <i>Purchase of Paper</i>		
1. Newsprint	13,34,793	15,48,075
2. Paper Imported on behalf of Government	57,84,086	62,33,431
3. Imported paper stocked by Supply Department	1,57,90,000	1,35,29,993
Total for the Scheme	2,29,08,879	2,13,11,499
Grand Total	1,53,65,76,578	1,55,52,89,521
Excess recoveries over Expenditure	1,87,12,943	

APPENDIX V

MINISTRY OF FOOD

Capital Outlay on Scheme connected with War

The State Trading Scheme for the purchase of imported foodgrains is a continuing one and is constantly under review. A detailed proforma account for the period ending 14th August, 1947 has already been sent to the Deputy Accountant General (Food and Relief) New Delhi. The review for the period ending March, 1948, is almost ready, while that for the period ending March 1949, will be ready in about 2 months.

APPENDIX VI

MINISTRY OF HEALTH

*Review of State Trading Schemes**Cinchona Cultivation:*

Further planting under the scheme was stopped in 1946. The present current expenditure is for the maintenance of the Government of India share of the plantation by the Madras Government. The Principal Quinine Officer had suggested that the best course was to allow the Government of India plants to remain on ground for 5 years when they should be up-rooted and processed for quinine when adequate returns may be expected to cover the expenditure incurred. If this is done the scheme can finally be closed only in 1951-52. The Madras Government has now stated that a better alternative would be for the plants to be processed only after eight years in the normal manner. The Principal Quinine Officer is being sent down to the plantations to investigate the matter on the spot and make his final recommendations. It is also being considered whether the Madras Government should not be asked to take over the plantations on payment to the Government of India of a sum equivalent to the expenditure so far incurred on the scheme or on any other reasonable basis.

Medical Stores Depots:

As suggested by the Committee, the overhead charges of the Medical Store Depots have been reviewed with a view to their reduction. Two statements are attached:—

(1) showing the final grants under the detailed head for the year 1945-46 to 1948-49; and

(2) the staff sanctioned during the war and continued till 31st March 1948 and the staff retained after retrenching a number of posts in 1948.

It will be seen from the statement of final grants that there has been a progressive decrease in the annual provision for expenditure under certain heads, there has also been considerable reduction in staff. It is not possible to reduce the staff further without impairing efficiency. The reduction in expenditure would have been more marked if the scales of pay and rates of dearness allowance had not been improved as a result of the implementation of the recommendations of the Central Pay Commission.

Final Grants under the head " 87—Capital Outlay on Schemes of State-Trading—Medical Stores Depot and Factories

DEPOT	1945—46	1946—47	1947—48	1948—49
	Rs.	Rs.	Rs.	Rs.
1. Pay of Officers	1,72,900	1,69,500	1,06,150	1,13,900
2. Pay of Establishment	7,84,200	9,54,700	7,45,050	7,85,500
3. Allowances Honoraria	4,47,130	5,38,600	5,61,350	6,40,700
4. Incidental and Misc. Expenses	57,110	58,250	62,880	74,910
5. Transportation	7,90,000	6,77,000	6,33,100	5,61,000
6. Expenditure on Buildings	1,92,430	2,11,050	2,82,420	1,39,200
7. Total—Depots	24,43,770	26,09,100	23,90,950	23,15,210
FACTORIES				
8. Pay of Officers	23,160	11,800	8,310	19,000
9. Pay of Establishment	2,97,400	1,85,300	1,26,400	1,17,100
10. Allowances Honoraria	2,26,340	1,62,800	99,400	1,07,360
11. Incidental and Misc. Expenses	11,200	7,800	6,870	6,970
12. Expenditure on Buildings	51,410	33,600	22,440	20,000
13. Total Factories	6,09,510	4,01,300	2,63,420	2,70,430
14. Grand total Depots and Factories	30,53,280	30,10,400	26,54,370	25,85,640

APPENDIX VII

GOVERNMENT OF INDIA

MINISTRY OF AGRICULTURE.

SUBJECT :—*Report on the scheme "Purchase of Agriculture and Dairy Machinery" under Capital Outlay on Schemes of State Trading.*

In 1944-45 various Provincial and State Governments wanted to place orders for tractors and connected implements for use in the food production work. As there were heavy restrictions on exports in the manufacturing countries, it was felt that matters would be considerably facilitated if the Government of India arranged procurement in respect of the requirements of all the Provincial and State Governments. Provincial and State Governments were accordingly asked to intimate their requirements and a consolidated indent for 487 tractors and allied equipment covering all the requirements was placed on the D. G. I. & S. for issuing necessary instructions to the Purchasing Missions in U. S. A. and U.K. The Provincial and State Governments had accepted full financial liability in respect of the stores ordered by them.

Although all the machinery was expected to be received by the end of 1947, the manufacturers could not accept the orders in full due to their previous commitments to other countries and also due to the limited quantity allowed for export. Out of the total quantity ordered against this scheme, 432 tractors and all implements have been received and distributed to the indentors, orders for 30 tractors have been cancelled due to unsatisfactory supply prospects and also due to the prescribed model not being available, and the remaining 25 tractors are expected to be received before the end of the current financial year (1950-51). It is expected that all the adjustments in connection with this scheme will be completed by the end of 1950-51. The delay in adjustments is due to delay in receipt of debit vouchers from the purchasing Missions and also the fact that there is delay on the part of the Provincial and State Governments in acknowledging the machinery, in time.

A statement showing figures of expenditure and receipts from the beginning of the scheme, up to close of 1948-49 is attached for information.

Statement showing figures of expenditure and receipts on the scheme "Purchase of Agricultural and Dairy Machinery" from 1945-46 to 1948-49

Year	Expenditure By purchase	By Commission to agents	Receipts recoveries from Provincial Governments	by Remarks
	Rs.	Rs.	Rs.	
1945-46	14,32,301	1,04,493	17,23,082	
1946-47	7,38,445	..	1,70,569	
1947-48	38,83,563	2,10,532	42,75,653	
1948-49	22,98,827	6,49,268	35,02,297	
TOTAL	83,53,136	9,64,293	96,71,601	
			Rs.	
Total recoveries			96,71,601	
Plus value of balance of stock on 31-3-49			4,35,395	
		TOTAL	1,01,06,996	
Total expenditure			93,17,429	
Total gain on account of transactions upto 31-3-1949			7,89,567	

Note.—The figures of expenditure given above do not include incidental charges such as interest on capital, pay and allowances, etc. of the staff employed by Government on the work of procurement and distribution of machinery. If this factor is taken into consideration it can be assumed that the scheme is working on no-profit no-loss basis.

APPENDIX VIII

MINISTRY OF AGRICULTURE

The scheme for the purchase and distribution of fertilisers has been in operation since the financial year 1944-45. The main object of the State Trading Scheme is to provide fertilisers mainly for agricultural purposes in adequate quantities and arrange its equitable distributions among various parts of the country at reasonable price to help the Provinces and States in increasing food production. Since indigenous production has not been equal to demand which is gradually increasing, Government has to arrange for imports from abroad, procure available indigenous production of fertilisers and pool the stocks for planned distribution at the price fixed on "no loss no profits" basis. Towards the close of the financial year 1948-49, the scope of the scheme was further enlarged by the purchase of local production of superphosphate by the Government of India at the prices fixed by Tariff Board and their allocation to Provinces and States at an uniform pool price (which is Rs. 227 per ton *f.o.r.* at present).

It need not be emphasised that the efforts which the Central Government is making to make India self-sufficient in respect of foodgrains by 1950-51 and the accelerated food production drive launched with this end in view cannot succeed without adequate supply of materials essential for increasing food crops. Fertilisers being an important material for this purpose, would be made available to provinces and others at a price within the reach of the average cultivator. Imports of nitrogenous fertilisers will be necessary so long as there is a wide gap between the demand and local output, and if the fertilisers are to be supplied at a reasonable price without the profit motive, they will have to be imported on Government account. This will not be possible if import of fertilisers is left to private trade.

In the circumstances explained it is not possible to close the scheme during 1949-50 and the next financial year.

The Government Fertiliser Project at Sindri designed to produce 3,50,000 tons of Sulphate of Ammonia per year, has not yet started production. The question of continuing the Nitrogenous fertiliser Pool when the Sindri production of Sulphate of Ammonia is available will be examined in due course.

APPENDIX IX

MINISTRY OF HOME AFFAIRS

Capital Outlay on Schemes of State Trading, Supply of Consumer and other Stores in

the ANDAMANS

Under the above scheme the Government of India arrange food supplies to the Andaman Administration. The Andamans and Nicobar Islands depend for their food requirements on imports from the mainland of India. In 1945, when plans were being prepared for the re-occupation of the Islands it was agreed that the pre-war arrangements whereby, the Army supplied food stuffs to Port Blair would be reintroduced as a temporary measure. The Defence Department (now Ministry of Defence) undertook the supply of R.I.A.S.C. articles to the Andamans Administration from August 1945 to July 1946, in the first instance. In undertaking the supply of R.I.A.S.C. articles to the Andamans Administration, the War Department agreed to supply (i) Centrally purchased articles and (ii) locally purchased articles. Centrally purchased articles include staple foodstuffs and such other essential articles as do not perish rapidly *e.g.* *atta, rice, dals, and salt.* Locally purchased articles cover such foodstuffs as do not keep for long or such articles as may be purchased if and when required *e.g.* *eggs, fresh vegetables, fruits, and charcoal.* They also agreed to charge the rates given in column 5 of the Stock Book Rate List—"Rates adopted at basis of claims from overseas indentors etc. etc." the requirements of the Andamans Administration were supplied by the Military authorities on an Indent being placed by the Supply Officer, Port Blair.

2. On a representation being made by the Home Department (now Ministry of Home Affairs) in 1946, the Ministry of Defence extended the arrangements for supply of foodstuffs to the Andamans upto 31st December, 1947. They however, extended the rates which were being charged by them for the supplies *i.e.*, rates given in column 5 of the Stock Book Rate List only upto 31st March, 1947. They informed the Ministry of Home Affairs that recoveries from the 1st April 1947 till the 31st December, 1947, would be made at Payment Issue Rates.

3. The question of setting up machinery which could deal with the supply of foodstuffs to the Islands after the cessation of arrangements made with the assistance of the Ministry of Defence was taken up with the Ministry of Food. The Ministry of Food were requested to allocate the foodstuffs required by the Andamans Administration for the year 1948, to appoint a suitable agent to arrange procurement and despatch of commodities to the islands and to insure that foodstuffs intended for the islands were inspected prior to shipment. The Ministry of Food agreed to allocate, with slight variations, the controlled items of foodstuffs required by the Andamans Administration and to make available the services of their inspection staff for checking the quantity and quality of the commodities. The Ministry of Food suggested that the Agents for arrangin

despatch of food stuffs to the islands should be appointed by the Chief Commissioner, Andamans and Nicobar Islands. In accordance with the above arrangements food stuffs allocated by the Ministry of Food to the Andamans Administration are delivered by the Regional Food Commissioner, Calcutta to the Chief Commissioner's representative stationed at Calcutta. The supplies are shipped to Port Blair by the Chief Commissioner's representative through a shipping agency.

4. During the planning stage *i.e.* in 1945, it was agreed that the retail selling prices of food stuffs in the Andamans will be fixed with an addition of 8 1/3 per cent on the cost of R.I.A.S.C. supplies plus 6 1/4 per cent as a retailers profit. In August 1946, the Chief Commissioner, Andamans and Nicobar Islands, reported that the review of the actual expenditure incurred on food stuffs imported into the Islands during the three months ending with July, 1946, showed that the freight and handling charges along with supervision charges and the retailers profit worked out to 28 per cent of the cost of food stuffs supplied by R.I.A.S.C. The Chief Commissioner pointed out that if the actual cost of food stuffs were passed to the consumers in the islands the cost of living there would rise appreciably. He therefore recommended that foodstuffs should continue to be supplied to retail shop-keepers with an addition of 8 1/3 per cent of the cost of R.I.A.S.C. articles and the resultant loss should be debited to the Andamans Supply Department. The loss was estimated by him to be of the order of Rs. 1 lakh per annum. The matter was taken up with the Ministry of Finance who agreed to the continuance of the arrangements. A latter proposal for making food stuffs available to consumers in the islands at the same rates prevailing in Delhi was not accepted by the Ministry of Finance. It may be mentioned that the prices of rationed food articles in Delhi are appreciably lower than those in the Andamans and Nicobar Islands.

5. From the foregoing it will be seen that food stuffs procured by the Andamans Supply Department are issued to private shop-keepers in the Islands, on payment by the latter. The consumers obtain their supplies of the foodstuffs, which are rationed, from the retail shop-keepers. The Ministry of Finance recently suggested that the present arrangement of obtaining food stuffs for the Andamans Administration through a Government Organisation should be terminated and replaced by a system of working through normal private channels. The matter was taken up with the Ministry of Food who are in agreement with the Ministry of Home Affairs that so long as food stuffs are controlled the present arrangement should continue.

APPENDIX X

MINISTRY OF TRANSPORT

" 87—Capital Outlay on Schemes of State Trading connected with War ; F-Schemes for the construction and purchase of Lighters " for 1945-46

In 1942, the Central Government, in consultation with H.M.G. decided that additional light-~~erage~~ should be provided at major ports in India in order to meet the exigencies of war and to ensure the quicker turn-round of ships at the major ports. A target of 21,000 tons was fixed for the purpose and the scheme was run as a joint concern of the Government of India and H.M.G., the entire expenditure on the scheme as well as the profit and loss on the working of the lighters and their resale, being shared by the two Governments on a 50 : 50 basis.

2. In all, some 294 lighters were provided at Bombay and Karachi, partly by purchase and partly by new construction at a total cost of about Rs. 51 lakhs. The working of the Bombay Lighterage Pool resulted in a net profit of Rs. 4.70 lakhs which will be shared equally by H.M.G. and the Government of India. The Pool was closed with effect from the 31st March 1946, and all the available lighters have been disposed of. It is estimated that an approximate loss of Rs. 16 lakhs will be incurred on the sale of lighters, half of which will have to be borne by the Government of India and the other half by H.M.G.

3. H. M. G's share of the capital cost of the lighters as well as their share of the sale proceed and the ultimate loss have not yet been finally settled as the Ministry of Defence have not so far paid the entire capital cost of eight Karachi Lighters taken over by them. They have been repeatedly reminded to settle the accounts very soon. It is expected that final adjustments in respect of the accounts of the lighters will be effected soon, but the accounts will have to be kept open until they are finally settled between the Governments of India and United Kingdom.

APPENDIX XI

MINISTRY OF TRANSPORT

Review on the working of Civil Transport Scheme

Civil Transport Scheme was undertaken by War Transport Department (now Ministry of Transport) to arrange for supply of Transport vehicles, Motor Cars, Motor Cycles, spare parts and garage tools etc., required by the essential civil consumers during the last war.

Early in 1943, Government began procuring chassis for motor vehicles and spare parts on Government account from the United States of America on Lease Lend and from Canada on Mutual Aid for the maintenance of essential civil transport. Motor vehicles were obtained in one pool for both civil and army requirements. All these vehicles were received, cleared and assembled by Messrs. General Motors (India) Ltd., Bombay and Messrs. Ford Motor Co., of India Ltd., Bombay acting as Government agents. The Number required for civil use was released by the Army authorities from these supplies and allotted to the War Transport Department.

2. 139 Dodge vehicles were obtained from the Army stocks and distributed through Messrs. French Motor Car Co. Ltd., Calcutta and Messrs. Premier Automobiles Ltd., Bombay.

635 transport vehicles mostly 15 cwt. and other special types were obtained from Army stock. Their prices were recovered at the rates intimated by the Military Finance Department. Chevrolets, Fords and Dodge transport vehicles were generally issued through dealers. The price was recovered in full and no profit or loss was incurred on the transaction.

200 Fordson Thames Tipping vehicles were obtained from U. K. and distributed through Messrs. Ford Motor Co., of India Ltd., Bombay.

In certain cases construction of bodies on the chassis was also arranged through the Supply Department. The vehicles were released by the agents in accordance with release order issued by the Transport Department against cash deposits except for bulk supplies to provincial Governments and Departments of the Government of India. In the case of such bulk releases the adjustment of sale prices was carried out by the Controller of Supply Accounts, New Delhi. The Agents forwarded weekly statements of releases made by them to the Controller for this purpose. In all 30682 transport vehicles were distributed before the end of March 1947 and after that no further commitments were undertaken by the Ministry of Transport in connection with this scheme.

3. Owing to scarcity of cars during the war it was decided that the Central Government should freeze cars available with various firms in the country and release them to essential users. Since no cars were being imported it was necessary to preserve the available ones as long as possible to meet really pressing demands. Government, therefore, decided to acquire a number of cars and to pay for them. In all 74 such cars were acquired and stored with the firms concerned until they were finally released by the War Transport Department. The compensation was fixed by the Industries and Supplies Department and included storage and other incidental charges etc. The War Transport Department released such cars to purchasers and recovered the amount in full from them. Consequently there was neither loss nor any gain to Government on this account.

War Transport Department further obtained for civil distribution 10 H. P. Austin cars from army stocks. 364 cars were distributed through Messrs. Austin Distributors Ltd., Calcutta, the Autocars Ltd., Bombay and the South Indian Motor Company, Madras.

4. Scot Auto Cycles indented from U.K. by the Home and Civil Defence Department which were surplus to their requirements were released to Transport Department for civilian use. The distribution was arranged through the Bombay Cycle and Motor Agency Ltd. Bombay. In all 567 autocycles were distributed under the scheme.

A number of heavy motor cycles was also released from Army stocks to Transport Department. They were distributed at the rate intimated by the Military Finance Department on cash payment recovered in full without incurring any loss or gain.

5. Spare Parts of motor vehicles were also received, cleared and sold by Messrs. General Motors and Ford Motor Co., as Agents of Government through their dealer organisations under the provision of "Motor Vehicles Spare Parts Control Order, 1944". The sale price was designed to cover C.I.F. value, dock and clearing charges, customs duty, distributors' commission, departmental and overhead charges of the distributors, dealer's discount charges on account of monthly freight, free delivery to dealers and a small margin to cover fluctuations in prices at which the parts were obtained. The stock of spare parts which remained undischarged of as on 21-10-46 as well as those which were to be received later from abroad against the indents already placed were sold to the distributors viz., Messrs. General Motors and Messrs. Fords, Bombay, at 29 per cent. and 25 per cent respectively of their list price. This involved a loss of Rs. 17,41,020 in the transaction with the General Motor as against the profit of Rs. 1,52,57,177 on the agency sales bringing the net profit to about Rs. 1,35,00,000. Likewise the outright sale of spare parts to the Fords involved a loss of Rs. 8,38,986 as against the profit of Rs. 38,31,787 on the agency sales bringing the net profit to about Rs. 30,00,000.

6. Garage tools were also received and cleared by Messrs. Fords and General Motors as agents of Government at a commission of 4.102 per cent and 5 per cent respectively. The stock of garage tools to the value of Rs. 4,500 which could not be disposed of by the distributors was turned over to the Disposal Directorate for sale. It still awaits disposal except a few items.

7. The scheme was closed by the end of the year 1946-47 and its accounts are being finalised with the various parties concerned, viz., various Controllers of Military Accounts, customs authorities, private firms which acted as Government agents for distribution, etc

The expenditure and recoveries booked under the scheme to the close of the financial year 1948-49 are respectively Rs. 19,73,43,088 and Rs. 23,54,06,852 bringing the net excess recovery of Rs. 3,80,63,764. The adjustments still outstanding are approximately Rs. 23,57,504 on account of expenditure and Rs. 13,56,319 on account of recoveries. The total expenditure and recoveries likely to be booked on completion of the accounts are roughly Rs. 19,97,00,592 and Rs. 23,67,63,171 respectively. Thus the scheme is likely to bring a gain to the tune of Rs. 3.7 crores to the Government.

It may be stated that some adjustments are still outstanding and steps are being taken to finalise them as early as possible. A final review will be furnished to the Public Accounts Committee duly scrutinised by the audit when all the transactions have been adjusted.

APPENDIX XII

MEMORANDUM SUBMITTED BY THE MINISTRY OF WORKS MINES, AND POWER

All India Reserve Pool of Electrical Generating Plant

I. Plant purchased during War

The Reserve Pool of Electrical Generating Plant was established by the late Department of Supply in 1942 to meet abnormal and emergent conditions created by the last War. The Pool was transferred to the administrative control of the late Department of Works, Mines and Power in April 1946.

Generating plant and transformers of total value approximately Rs. 76,04,300 were purchased from U.K., U.S.A. and local firms. A large stores depot was set up at Harduaganj near Aligarh, U.P. for storing the bulk of these machineries pending their final disposal. To make the premises suitable for stores depot, certain additional expenditure amounting to Rs. 1,63,300 was incurred for the Reserve Pool, and this involved provision of works, such as railway siding, staff quarters, lifting gantries and certain civil construction work.

II. Plant purchased after termination of War

Since the end of the war scarcity of generating plant in the country continued to be acute and in 1946 when India was faced with severe shortage certain exceptionally urgent demands for electrical generating plant were received from Provincial Governments for implementing their "Grow More Food" campaign. These demands were irresistible, and further more, it was anticipated that some more demands of similar nature were bound to arise in view of the emergent conditions prevailing at that time. About this time, the Ministry of Supply, U.K., offered a number of transportable steam power stations which were already under manufacture and nearing completion. It was, therefore, decided to continue the Reserve Pool by ordering from U.K. 13 Transportable Power Stations costing approximately Rs. 1,00,41,800. In order that these power stations could be erected and commissioned with all possible expedition, a number of additional equipment required for these installations were also purchased for the Reserve Pool. These comprised fabricated steel sheds, cranes etc. costing Rs. 3,11,500 from the Government Disposal stock in India, a number of electric pumping sets costing Rs. 80,000 from America and two large transformers costing Rs. 60,700 from U.K. At the beginning of 1947 an attractive offer was received from America for a number of diesel generating sets with immediate delivery and at the request of the Provincial Governments 15 such units costing Rs. 20,30,400 were purchased for the Reserve Pool. In 1947, 6500 K.W. Diesel Generating Sets costing Rs. 17,20,000 were purchased from the Government Disposals stock in the country for augmenting the generating capacity at Delhi.

Thus the Reserve Pool which comprised plant worth Rs. 76,04,300 purchased during the war was further supplemented in 1946 and 1947 with additional purchases of plant and equipment of the value of Rs. 1,42,45,000.

All these power stations have since been disposed of. With the exception of a part of one 2500 K.W. Transportable Power Station sold to the West Punjab Government, all the stores have been issued from the Harduaganj Stores Depot. Negotiations for the despatch of that plant are being actively pursued with the Government of Pakistan.

III. Source of purchases for the Reserve Pool

Every endeavour has been made to purchase stores wherever possible from the Government Disposals in the country. For instance, out of stores secured after the war, many equipment such as six 500 K.W. Diesel Power Stations, steel buildings, cranes, gantries, oil storage tanks and tools and tackles including Mobile crane, Mobile Workshop, Transport Truck etc. were purchased from the D. G. (Disposals). The total value of stores purchased from the Disposals stock amounts to Rs. 20,32,200.

Orders for plant which had to be imported from the U.K. and the U.S.A. were placed through the Government purchasing organisations, namely the Director General, India Store Department, London and Indian Supply Mission, Washington.

IV. *Financial*

The financial position of the Scheme is presented in the Commercial Forms which are audited by a party of the Accountant General, Central Revenues. In fact the audited *proforma* accounts for the period from the inception of the Scheme to the 31-3-48 were sent to the Accountant General, Central Revenues, in May 1949, for inclusion in the Commercial Appendix to the Central Appropriation Accounts (Civil) for the year 1947-48; while the *proforma* accounts for the year 1948-49 were sent to the Accountant General, Central Revenues only recently.

Profit and Loss Account

Assuming the continuance of the Reserve Pool up to the 31-12-49 a provisional profit and loss account based on the estimated figures of expenditure was prepared in January last and it was found that the Scheme would result in a profit of Rs. 3,94,949 on a total trading of Rs. 2,24,49,500. Due to recent increase in the departmental charges levied by the Ministry of Industry and Supply on the plant purchased abroad the profit on the Scheme is likely to be reduced to some extent. There are, however, definite indications that this scheme of State Trading which has been run on a no-loss-no-profit basis will not result in any loss to Government.

It is necessary to point out that the small profit accruing from the Scheme is not intentional but fortuitous. It arises out of the fact that the Government carries the risk during the transit of the Reserve Pool Stores but recovers normal transit insurance charges from the purchasers of the plant although the stores are not actually insured during transit. This is a perfectly legitimate charge and a small profit is likely to accrue primarily because the Government's liability in respect of loss or damage to stores during transit has fortunately been less than the transit insurance charges recovered from the purchasers.

V. Life of Reserve Pool

It has been decided by Government that the Reserve Pool Scheme should be wound up and the Stores Depot at Harduaganj be closed by 31-12-49. The staff at the Depot has been already considerably curtailed and that remaining will also be disbanded except only one clerk and two durwans who will be retained at the Depot to look after the 2500 K.W. plant sold to the West Punjab Government till, it is despatched from the Depot.

It is, however, considered necessary to retain the staff employed on the procurement of Electrical Generating Plant at the headquarters of the Commission for some time more in order to finalise the accounts of the Reserve Pool Scheme.

APPENDIX XIII

MINISTRY OF LABOUR

Page 26 of the Audit Report for 1947—para. 24

During the War certain Civil Pioneer Force Units were employed by the War Department and sent to work in the war area. The first unit of the Bihar Civil Pioneer Force was one such unit moved to war area in July 1943. In the war area the system of accounts adopted was the 'War System of pay accounts' under which pay was not disbursed monthly but was credited in individual running ledger accounts maintained by the "Record and Account Office" at the Depot. Against these credits, the amounts required by the C.P.F. personnel in the field from time to time were advanced by the commanding officer, who acted as authorised imprest-holder and drew money for the purpose from the field cashier. In addition to the advances made in the field, the "Record and Account Officer" remitted family allotments made by the personnel in the war area to their relatives by postal money orders. Under the general instructions relating to payment and the system of Pay Accounts of C.P.F. units on field service, the "Record and Account Officer" was required to prepare monthly pay bills to adjust the advances, etc., drawn for the personnel of the unit for submission to the Audit Office. As regular monthly pay bills were, however, not being prepared since the introduction of 'War System of Pay Accounts' the Government of India issued instructions in August 1944 that a consolidated bill for all the months concerned prior to the 1st October 1944 should be prepared to reconcile the balances in the ledger with the undrawn amount in the pay bill. But the Officer Commanding the Bihar Depot Unit did not comply with these instructions promptly.

During the course of local inspection of the accounts of the unit at Bela in April 1945, the Accountant General's inspection party noticed the omission and they suggested that a consolidated bill for the months from July 1943 to February 1945 should be prepared and sent to the Accountant General, Bihar for adjustment. This was done by the Officer Commanding in July 1945. In order to check the bill, the Accountant General, Bihar, however, required that detailed statements separately showing the rate of pay, increments, leave salary, period of service, etc., of each individual for each of the 20 months should be prepared in a form prescribed by him. The Officer Commanding the unit pointed out that the preparation of such a detailed statement involved considerable time and labour and on his explaining the difficulties to the Accountant General, the latter suggested that the details need not be prepared separately but in consolidated form. By then it was about November 1945, and the Unit had almost been disbanded. Still the Commanding Officer prepared the statement to satisfy the Audit and sent it to the Accountant General. But the Accountant General again insisted on the earning of each individual being

shown separately for each of the 20 months and not together. This virtually amounted to the preparation of regular monthly pay bills for the full period from July 1943 to February 1945. The Bihar Government informed us in August 1946 that the preparation of such detailed statement was not possible because the C. P. F. staff who were conversant with the records and accounts had all been discharged and, therefore, the Accountant General be asked not to insist on regular monthly accounts of earnings. As the Provincial Government did not bring the matter to the notice of the Government of India earlier and as the entire C. P. F. staff had been disbanded and as the preparation of the detailed statement in the manner required by the Accountant General, Bihar involved entertainment of fresh staff without any commensurate advantage, the Government of India, in consultation with the then Finance Department and with the concurrence of the Auditor-General, decided to waive the preparation of the detailed pay bills in respect of the personnel and admit the lump charges in audit as a special case. The Auditor General's U. O. No. 1241-Adm/93-46, dated the 16th December 1946 and the endorsement of the Department of Labour No. PF-26 (a) dated the 3rd January 1947 have reference to this.

II. Page 491—of the Audit Report for 1947 (loss in Madras of Rs. 1,08,984)

In Madras, 5 active C. P. F. units each consisting of 1229 persons and one Depot unit consisting 502 persons were raised during 1942-43. On enrolment all these persons excepting the Commissioned and Administrative Officers were given free kits. During the initial stages of recruitment there were desertions in the units and the deserters took away their kits with them. The net loss to the Government on account of this in the Madras unit was Rs. 1,08,984. The desertions took place soon after the raising of the units and as the deserters could not be apprehended there was no other alternative but to write off the loss which was done early in 1946 with the concurrence of the late Finance Department.

There were no similar losses subsequently as the units were disbanded by about the end of February 1946.

APPROPRIATION ACCOUNTS 1945-46

Page 491—Note 3 (1)—Losses, Write Off, etc.

This relates to "Losses" on account of failure to recover stipends from trainees under the War-time Technical Training Scheme, who had left their training without permission before completing their training. In view of the serious shortage of technical man-power, the War-time Technical Training Scheme was started with a view to training an adequate number of skilled and semi-skilled workmen to meet the requirements of industrial undertakings engaged in War work and of the Defence Services. The trainees were required to execute an undertaking according to which, if they left the Training Centre without permission, they became liable to refund all the stipends, etc., paid to them. Such a provision was then considered necessary as their services were badly needed by Government for the successful prosecution of the War. Recoveries due from the trainees who left their training without permission were to be made through the District Authorities concerned and, if all attempts to effect such recoveries failed, the amounts were written off. In the majority of such cases, it has been found that the trainees could not be traced at the addresses given in the undertaking, as they had migrated to Industrial Centres, where they could readily secure employment in view of their training. Their subsequent whereabouts were not also known to the people of their native villages. A small percentage of the absconded trainees were also found to be too poor to pay. Legal action against individual trainees was not considered advisable, as the additional expenditure involved would not have been commensurate with the results achieved. In the circumstances stated above it was decided, with the concurrence of Finance, to write off the losses. It will be appreciated that the amounts written off by this Ministry do not represent actual "Losses" to Government in the usual sense of the term.

2. As desired by the Public Accounts Committee at their meeting held on 22nd September 1949, the following further information is furnished :—

Year	Total No. of Trainees from whom recovery had to be waived	Total amounts waived
1941-42 to 1944-45 .	1,336	69,023
1945-46	1,063	79,247
1946-47	1,954	1,32,620
1947-48	1,731	1,68,573
1948-49	869	1,05,414
1949-50	5,700	4,99,122
	12,653	10,53,999

The number of absconding trainees from whom recovery had to be waived works out to about 11% of the number passed (1,04,275).

3. At the end of 1948-49, i.e. in the present financial year 1949-50 a sum of Rs. 4,99,122 was still due from trainees, although the Scheme had ended in 1946. In view of the considerable lapse of time and the virtual impracticability of tracing the whereabouts of the absconders, it was decided in consultation with the Ministry of Finance to waive the recovery of this entire amount (Rs. 4,99,122) and orders to this effect have already issued. By doing so, it has become possible to make some reductions in staff, both at the Headquarters and in the Regions who had been engaged exclusively on these "recovery" cases.

4. In the existing training schemes for ex-servicemen there is no provision for the recovery of stipends etc., from the trainees. This is due to the fact that the "War-time" emergency no longer exists and training is being imparted mainly to facilitate their resettlement in civil life. In practice, most of the ex-servicemen trainees complete their training at the Training Centres.

APPENDIX XIV

MEMORANDUM SUBMITTED BY MINISTRY OF HEALTH

Purchase of quinine substitutes

The Public Accounts Committee appear to be under the impression that actual overpayment of Government money has been made to manufacturers in England by the India Store Department and that the excess payment has to be recovered. It may be stated that supplies of quinine substitutes were arranged from 1943 from United Kingdom and United States of America through the India Store Department, London and the Indian Purchasing Mission in Washington. The Army Medical Import Depot, Bombay received the entire consignments and passed on those meant for civil to the Medical Store Depot, Bombay. As the rates of the supplies received from different sources in United Kingdom and United States of America were not the same or final, budget estimates were framed in 1944-45 and 1945-46 on the basis of a flat rate of Rs. 17/1/- per thousand tablets (notional price) whereas debits were raised by the Military Authorities at the provisional rate of Rs. 25/- per thousand tablets plus other charges subject to subsequent re-adjustments. Final adjustments between the Accountant General, Bombay and the Controller of Military Accounts, Southern Command, Poona have not yet been made pending clarification of certain points. Information in regard to actual payments made to the manufacturers for the supplies received is not available, and a reference has been made to the High Commissioner for India, London to ascertain the position. A further report to the Public Accounts Committee will be submitted when complete information is available.

APPENDIX XV

Note regarding action taken on item No. 24 on the recommendations of the Central Public Accounts Committee

The views of the various Departments (Ministries) of the Government of India were invited on the proposal made by the Public Accounts Committee for legislation on the lines of the U.K. Registration of Business Names Act, 1916. Since the proposal was intended to apply, in the first instance, to contractors working for Government, and since all the Departments giving contracts were already requiring contractors to state the constitution of their firms, it was decided to suspend the further consideration of the proposal till the new Constitution was framed as it was not known whether the subject would fall in the Central or the Provincial Legislative List. As one of the objects of the proposed legislation was to check tax evasion, the proposal was referred to the Income-tax Investigation Commission, one of whose functions is to consider the law and procedure to prevent evasion of tax. The Commission is of the view that such registration will raise questions of general law and not merely of income-tax law. No further action is, therefore, necessary from the Income-tax point of view. In a vast country like India, registration of business names is not feasible administratively, and will not be of any practical assistance to Income-tax Administration. A system of registration of partnerships for the special purposes of income-tax is already in force, and the Income-tax Investigation Commission has pointed out the directions in which the rules for registration of partnerships could profitably be tightened up. Government agree with the conclusions of the Commission, and consider that the suggestion for registering business names need not be pursued further.

APPENDIX XVI

MINISTRY OF COMMERCE

Report on the recommendations of the Public Accounts Committee on the accounts for 1945-46

Compensation was being paid to dependents of deceased seamen who became casualties during the war, on behalf of H.M.G. The orders sanctioning these pensions were issued by the Central Government and actual payments made by the Accountants General of the area in which the dependants of the pensioners lived. The majority of payments were being made to people who are resident in what is now Pakistan territory. H.M.G. were informed from time to time of the sanctions issued by the Central Government so as to keep them informed and also facilitate the recovery of these amounts from them.

As a result of the partition of the country the question of the allocation of the payments to be received from H.M.G. assumed importance and the Partition Council laid down some principles in regard thereto. It was decided that the amount paid to pensioners on behalf of H.M.G. before the 14th August, 1947 was to be calculated, recovered from H.M.G. and divided between India and Pakistan in the ratio of 82½ to 17½, for the reason that the accumulated value of all pensions paid upto 14th August 1947 and to be recovered from H.M.G. in a lump sum, were paid out of the general revenue of pre-partition India and so were to be credited to the account of the former Government of India for division between India and Pakistan on this basis.

In order to preserve continuity of payment to pensioners it had been agreed that the India Government should continue to pay these pensions from 14th August to the 31st August, 1947, irrespective of whether pensioners resided in India or Pakistan. It followed as a corollary that the accumulated value of all such payments had to be recovered from H.M.G. and credited to the sole account of post-partition India. As regards payments made after 1st September 1947 to the pensioners the respective Governments making the payments were to capitalise the value of all such pensions so paid by them and receive payment of the capitalised values from H.M.G.

But as usual, difficulties arose in the interpretation of the terms of the settlement by the Partition Council, by the Government of India and Pakistan. The matter was under correspondence and Pakistan Government have now only given a reply confusing the issue which might ultimately result in our having to lose. The matter has got to be further clarified before any approach could be made to H.M.G.

The following is the position regarding the settlement of collection of these liabilities before partition. The principles on which payments were to be made to dependents were changing from time to time, for the pensions which were originally confined to the widows were later on extended on the instructions of H.M.G. to cover near relatives, parents and destitute or disabled brothers and sisters of deceased seamen. The situation was further confused by the awards of pension being made to dependents of deceased seamen—(1) ex-British ships, (2) ex-Dutch ships on time charter to H.M.G. and (3) ex-Dutch ships which were not on charter. All these cases had to be collected and rationalised and the concerned Governments consulted before the accumulated or capitalised value to be collected from H.M.G. or through them from the other Governments could be arrived at. The next step was to arrive at the figure (with reference to percentages) at which capitalisation ought to take place, and after a good deal of correspondence the figure was arrived at. In one sense the delay has been advantageous in that it is now proposed to approach H.M.G. for capitalisation on the same basis as they have capitalised the value of pensions payable by the India Government. For various reasons the extent of the liability of H.M.G. could not be ascertained before 14th August 1947 much less settled.

APPENDIX XVII

MINISTRY OF FINANCE (DEFENCE)

Report required by paragraph 12 of the proceedings of the first meeting of the Public Accounts Committee held on Wednesday the 9th November 1949 on the accounts of 1946-47

Observations on the following defects or irregularities in the maintenance of Pay Accounts of the officers and other ranks of the Army were made in the Audit Reports.

- (i) Overissues and incorrect regulation of pay and allowances of officers.
- (ii) Debtor balances in the accounts of Officers and Other Ranks.
- (iii) Accumulation of a large number of unidentifiable Part II Orders and Acquittance Rolls relating to Other Ranks which had to be left unactioned, and
- (iv) Arrears in the posting of Acquittance Rolls and Part II Orders in respect of Other Ranks.

Causes giving rise to the above defects and the action taken or proposed to be taken to prevent their recurrence are explained in the following paragraphs :—

2. *Overissue and incorrect regulation of pay and allowances in respect of officers*

In a majority of cases this was due to (1) non-publication of orders involving reduction in officers emoluments, (2) late receipt or non-receipt of those orders in the office of the Field Controller of Military Accounts, and (3) overdrawal of Field advances. This was in turn attributable to the abnormal conditions brought about by the war during the period in question, such as rapid expansion, inadequate or inexperienced staff dealing with the work at both ends caused by such expansion and also to the multiplicity and ambiguity of orders issued. There was no inherent defect in the system as such of accounting or of audit, that facilitated the existence of the defect referred to in this para.

With the gradual disappearance of war conditions the position has improved considerably.

A review of all the Individual Running Ledger Accounts has been carried out from the accounts for 1-7-47 and necessary corrections have been made and suitable steps taken to prevent recurrence of the mistakes. All orders affecting pay and allowances are now preaudited cent per cent to ensure correct interpretation and appreciation of the changes involved and to regulate entitlements accordingly before their entry in the ledgers.

3. Debtor Balances.

(a) *Officers*.—Debtor Balances in the accounts of officers arose from—

(i) Drawal of heavy advances.

(ii) Drawal of advances on the basis of their promotions not yet notified in Part II Orders and consequently not adjusted in Individual Running Ledger Account.

(iii) Time lag in the receipt of Part II Orders in Field Controller of Military Accounts Office.

Officers in the peace areas are not now allowed to draw advances and this automatically ensures that no debtor balance arises in the accounts of officers serving in peace areas. Part II Orders are also now being published without undue delay and the time lag referred to at (iii) above, has been considerably reduced so much so that the number of accounts now in debt is negligible compared with the number of accounts maintained.

(b) *Other Ranks*.—In the case of other ranks the main contributory factors for the debit balances were (i) overissue of cash advances, (ii) continuance of family allotment even when the state of the individuals accounts do not permit it, (iii) non-crediting or belated crediting of amount due to the men owing to non-receipt of Part II Orders and (iv) non-submission of the supporting claims, etc.

With a view to ensure early clearance of the debtor balances, repeated instructions have been issued to the Field Pay Offices for the issue of quarterly statements of accounts, maintenance of debtor balance registers and issue of special letters to Officers Commanding units in cases of persistent debtor balances. Priority is now given to work of revision under I.A.O. 392/48 of accounts with debit balances. An Army Order (845/49) has also been issued emphasising the necessity for restricting cash advances to soldiers whose accounts are in debt. In spite of the action taken as above, cases of debtor balances still continue. As there is no defect in the system and as the accrual of debit balances under present conditions, is apparently due to a non-observance by the Military authorities of the existing orders, the Adjutant General's Branch have been requested to issue fresh instructions reiterating the various orders on the subject of cash issue of advances, restriction of family allotments to individuals whose accounts are having a debtor balance, and re-emphasising the responsibility of officers disbursing the advances.

It was noticed that one of the main reasons for overissue of advances was that the disbursing officers often take into account miscellaneous items of allowances (*e.g.* Ration allowance, conservancy allowance, compensation in lieu of quarters) in anticipation of publication of relevant Part II Orders or pending submission of claims for adjustment in Individual Running Ledger Accounts. It has been proposed to the Adjutant General's Branch that these miscellaneous allowances should not be passed through Individual Running Ledger Accounts but that they should be paid to the individuals only after preaudit (instead of crediting in Individual Running Ledger Accounts). This proposal if given effect to is likely to considerably reduce both the amount of debtor balances and the number of cases of debtor balances.

4. Unidentifiable Part II Orders and Acquittance Rolls.

The rapid expansion of the army during the war and the lack of trained experienced Military Officers with knowledge of pay accounting and documentation resulted in the faulty preparation of numerous Part II Orders and Acquittance Rolls. The frequent moves and changes of personnel rendered their identification at a later date difficult.

Instructions have now been issued to units and formations for the correct preparation of Part II Orders in Army Order 282/49. Field Pay Officers have also been instructed to take prompt action to bring to the notice of the issuing authorities to get faulty Part II Orders clarified immediately and not to allow them to become old and to bring to the notice of higher administrative authorities cases in which Part II Orders are prepared incorrectly so that they may allocate responsibility and take such remedial action as may be deemed necessary.

The Field Pay Offices have also been directed to keep watch on the trend of documentation *i.e.* whether documentation is improving or not. Further the question of issuing instructions to units through the medium of an Army Order for the correct preparation of Acquittance Rolls, and for fixing the responsibility on paying officers, in cases of incorrect preparation of acquittance rolls is under consideration.

Current reports received from the Field Controller of Military Accounts (Other Ranks) indicate that there is a marked improvement in the standard of documentation both as regards Acquittance Rolls and Part II Orders as a result of the above mentioned measures. The Establishment of an Inspectorate of Records at Adjutant General's Branch to maintain liaison between units Record Offices and Field Pay Offices has also helped to improve the position in this respect.

5. Arrears in the posting of Acquittance Rolls and Part II Orders.

These arrears were the result of faulty documentation referred to in para. 4 above by ~~under~~ and the lack of adequate and trained staff in the Military Accounts Department etc. brought about by the conditions of war. With the cessation of war and the improvement in general in all directions-including documentation and the special efforts taken to revise all Individual Running Ledger Accounts much of the arrears have been liquidated and the position is now under control. The position is also watched centrally by the Military Accountant General through the medium of periodical progress reports.

APPENDIX XVIII

MINISTRY OF DEFENCE

Report required by paragraph 5 of the proceedings of the 1st Meeting of the Public Accounts Committee held on Wednesday, the 21st September 1949 on the accounts of 1945-46.

While considering para. 32 of Appropriation Accounts of the Defence Services for 1945-46, the Public Accounts Committee observed at their meeting held on the 21st September 1949 that the more important thing was that adequate disciplinary action should be taken against the officers responsible for such irregularities. The Committee decided that the Ministry of Defence should re-examine the cases reported in the accounts and submit a report whether any further disciplinary action could be taken at this stage against the officers still in service. The Defence Ministry wish to point out that they had fully gone into the question of disciplinary action against the officers responsible for the irregularities even when it was originally decided to refuse the necessary *ex-post-facto* sanctions. The cases have however again been re-examined in the light of the Committee's observations and the Ministry of Defence have come to the conclusion that no further disciplinary action could be taken at this stage against the officers still in service because the officers who were primarily responsible for the irregularities have either been repatriated or had left service long ago.

APPENDIX XIX

Note for Public Accounts Committee meeting on 9/10-11-1949—Disposal of Surplus Stores.

At the meeting of the Public Accounts Committee held to examine the accounts of 1945-46, the position regarding the disposal of surplus stores was explained to the Committee. It was stated that in accordance with the recommendations of the Disposals Enquiry Committee appointed in 1947, sale by negotiation was largely discontinued and disposal by public auction and advertised tender became the order of the day.

2. In 1948, the Disposal policy under-went a change further ; with a view to examining the possibilities of surplus stores being used on an increasing scale not only by Govt. Departments but also in connection with Government sponsored development projects and general industrial development in the country, the Government of India appointed early in 1948 a Committee known as the Disposal Utilisation Committee. The Committee visited important centres where the stores had been accumulated and after full consideration of the situation suggested various methods of utilisation. The Principal recommendation of the Committee, which was accepted by the Government, was that Government Departments and Government projects should estimate their requirements for the next 3 to 5 years and take over sufficient stores from disposals to meet them. Catalogues of surplus items of machinery, etc., were circulated to all priority indentors, e.g. Central and Provincial Governments, Educational and Scientific Institutions, Public Bodies, etc., so that they might take over whatever was required by them. With a view to helping Govt. Departments to take over not only their current requirements but also to build up essential reserves, it has been decided that surplus stores needed by Priority Indentors will be transferred to them at 20% of the market price. If any Government Department find it difficult to make budget provision for the purchase of the stores against their requirements for the next few years payment will be spread over a specified period not exceeding 5 years.

3. Apart from Government Departments and the Government sponsored development projects, surplus stores can be utilised by private industry, which cannot easily obtain its requirements from the market—as import takes a long time. It has, therefore, been decided that urgent requirements of important industries should be met simultaneously with those of Govt. Departments and Priority Indentors, if they are sponsored by the Director-General (Industries and Supplies) or by a Provincial Government. Separate catalogues of surplus stocks are also issued to Industrial Users. The response from industry has, however, been rather poor : Plant and Machinery appear to have been purchased only to the extent such stores are not otherwise available in the market. This may be due to the fact that Disposals list published hitherto showed high prices. With a view to helping industrial development it has also been decided that surplus stores required by Industrial Users themselves will be issued to them at 40% of the market price—no price concessions being, however, allowed for purposes of re-sale.

Similarly in order to help Educational & Scientific Institutions, it has been decided to sell them stores of educational and scientific value at 10% of the book value and to allocate them for training purposes, unserviceable stores free of cost.

4. The country was faced with new problems as a result of the Partition. An overall ban was placed on 30-9-1947 on the disposal of surplus stores with a view to utilising them in connection with relief and rehabilitation of refugees. Under the changed circumstances, Defence Services also had to review their requirements of stores which they had previously thrown up as surplus and they therefore, placed embargoes on the disposal of such stores. Both these factors i.e. the overall ban placed at the instance of Ministry of Rehabilitation as well as the embargoes imposed by the Ministry of Defence, slowed down speed of disposals very considerably. No stores could be sold to the public—Only the requirements of the Priority Indentors were met and that too had to be done after obtaining release from the Ministry of Relief and Rehabilitation and Ministry of Defence.

5. These bans have now been withdrawn. The Ministry of Rehabilitation agreed to the withdrawal of the overall ban in June, 1949. The Ministry of Defence also agreed in July 1949 to lift the embargoes placed by them. Now that the restrictions have been removed, steps have been taken to accelerate disposals to the utmost extent possible. All methods which entailed delay in disposal viz. categorisation of stores into various grades, printing of catalogues for priority indentors and allowing them time for 10 weeks to decide whether they want any stores or not, have been given up. The number of auction sales have been increased and, although the demand from the public for disposals stores is not as high as it used to be before, efforts are being made to offer as large quantities of surplus stores as possible. Frequency of auction has been increased and efforts are made also to arrange auctions on holidays wherever this can be done. The target for disposal has been placed at Rs. 10 to 15 crores (book value of stores) per month. There being some practical difficulties, efforts are being made that sales may not fall below at least 8 crores on the average each month.

APPENDIX XX

Note by Ministry of Home Affairs.

Note explaining the present position in regard to the amounts due from other Governments in respect of the cost of maintenance of internees received in India from abroad.

A statement showing the amounts due from other Governments in respect of the cost of maintenance of internees received from abroad and the amounts recovered from them is annexed. It will be observed from the statement that the total recoveries due from the following Governments have been fully recovered, namely—

- (1) Government of Burma,
- (2) Government of Ceylon,
- (3) Government of Kenya,
- (4) Government of Hongkong,
- (5) Government of Aden.

In regard to the recoveries due from the Netherlands Government, the Government of Malaya and His Majesty's Government, the present position is indicated below :—

Netherlands Government.

It will be observed from the annexed statement that the total amount due from the Netherlands Government is Rs. 1,12,77,315/-. Out of this amount a sum of Rs. 62,58,100/- has only been recovered from them. As regards the recovery of the balance of Rs. 50,19,215/- we are in correspondence with His Excellency the Ambassador of the Netherlands in India, New Delhi, through the Ministry of External Affairs. The first reminder was sent to the Ambassador by the Ministry of External Affairs in March 1949, *vide* Ministry of External Affairs letter No. D. 989-FEA/49, dated the 8th March 1949. The second reminder was sent on the 6th June, 1949, *vide* External Affairs No. D. 1636-IANZ/49, Ambassador, besides the above claim, the Netherlands Government are to bear entire expenditure on the Central Internment Camp, Dehra Dun, for the period 1st May, 1947, to 31st January 1948. Steps are being taken to prepare this bill and as soon as it is completed it will be presented to the Ambassador.

Government of Malaya.

It will be observed from the annexed statement that the total amount due from the Government of Malaya is Rs. 1,27,02,600/-. So far it has not been found possible to effect any recovery from the Government of Malaya. The claim was originally preferred against His Majesty's Government since the Civil Administration was not established in Malaya. Since the claim related to the Government of Malaya's His Majesty's Government asked us to wait till the Civil Administration was established in Malaya and to prefer claim against the Government of Malaya after civil administration was established there. When the civil administration was established in Malaya, the claim in question was preferred against the Government of Malaya in 1947. While not repudiating the claim the Government of Malaya took up the matter with His Majesty's Government requesting them that the expenditure incurred on the maintenance of internees in India

from Malaya should be shared by His Majesty's Government in view of the fact that the repatriation of internees from Malaya was made in conformity with the wider policy for the protection of Allied territories against the enemy. The present position is that the Colonial office in London are in correspondence with different authorities in the matter. The High Commissioner for India through whom we have been reminding His Majesty's Government has intimated that the matter is still under consideration of the colonial office.

His Majesty's Government.

It will be observed from the statement that the total amount recoverable from His Majesty's Government is Rs. 36,81,500/-. Out of this amount, a sum of Rs. 6,65,800/- has been recovered from that Government. As regards the recovery of the balance, the position is that His Majesty's Government have accepted the following debits which will be raised against that Government by the Accountant General, Central Revenues in due course :—

(1) Rs. 6,66,666	10	8
(2) Rs. 12,65,946	11	0
(3) Rs. 13,33,333	5	4
(4) Rs. 78,353	5	0
<hr/>		
Rs. 33,44,300	0	0

In this connection it may be stated that excepting the bill for the period 1st May 1947 to 31st January, 1948 in respect of the expenditure incurred on the late Central Internment Camp Dehra Dun, bills in respect of the amount due from other Governments on account of the cost of maintenance of their internees have already been sent to the respective Government. The bill for the period from 1st May, 1947, to 31st January, 1948 and the bills in respect of the cost of repatriation of the internees received from abroad are under preparation.

Statement showing the amounts due from other Governments in respect of the cost of maintenance of internees received in India from abroad and the amounts recovered.

Governments	Claims so far Preferred				Total recoveries due	Amounts recovered
	Period ending 31st Dec. 1943	1st Jan. 1944 to 31st March 1945.	1st April 1945 to 31st March 1946	1st April 1946 to 30th April 1947		
1	2	3	4	5	6	7
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Netherlands	62,58,100	20,08,800	20,52,400	9,58,015	*1,12,77,315	62,58,100
Burma	7,93,600	1,83,800	1,87,300	No claim during 1946-47	11,04,700	11,04,700
Ceylon	2,46,680	1,09,400	73,100	19,000	4,48,180	4,48,180
Kenya (British East Africa)	1,300	5,692	4,556	584	12,132	12,132
Hongkong	1,05,400	55,700	60,400	Claim for 1946-47 is included in the sum of Rs. 60,400 for 1945-46	2,21,500	2,21,500
Aden	1,80,820	Claim for 1944-45 is included in the claim for the period ending 31-12-1943	Claim for 1945-46 is included in the claim for the period ending 31-12-1943	5,300	1,86,120	†1,86,120
Malaya	85,87,700	29,44,100	11,70,800	.	1,27,02,600	‡
	1,61,73,600	53,07,492	35,48,556	9,82,899	2,59,52,547	82,30,732

1	2	3	4	5	6	7
His Majesty's Government Home Office in respect of internees from:—						
United Kingdom	824	3,400	3,150	Claim for 1946-47 is included in the claim for 1945-46	7,374	
War Office in respect of internees from:—						
British Somaliland	41,700	12,300	13,430	Do.	67,430	
Abyssinia & Eritrea	33,700	8,46,800	9,24,420	Do.	18,04,920	
	75,400					
Libya . . . . .	..	21,500	28,070	Do.	49,570	6,65,800**
Foreign Office in respect of internees from:—						
Persian Gulf	4,600	200	..	..	4,800	
Iraq	1,53,700	36,400	51,890	Do.	2,41,990	
Iran	4,29,800	4,22,300	5,00,500	Do.	13,52,600	
Chungking & Turkey	1,476	1,400	1,540	Do.	4,416	
Malaya . . . . .	..	..	1,48,400	Do.	1,48,400	
TOTAL	5,89,576	13,44,300	16,71,400		36,81,500	
TOTAL H. M. G.	6,65,800					
GRAND TOTAL	1,67,79,400	66,51,792	52,19,956	9,82,899	2,96,34,047	88,96,532

*A regards the recovery of the balances of Rs. 50,19,215—H.E. the Ambassador of the Netherlands in India, New Delhi, has been asked to expedite payment. The last reminder was sent to the Ambassador on the 26th September 1949 *vide* Ministry of External Affairs No. F. 172/IANZ/49 dated the 26th September 1949.

† Originally the claim preferred against the Government of Aden was for Rs. 3,30,300. Later on it transpired that out of the sum, an amount of Rs. 1,48,400/- is recoverable from H.M.G. who have been addressed in the matter (F. 16/6/46-Intt.)

‡ H.M.G. have been asked through the H.C. for India to expedite settlement of this claim. The H.C. for India in his letter No. C-276/8/39 dated 3-10-49 has intimated that the matter is under the consideration of the Colonial Office.

**Out of the total amount due for recoveries from H.M.G., a sum of Rs. 6,65,800 has only been recovered. H.M.G. have, however, accepted a debit for Rs 33,44,300/- which will be raised against that Government by the A.G.C.R. in due course (F. 16/46.Intt.)

6,66,666	10	8	£ 50,000
12,65,946	11	0	
13,33,333	5	4	£ 1,00,000
78,353	5	0	

33,44,300 0 0

APPENDIX XXI

MINISTRY OF FOOD

Ref. —Item 47 of the Proceedings of the 4th Meeting of the Public Accounts Committee, held on Thursday the 10th November, 1949 at 2-30 P.M.

This Ministry had explained on previous occasions to the Audit that the question of taking disciplinary action against the officers for continued acceptance of ghee upto 14 points acidity had been duly considered, but as the officers concerned had left the respective depts. it had been agreed in consultation with the Ministry of Finance (Food) that no useful purpose would be served by pursuing the matter further. The Accountant General (F.R. & S.) however, recently suggested that although the officers concerned might have left the respective Departments they might still be in Govt. service working in some other capacity in different Departments and it should be possible to take action against them.

Taking this aspect into consideration, the case was reopened by this Ministry. The position as it emerged from further investigation is as follows:—

Owing to unavoidable delay in the completion of the Ghee Centre at Kamptee, certain stock of raw ghee accumulated at the Centre resulting in the increase in acidity contents of the ghee. It was, therefore, considered necessary to relax the specification and to work to a relaxed standard of 14 points acidity. Q. M. G's Br. agreed to relax the specification to 14 points acidity in respect of the stocks of ghee then held at the Centre (about 2300 tons). Clear instructions specifying the quantity in respect of which the relaxation of acidity upto 14 points was to be applied were then issued to the Officer in Charge, Ghee Heating Centre, Kamptee by this Department. Similar instructions specifying the quantity affected by the relaxation, were issued by the Q.M.G's Br. to their representative at the Ghee Centre, viz. the Inspector of Foodstuffs-in-charge Ghee Testing Laboratory, Kamptee. It was for these two officers, viz. the Officer-in-Charge Ghee Heating Centre, Kamptee, and the Inspector of Foodstuffs-in-charge Ghee Testing Laboratory Kamptee, to watch when the quantity referred to had been blended and accepted and to have then reverted to the original acidity figure of 12 points. But both these officers failed to do so and through their oversight Ghee upto 14 points acidity continued to be accepted in excess of the quantity for which the relaxation had been agreed to.

The officers did not report the fact to Food Ministry and Food Ministry did not have any other means of ascertaining the quality of the ghee that was being accepted at the Ghee Centre. The Officers in Food Ministry who were at that time responsible for supplies of ghee, therefore, remained under the impression that ghee of the correct quality was being accepted for the Defence Services.

The responsibility for continued acceptance for ghee upto 14 points acidity was, as explained above, that of the two officers mentioned above. These two officers were British officers and enquiries made regarding their whereabouts from Army Headquarters, revealed that the officers were no longer in the service of the Government of India. In the circumstances, it has been decided, in consultation with the Ministry of Finance (Food), not to pursue the question of fixing responsibility on any individual. Accountant General (F. R. & S.) has been apprised of this position.

APPENDIX XXII

Note on the recovery of cost of imported foodgrains supplied to the States.

Para. 29 of the proceedings of the P.A.C.

The Public Accounts Committee, in its sitting on 22-9-49 desired to be supplied with a statement showing the latest position in regard to the outstandings from the States on account of the cost of imported foodgrains. In order to have a clear appreciation of the position, it is necessary to give a brief outline of the method of recovery of cost from States and its accounting.

2. Till 31st July, 1947, the States were being treated on a par with the Provinces in the matter of recovery of cost of foodgrains, that is, the cost was recovered by the Deputy Accountant General (Food and Rehabilitation) on receipt of the Distribution Statements from the Ports/Depots after the grains had actually been despatched. From 1st August, 1947, however, it was decided that the States must make a deposit of the cost of foodgrains (based on the allocations made by the Ministry of Food) before the grain was delivered to them, the differences between the amounts deposited and the actual cost, being adjusted subsequently. In respect of the amounts due on 31st July, 1947, an *ad hoc* recovery was made from the various States, subject to finalization of accounts on the basis of actual deliveries, later on. After August, 1947, the prepayment rule has been rigidly enforced by the Food Ministry, except in cases where the Ministry of States (in consultation with the Ministry of Finance) have advised exemptions therefrom.

3. The outstandings, if any, against the States are, therefore, due to either of the following reasons :—

- (a) Balance due to/ due from the States on account of *ad hoc* recovery having been made in July, 1947, in excess/ in short of the actual amount due ;
- (b) Exemptions from prepayment rule having been made in certain cases on the advice of the Ministry of States.

4. Under category (a), the up-to-date position is that while a sum of Rs. 3.4 crores has to be recovered from certain States, a sum of Rs. 3.08 crores is refundable to others. The finalization of accounts in these cases has been delayed as the old States to whom the grain was supplied have now merged with bigger Unions or Provinces and the reconciliation of discrepancies which have been noticed in the accounts could not be readily checked up and reconciled. Special steps have, however, been taken to see that these old accounts are finalized as soon as possible.

5. In respect of States under category (b), the amount involved is about 15 crores consisting of the outstandings against the following :—

Travancore and Cochin	6.82 crores.
Saurashtra Union	5.67 crores.
Jammu and Kashmir	1.48 crores.
Jodhpur . . . . .	.97 crores.
TOTAL	14.94 crores.

In all these cases the arrears have accumulated as these States have been exempted from the prepayment rule, which is followed in the case of other States, under the advice of the Ministry of States due to their ways and means position being not satisfactory. These cases are constantly under review.

APPENDIX XXIII

Scheme for the construction of storage accommodation.

The estimate of 93.5 lakhs was inclusive of the estimated cost of storage godowns in Sind and in the Punjab which has now gone over to Pakistan. The actual cost incurred on the godowns which are in India is as follows :—

Province or State	Capacity in tons.	Estimated cost. *	Actual cost.	Amount to be realised by surcharge & rent.		
				Maintenance charges.	by surcharge	used by surcharge & rent.
		Rs.	Rs.	Rs.	Rs.	Rs.
A. Godowns constructed at the entire cost of the Government of India.						
1. Bombay	35,000	8,93,197	7,97,892	} 44,00,192	66,04,236	66,04,236
2. Madras	30,000	31,78,234	14,06,152			
B. Godowns constructed on 50:50 basis with the Provinces.						
1. Orissa	27,825	5,87,250	4,36,243	5,425	4,41,668	3,34,942
2. C. P.	25,250	8,10,416	6,89,500	19,000	7,08,500	7,20,000

It will be seen that the rate of surcharge was adequate in relation to the actual expenditure and that the recoveries have been made satisfactorily.

APPENDIX XXIV.

Statement showing the outstandings of loans granted by the late Crown Representatives to Rulers of Indian States and their dependents (including Notabilities)

Serial No.	State/Notability.	Amount of loans granted upto		Amount of loans outstanding on		Recoveries made		Amount of loans still outstanding		Remarks.
		14 Aug. 1947.	15 August 1947	15 August 1947	15 August 1947	15 August 1947	15 August 1947	6	7	

1	2	3	4	5	6	7				
		Rs.	Rs.	Rs.	Rs.	Rs.				
1	Tripura	9,00,000	0 0	1,69,903	5 0	1,69,903	5 0	Nil		
2	Rampur	30,000	0 0	Nil		Nil		Nil		
3	Indian States (with whom Accountant-General, Bombay is concerned).	6,42,113	4 2	9,495	6 0	9,495	6 0	Nil		
4	Tanjore Family	3,000	0 0	600	0 0	600	0 0	Nil		
5	Mirza Khairuddin of Delhi	82,000	0 0	52,523	10 0	Nil		52,523	10 0	Person concerned has left for Pakistan.

APPENDIX XXV.

DEFENCE SERVICES.

Statement of losses of cash, overpayments, etc., pertaining to the Defence Services, dealt with finally during the period from 1st April 1947 to 14th August 1947.

Serial No.	Nature of loss written off with particulars	Amount
		Rs.
	<i>1. Cash Losses, Overpayments, Irrecoverable Claims etc., due to Theft, Fraud or Neglect exceeding Rs. 2,500 in each case.</i>	
1	Overpayment made to a contractor for the supply of loose white "boosa" during 1943 and 1944 due to adoption of enhanced rates erroneously and extra expenditure incurred by local purchase in making good quantities short supplied by the contractor. Suitable disciplinary action was taken against the officials concerned and the contractor was black-listed.	45,932
2	Extra expenditure to State in the operation of a contract on account of excess payment obtained by a contractor for "naspaties" actually supplied at the rate applicable for "apples". The Officers concerned were tried by the General Court Martial and acquitted. Recovery from the contractor could not be effected as adequate legal evidence was not available. Instructions were, however, issued by the Quartermaster General's Branch to guard against the recurrence of losses of the kind.	51,665
3	Five cases of deficiency of cash in the Imprest Account ranging from Rs. 2,785 to Rs. 23,534 due to negligence of the Imprest Holders. The losses were investigated by Courts of Enquiry and a moiety of the deficiency recovered from the officers concerned.	46,564
4	Loss of public money due to theft of the treasure chest from a cattle stock section. A Court of Enquiry investigated the loss and the Officer Commanding and three Viceroy's Commissioned Officers were severely reprimanded.	10,678
5	Write off of debtor balance in the pay account of a Company Sergeant Major due to overpayment of mileage allowance. Disciplinary action, where possible, was taken against the individuals responsible for the overpayment.	5,437
6	Write off of advances fraudulently drawn by a Jemadar, an impostor, from various Imprest Holders. The case was investigated by a Court of Enquiry and the Jemadar was arrested and handed over to the police.	2,900
7	Write off of advance paid to the Officer Commanding of an Artisan Works Coy. in respect of which adjustment bills were not furnished.	3,600
8	Losses exceeding Rs. 10 but below Rs. 2,500 in each case	9,888
	Total I	1,76,664
	<i>II. Cash Losses, Overpayments, Irrecoverable Claims, etc., due to other causes</i>	
1	Two cases of write off of irrecoverable debtor balances in the pay accounts of two officers due to excessive drawal of advances amounting to Rs. 6,001 and Rs. 5,014.	11,015
2	Overpayments of family allotments to the families of deserted soldiers which could not be recovered.	30,555
3	Five cases of deficiency in the Imprest Accounts which could not be supported by the relevant vouchers etc. ranging from Rs. 5,375 to Rs. 1,04,167 and relating to the year 1941 to 1944.	1,70,561
4	Erroneous payments to certain Indian Other Ranks on account of special parachute deferred pay for their service with parachute units prior to 1st April 1943.	9,455
5	Regularisation of amounts outstanding in some of the ledgers in the Clearing House Division of the office of the Field Controller of Military Accounts against Imprest Holders owing to erroneous postings and destruction of certain records by fire, relating to the period from June 1940 to March 1943.	93,399

Serial No.	Nature of loss written off with particulars	Amount
		Rs.
6	Overpayment of pay to two officers under 'contract' during the period from 20th October 1940 to 30th April 1944 and from 1st April 1942 to 10th October 1943 due to misinterpretation of rules.	39,502
7	Loss due to destruction by fire of the thatched roof of a mess hall occupied by Bhopal Infantry on 3rd December 1945.	36,093
8	Overpayment to daily rated civilian motor drivers in Ordnance Establishments on account of overtime pay from January 1941 to September 1945, consequent on their being treated on a par with Extra Temporary Establishment.	2,71,42
9	Erroneous payment to hired labour in a Main Supply Depot during 1944 and 1945 due to an incorrect procedure adopted for the calculation of wages.	23,500
10	Write off of loss to Government consequent on a promise made by the Commandant of an Officers' Training School in respect of a messing contract and authorising the contractor to draw British Troops scale of rations at concessional rates during the period from 2nd December 1945 to 15th May 1946.	1,40,083
11	Loss on account of payments made to a contractor in connection with the messing of certain prisoners of war in a re-inforcement camp during 1941 which could not be recovered from the prisoners concerned.	30,327
12	Two cases of extra expenditure incurred by the provision of conveyance to a staff surgeon from 1st April 1944 to 6th March 1946 (Rs. 12,853) and to Women's Auxiliary Corps (I) from 1st August 1945 to 1st July 1946 (Rs. 5,334).	18,187
13	Write off of advances paid to certain personnel of Royal Air Force, Ceylon, by the Air Forces in India during April 1942 to November 1943 which could not be recovered.	5,445
14	Irrecoverable debit balance in respect of Indian Army Medical Corps personnel of an Indian Army Medical Centre written off by the Sub-Area Commander.	10,727
15	Overpayment to a British Service Officer who was holding an Indian Army appointment in the M.E.F. and was transferred to the Indian Army with effect from 1st May 1944 but paid at Indian rates of pay and allowances retrospectively from 15th June 1943. The officer has since been released and the overpayment was written off by the late Secretary of State for India.	6,310
16	Two cases of irrecoverable dues on account of payment issues of ordnance stores to units since disbanded.	12,973
17	Numerous unidentifiable advances paid on acquittance rolls and irrecoverable debtor balances in non-effective accounts written off by officers of the Military Accounts Department and other competent financial authorities.	72,05,454
18	Regularisation of outstanding Travelling Allowance advances	88,899
19	Overpayments to Railway personnel employed in Transportation (Railway) units, R.I.E., owing to incorrect fixation of rates of pay and allowances.	2,84,904
20	Regularisation of provision of free transport to certain non-entitled personnel from their residences to places of duty and back in a Mechanical Transport School from November 1942 to July 1946.	80,870
21	Losses exceeding Rs. 10 but below Rs. 5,000 in each case	5,37,487
22	Seven cases of losses to which no monetary value can be assigned due to various causes such as waiving of recovery of arrear charges, erroneous calculation of interest on accumulated undisbursed pay, irregular use of Government transport, etc.	..
	Total II	91,07,174
	Grand Total of I & II	92,83,838
		Rs.
	NOTE.—Losses due to enemy action	4,290

APPENDIX XXVI

DEFENCE SERVICES

Statement showing by various categories the total amount of store losses pertaining to the Defence Services dealt with finally during the period from 1st April 1947 to 14th August 1947

Categories of losses	Food and Forage		P.O.L. & Aviation Spirit		Other R.I.A.S.O. stores		M.T. Ve. Other Ord. hicles and connected thing stores		Medical stores		M.E.S. Stores and buildings		Miscellaneous stores		Aviation stores		R. I. N. stores		Total for the period 1-4-47 to 14-8-47	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.			
1																				
2																				
3																				
4																				
5																				
6																				
7																				
8																				
9																				
10																				
11																				
12																				
HEAD I.																				
Actual losses of stores in Transit—																				
(a) From store depots to consuming units and vice versa	1,65,809	12,010	18,275	18,275	3,208	59,338	7,432	..	315	2,400	3,799	2,72,586	..	..	..	..	..	..	..	..
(b) Between store depots	21,73,958	1,47,949	1,97,051	1,97,051	17,774	5,36,813	80,081	..	5,238	5,698	30,732	31,95,294	..	..	..	..	..	..	..	..
(c) From Manufacturing establishments to store depots and vice versa	2,50,261	5,380	19,745	19,745	2,877	98,537	40	..	4,10,598	..	4,172	7,91,610	..	..	..	..	..	..	..	..
(d) Between Manufacturing establishments	164	..	639	639	..	53,087	..	..	..	..	..	53,890	..	..	..	..	..	..	..	..
(e) From Supplying Firms to manufacturing establishments	581	..	894	894	..	1,00,164	..	..	1,164	..	..	1,02,803	..	..	..	..	..	..	..	..
Total Head I	25,90,773	1,65,339	2,36,604	2,36,604	23,859	8,47,939	87,553	6,86,318	4,17,315	8,098	38,703	51,02,501	6,86,318	..	..	..	..	..	..	..
HEAD II.																				
Actual losses due to:—																				
(a) Theft, fraud, neglect	13,008	2,631	21,905	21,905	83,894	5,41,675	14,878	1,74,986	8,075	..	5,403	8,66,455	..	..	..	..	..	..	..	..

	1	2	3	4	5	6	7	8	9	10	11	12
(b) Deficiencies in actual balances not caused by theft, fraud or neglect		2,97,343	7,00,511	52,857	3,04,504	27,01,237	72,301	12,53,385	63,065	2,460	2,51,844	56,99,507
(c) Deterioration		31,50,966	48,427	1,18,928	13,528	5,87,595	20,995	3,16,687	229	..	7,909	42,65,264
(d) Defective storage		1,13,280	3,166	48,336	173	9,94,944	18,451	18,957	132	..	1,452	11,98,891
(e) Fire		44,338	96	12,512	12,262	9,43,276	..	3,10,345	5,84,125	..	252	19,07,206
(f) Miscellaneous causes		3,36,120	8,36,140	19,670	31,430	2,23,192	20,187	50,74,348	2,685	..	90,868	66,34,630
Total Head II		39,55,055	15,90,971	2,74,208	4,45,791	59,91,919	1,46,812	71,48,708	6,58,311	2,460	3,57,718	2,05,71,953
Grand Total—Head I & II		65,45,828	17,56,310	5,10,812	4,69,650	68,39,858	2,34,365	78,35,026	10,75,626	10,558	3,96,421	2,56,74,454

Notes.—1. Details of important losses exceeding (i) Rs. 5,000 due to theft, fraud or neglect and (ii) Rs. 15,000 due to other causes in each case are given in the annexure to this appendix.

2. No losses due to enemy action have been reported during the period.

3. 9 complete Air Frames and 5 Aero Engines which were struck off charge in Air Force Units on account of crashes and accidents due to incidence of service have not been included in the above statement.

ANNEXURE TO APPENDIX XXVI

Statement showing details of the more important losses in Appendix B

Serial No.	Details	Amount
		Rs.
	<i>I. Losses of stores over Rs. 5,000 due to theft, fraud or neglect.</i>	
1	Loss of 17,74,149 doz. yards flannetta by fire on 21st February 1946 in an Ordnance Depot possibly due to sabotage or to unauthorised smoking by labourers in the storage sheds, although responsibility could not be fixed on any individual or individuals. The loss was duly investigated by a Court of Enquiry who expressed the above opinion and suitable remedial measures were taken.	7,62,190
2	Loss of 'covers waterproof' and 'razais light' due to outbreak of fire in a Central Ordnance Depot on 13th June 1945. The Court of Enquiry was assembled and it considered that the loss might have been caused by a labourer smoking in the vicinity of the stocks or due to sabotages. The Court was however unable to fix personal responsibility. The points were brought to the notice of the higher authorities who have taken remedial measures against the recurrence of the loss.	4,69,635
3	Three cases of loss of M.T. Vehicles of Rs. 5,243, Rs. 5,400 and Rs. 11,680 in value which were stolen and written off by the Competent Financial Authority. In the first case, the loss was investigated by the Court of Enquiry who attributed the loss to the negligence of an individual who was tried by a summary Court Martial and was awarded 3 months' R.I.	22,323
4	Loss of firewood in a Supply Depot during 1944-45 due to pilferage, underweight and water logged receipts. The loss was investigated by the Court of Enquiry who considered that the degree of carelessness was not sufficient to call for disciplinary action and hence no disciplinary action was taken.	26,543
5	Loss of 2,724 lbs. of Milk Ghee which occurred in transit between Supply Depots during October 1945. The Court of Enquiry held to investigate the loss suspected that the loss was wholly or partly due to pilferage at destination. The disciplinary aspect of the case could not be proceeded with due to lack of sufficient evidence to fix personal responsibility.	5,039
6	Two cases of losses of stores and P.O.L. due to theft from two depots of Rs. 6,838 and Rs. 5,072 in value. In the second case, the loss was investigated by a Court of Enquiry who considered that the theft occurred during the period when the depot was closed for Puja holidays and no responsibility could be attributed to the Depot staff.	11,910
7	Two cases of loss (Rs. 6,618 and Rs. 5,438) due to damage beyond repair to vehicles in accidents. Court of Enquiry assembled. In the first case, the disciplinary action was taken against the driver with the levy of fine of Rs. 20 and in the second case the individuals at fault were discharged from service.	12,056
8	Loss of 13,42,326 lbs. of firewood found deficient during stock taking in a Supply Depot during October 1945. The loss was investigated by a Court of Enquiry who held that the loss was due to faulty accounting in the ledgers for which two officers were held responsible. No action could be taken against them as they had repatriated to the United Kingdom.	20,974
9	Loss of a tractor held by an Artillery unit due to theft. . . .	9,218
10	Two cases (Rs. 13,976 and Rs. 9,879) of loss of medical stores due to theft in a hospital and store depot respectively. In the first case, the loss was investigated by the Court of Enquiry who considered that the loss occurred when the unit was moving under active service conditions and no individual was to blame.	23,855
11	Two cases (Rs. 8,176 and Rs. 7,008) of loss of M.T. Vehicles due to theft. Both cases were investigated by the Court of Enquiry. In the first case the individual at fault was posted back to regimental duty as a sort of punishment and in the second case, the individual at fault died before any disciplinary action could be taken against him.	15,184

Serial No.	Details	Amount
		Rs.
12	Two cases of losses amounting to Rs. 6,488 and Rs. 8,883 of sparking plugs and capes waterproof respectively due to theft. Both cases were investigated by the Court of Enquiry. The matter was reported to both the Service and Civil police and exhaustive enquiries made by the latter failed to reveal any trace of the culprits. Suitable precautionary measures were subsequently taken to keep the stores in a well protected place.	15,371
13	Loss of furniture in Transit Camps since 1944 due to theft. Due to constant movement of troops and absence of periodical checking on account of conditions created by war, the loss could not be detected earlier.	1,11,876
14	Loss of ordnance stores discovered as deficient in an Ordnance Depot during a special stock-taking. The loss was investigated by a Court of Enquiry which attributed the loss to the non-observance of procedure, ignorance of rules, inefficiency and malpractices on the part of some of the staff. The Court felt unable to lay the blame on any particular person; but certain persons were named for departmental action which was taken.	30,824
15	Loss of M. E. S. stores amounting to Rs. 16,824 and Rs. 10,117 respectively detected on handing over charge by a store-keeper and an overseer F. & S. in a Stores Dump during 1945. The Courts of Enquiry held the store-keeper and overseer responsible for the loss. The overseer was discharged from service and further disciplinary action against the store-keeper who had been suspended was recommended to Command Head Quarters. Steps were taken to carry out periodical checks to prevent recurrence of such losses.	26,941
16	Cost of M. E. S. stores found deficient in the divisional stock of a Garrison Engineer on 100 per cent. ground check carried out in September 1943. The loss was due to culpable activities of the store-keeper who was courtmartialled and sentenced to six months' imprisonment.	8,881
17	Cost of M. E. S. stores found broken and unserviceable in a consignment sent by an Engineer Park to an Engineer Stores Depot during May 1945. The loss was due to faulty packing. The packing staff of the consignor was found negligent in not following the instructions issued by the O. C. Park. As such cases were common during the period of war, the loss was not pursued.	5,574
18	Cost of M. E. S. furniture and stores found deficient due to physical check not being carried out at the time of handing over or taking over consequent on the amalgamation of two Headquarters during August 1942. The deficiencies were first reported in April 1944. The Court of Enquiry held the Administrative Commandant and other staff responsible for the negligence of duty. As those responsible could not be located no disciplinary action was possible. The loss, however, occurred under the abnormal conditions of war.	8,460
<i>II. Losses of stores over Rs. 15,000 due to other causes.</i>		
1	Three cases of losses in transit (Rs. 20,872, Rs. 30,389 and Rs. 26,138) of rollers and shells, brass scrap etc. consigned to different factories and the claim preferred against the Railways therefor was refuted by them.	77,399
2	Deficiency of web drab thin discovered during stock verification in a Harness and Saddlery Factory.	16,382
3	Losses due to broken parts of one hydraulic pump which was manufactured by a firm for Government	20,850
4	Foodstuffs lost due to deterioration in store in Bengal Ordnance Factories during 1943, and declared unfit for consumption.	18,064
5	Loss of materials and equipment by explosion and fire in a Godown on 14th April 1944.	2,81,437
6	Loss on account of 78,000 forgings held by Ordnance Factory, Amritsar, treated as scrap in 1945 for remelting owing to drastic reduction in the target requirements.	8,95,588

Serial No.	Details	Amount
		Rs.
7	Loss of miscellaneous stores due to fire on 27th December 1946 in a Camp occupied by a Royal Armoured Corps Regiment.	53,047
8	Loss of ordnance stores in an Air Borne Division Battle School discovered on closing of the school in 1945.	33,342
9	Three cases of naval and clothing stores (amounting to Rs. 39,473, Rs. 16,172 and Rs. 17,852) found deficient during stock verification in a Naval Stores Office.	73,497
10	Loss of aviation spirit at a Naval Oil Installation in transit during the period from December 1944 to June 1945.	25,241
11	Two cases (Rs. 15,478 and Rs. 21,379) of discrepancies in stores in two vessels due to erroneous accounting and wrong identification of stores.	36,857
12	Loss of medical stores in transit received by an Army Medical Stores Depot in 1946.	32,438
13	Loss of equipment in certain airfields discovered at the time of their closing down in 1945.	46,422
14	Loss of brushes due to shortage and to defective storage under adverse climatic conditions.	39,316
15	Air Force equipment found deficient during stock-taking in January 1947 in a Maintenance Unit.	20,732
16	Loss of ordnance and other stores by fire in March 1946 in an Artillery Regiment.	1,63,243
17	Loss of various ordnance stores found unserviceable as a result of defective storage under adverse conditions in an Ordnance Depot.	1,73,337
18	Deficiency of great coats discovered during stock-verification in an Ordnance Depot in 1946.	3,25,045
19	Stores found deficient at the time of stock-taking in an Ordnance Depot during October 1946 due to the unsatisfactory state of accounts.	1,34,040
20	Deficiency due to incorrect accounting of ordnance stores in a Central Provision Depot relating to the period November 1944 to June 1945.	16,00,306
21	Loss due to short landing at a port of M.T. spares consigned to a depot. The claim against the shipping agents could not be pursued to a finality due to delay in lodging the claim and to the absence of the relevant documents which could not be produced on account of faulty documentation in the consignee depot. The documentation procedure has since been tightened up to avoid a recurrence of such losses.	4,10,101
22	Deficiencies in actual balances of ordnance stores in an Ordnance Depot.	1,32,634
23	Five cases ranging from Rs. 18,395 to Rs. 69,724 of loss of ordnance stores due to deterioration and to adverse storage conditions.	2,40,790
24	Loss of clothing due to fire in a wagon while in transit to an Ordnance Depot.	34,311
25	Three cases (Rs. 97,587, Rs. 31,730 and Rs. 1,02,072) of deficiencies in stores discovered at the time of stock-taking.	2,31,389
26	Loss of 13,03,468 sand bags found deficient during stock-taking in 1946 in an Ordnance Depot.	1,46,644
27	Loss of R.I.A.S.C. supplies received short from the Port due to deterioration, leakage in transit etc.	4,25,509
28	Loss due to evaporation etc. of motor and aviation spirits in a Bulk Storage Installation during September, October and November 1946.	1,82,380
29	Loss of aviation and motor spirit at a Bulk Petroleum Installation due to evaporation during March 1947.	1,12,023
30	Loss of aviation and motor spirit during March and April 1947 in a storage installation due to evaporation and spillage.	1,06,853
31	Loss of R.I.A.S.C. stores in transit due to leakage etc. in a consignment received in a Supply Depot during 1945-46.	3,84,356
32	Loss of flame thrower fuel due to destruction by burning in June 1947 in a Reserve Base P.O.L. Depot.	3,47,328

Serial No.	Details	Amount
		Rs.
33	Loss of R.I.A.S.C. supplies in transit to a depot prior to 1st October 1946.	1,98,933
34	Loss of ordnance stores due to an outbreak of fire in a hospital during May 1946.	1,18,023
35	Loss in transit due to deterioration etc. of R. I. A S. C. supplies received in a depot from overseas in 1946.	2,19,457
36	Loss due to difference between the book value and value realised from sales of atta and flour milled prior to June 1944, condemned and disposed of as unfit for human consumption.	30,79,619
37	Loss of atta in a Base Supply Depot due to deterioration during 1945-46.	1,27,874
38	Loss of mite repellent in a Reserve Supply Depot during 1945 due to short receipt from overseas.	4,68,720
39	Loss of R.I.A.S.C. supplies due to difference between stock book value and the amount realised by sale in a Supply Depot.	1,54,334
40	Six cases ranging from Rs. 15,745 to Rs. 77,603 of loss of aviation and motor spirits in Bulk Petroleum Installations due to evaporation etc.	2,04,392
41	Ten cases ranging from Rs. 16,227 to Rs. 82,136 of loss of R. I. A. S. C. stores in transit due to causes such as leakage, deterioration, handling, etc.	3,75,456
42	Two cases (Rs. 17,249 and Rs. 22,485) of loss of firewood and P. O. L. due to deterioration while in storage.	39,734
43	Eight cases of losses of R.I.A.S.C. stores ranging from Rs. 28,301 to Rs. 49,809 condemned as unfit for human consumption and disposed of by sale or otherwise.	2,75,723
44	Loss of stores (other than M.E.S.) due to an outbreak of fire in a hall occupied by an Infantry Company.	74,246
45	Loss of baled hay at a Fodder Baling Depot due to fire	43,121
46	Four cases ranging from Rs. 15,250 to Rs. 68,274 of loss of R.I.A.S.C. stores due to short receipts at the Supply Depots.	1,50,709
47	Loss due to burning away of surplus stocks of flame thrower fuel in a Supply Depot in July 1946.	44,216
48	Loss of R.I.A.S.C. supplies and fodder in a Station Supply Depot due to incomplete and unsatisfactory accounting during 1945-46.	39,771
49	Loss of R. I. A. S C. supplies and hygienic chemicals due to leakage in transit from a Port to a Supply Depot.	1,01,184
50	Loss due to over issue of rations to Italian Prisoners of War owing to late receipt of Government orders laying down the new ration scales.	19,570
51	Loss of R.I.A.S.C. articles damaged due to defective storage	80,685
52	Losses due to an error in the accounting in a Field Supply Depot	24,585
53	Loss of tinned milk found short in a depot in February 1946	29,289
54	Loss of 20 tons 506 lbs. of tinned fruit in transit	16,990
55	Cost of buildings and furniture destroyed by fire on 3rd December 1945 in unit lines.	1,28,991
56	Loss of engineer stores including building materials and electrical and mechanical stores during the construction of a Reserve Base prior to the formation of the Central Stores Organisation under the Commanding Royal Engineer. The loss related to the period ending 29th February 1944 and was ascribed to faulty book keeping and extenuating circumstances prevailing at that time which precluded due observance of rules. This loss is in addition to the loss of Rs. 6,88,619 written off in May 1946 and included in item 72 of Appendix B (ii) of Appropriation Accounts 1946-47. Minor losses amounting to over Rs. 3 lakhs have also been written off by Engineer Officers locally from time to time.	3,01,000

Serial No.	Details	Amount
		Rs.
57	Loss of coal and bricks in Dumps during the 1943-44 brick burning season in a Command.	2,63,246
58	Loss on account of demolition of temporary quarters constructed in 1942 at two places for the accommodation of factories personnel as these quarters became uninhabitable due to considerable damage caused by rain and wind storms during 1944-45.	3,63,823
59	Loss of palmyrah and bamboo matting due to deterioration in an Engineer Park during 1943-45.	1,82,500
60	Cost of stores found deficient in an Engineer Park during physical check in 1944-45. The loss was due to bad accounting. The Court of Enquiry held that the losses were only paper losses and not actual and that no responsibility could be fixed.	22,85,964
61	Loss of stores due to deficiency in an Engineer Stores Depot disclosed by the stock taking team in 1944-45. The loss was due to abnormal conditions of war such as over-estimation/duplication of quantities and wrong recording etc.	1,55,675
62	Ninety-eight Barki Boats on charge of a Garrison Engineer were lost during the Monsoon 1944 by flood. Court of Enquiry held that the loss was due to an act of God.	19,600
63	Two cases of losses comprising amounts of Rs. 41,384 and Rs. 55,328 of M.E.S. buildings and furniture due to fire, in May 1945 and March 1946.	96,712
64	Five cases of losses comprising amounts ranging from Rs. 18,350 to Rs. 39,000 of M.E.S. stores due to deterioration resulting from improper accommodation for stacking for a considerable time.	[1,43,963
65	Ten cases of losses of M.E.S. stores comprising amounts ranging from Rs. 17,550 to Rs. 31,358 lost in transit.	[2,46,626
66	Twenty-seven cases of losses comprising amounts ranging from Rs. 15,847 to Rs. 99,599 of different kinds of M.E.S. stores discovered at stock-taking in various Engineer-Store Depots. The losses arose due to wrong classification and recording in the initial stages. Surpluses disclosed have been taken into account.	11,37,094
67	Eight cases of losses of M.E.S. stores comprising amounts ranging from Rs. 21,490 to Rs. 45,707 found deficient in various Engineer Store Depots.	2,60,456
68	Five cases of losses of M.E.S. furniture comprising amounts ranging from Rs. 19,709 to Rs. 44,592 found deficient in accommodation occupied by units.	1,44,633
69	Cost of furniture lost in a formation prior to its disbandment in March 1946. The Public Works Department who issued the furniture to the unit could not keep any proper records of issue of furniture on account of conditions created by war. The Court of Enquiry did not hold any individual responsible.	41,905
70	M.E.S. buildings and furniture in an R.A.F. Station were damaged by storm on 3rd May 1945.	2,83,507
71	Cost of asbestos products found broken in an Engineer Park during the period 1940-44. The loss was due to varied factors such as breakage in transit, breakage in handling, loading and unloading, breakages in retail issues during the period of four years of the war and breakage due to improper storage. No responsibility for the loss could be fixed.	41,186

III. Loss of stores whose monetary value is not known.

- 1 Loss of stores and equipment due to fire on a ship on 15th October 1945.
- 2 Loss on account of regularisation of issue of free rations to civilian clerks of the Assam Valley Light Horse Auxiliary Force (India) Dibrugarh during the period from 1st June 1942 to 30th September 1945 to which they were not entitled under the rules.
- 3 Loss representing the value of two packages as shown in the Convoy Notes found deficient and contents of which are not known.

APPENDIX XXVII

PART I—Statement showing infructuous expenditure in excess of Rs. 20,000 in each case on works stopped on account of termination of war administratively approved during the period 1st April 1947 to 14th August 1947.

Serial No.	Brief particulars of works abandoned	Estimate of cost administratively approved	Infructuous expenditure incurred	Net infructuous expenditure, i.e. after allowing credit of sale proceeds realised from salvaged materials etc.	Remarks
1	2	3	4	5	6
		Rs.	Rs.	Rs.	
1	Provision of accommodation for Institute, Ratu, Piska.	3,57,000	77,103	77,103	
2	Provision of accommodation [(W.A.C (1)] Training Centre, Jamshedpur.	1,11,000	25,893	25,893	
3	Expansion of Advance Ammunition Depot, Jamalpur.	1,51,576	61,456	61,456	
4	Provision of accommodation for Garrison Company, Avadi.	1,64,000	1,28,993		
5	Provision of accommodation for Engineer Stores Depot, Avadi.	23,33,200	21,57,060		Not yet disposed of.
6	Provision of accommodation for Royal Naval Air Station, Cochin, 2nd Expansion.	95,000	59,641		Not yet disposed of.
7	Provision of additional mobile landing craft at Advance Base Depot, Cochin.	1,72,400	1,68,146		Not yet disposed of.
8	Provision of additional works at Naval Landing Gear Depot, Tuticorin.	1,02,480	31,000	27,898	
9	Provision of additional Domestic or Technical accommodation at Arkonam Airfields.	37,05,000	5,61,144		
10	Provision of Technical Accommodation at St. Thomas Mt., Madras.	14,42,000	14,19,889		

PART II.—Statement of Infructuous expenditure in excess of Rs. 20,000 in each case due to reasons other than termination of War

Serial No.	Particulars	Amount
1	<p>The provision of a permanent landing hard at Silvers—Sand Madh—Marve Area (additional works at No. 1 Combined Training Centre, Bombay) was approved at a cost of Rs. 3,84,700. After the work was put in hand and the expenditure to the extent of Rs. 97,009 was incurred, it was found that the necessary level of the toe of the hard and the necessary slope could not be obtained on the site. The work was therefore abandoned, and the constructional works items carried out have been utilised as a Parking Ground and brought on the register of military buildings. A new site known as Temple Hard was selected and a new hard was constructed at a cost of Rs. 1,33,000 to a revised scale and specifications. Though the original site had been abandoned as a landing hard, the experience gained has been reflected in the new construction at Temple Hard which represents a net saving of Rs. 1.54 lakhs on the estimated cost of the original project.</p> <p>As the expenditure of Rs. 97,009 was considered infructuous notwithstanding the use to which the original works have now been put, the same was written off under the orders of the Government.</p>	<p>Rs. 97,009</p>
2	<p>M/S Bishan Singh Jaswant Singh were entrusted with the execution of certain works at Reserve Base Supply Depot, Jairamnagar on the basis of competitive tenders but without a written agreement. The arrangements for execution of works included burning of bricks without any work order. Later on, the scope of the work was reduced and the work was executed through another contractor as the above contractor refused to enter into a contract for the revised project. The contractors preferred a claim of compensation for their preliminary arrangements amounting to Rs. 2,12,299-14-9 plus interest at 9 per cent. p.a. until payment made. The M.E.S. authorities assessed a sum of Rs. 38,000 as reasonable compensation but the contractor did not agree to this and the case was referred to an arbitrator who awarded Rs. 74,578-8-0 to the contractors in full and final settlement of their claims. As the above expenditure was infructuous, this was written off under Government orders.</p>	<p>74,578</p>

APPENDIX XXVIII

POSTS AND TELEGRAPHS DEPT.

Statement of Losses written off

Serial No.	Nature of loss written off with particulars	Amount
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ASSAM CIRCLE

- 1 Loss due to short receipt of Rs. 2,700 in a civil treasury out of Rs. 13,000/ remitted by a Head Post Office through its Head Postman on the 6th February, 1943. Before the remittance was finally accepted by the Potder of the treasury, the postman, by mistake gave a sum of Rs. 3,200 out of the remittance to an outsider, in exchange for five notes of Rs. 100 each resulting in the shortage of 2,700. The outsider was tried in a Court of Law and sentenced to rigorous imprisonment for two years and to pay a fine of Rs. 1,000 or in default to undergo rigorous imprisonment for six months more. The fine remained unrealised. The Head Postman, carrying the remittance was escorted by the Treasurer of the Post Office under orders of the Postmaster, but the Treasurer accompanied the postman only upto the door of the treasury and was not present when and where the amount was actually made

over to the treasury. It was held that the Treasurer's conduct was in contravention of Note 2 below Article 91 (a) of the Posts and Telegraphs Initial Account Code, Volume I, but no action was taken against him in consideration of the fact that some amplification of the rule which was found necessary, was made subsequent to the incident, in regard to the escort's joint responsibility for the remittance. The Head Postman was found responsible for the loss and a penal recovery of Rs. 454-8-0 was imposed on him. The balance of the loss amounting to Rs. 2,245-8-0 was written off

2,245 8 0

2 Loss due to misappropriation of Rs. 1,236-4-0 by the Postman of a Sub-office, by forging the signatures of the payees of five Value Payable Money Orders. The fraud came to light on the 3rd October, 1946, following enquiries into the complaints of the senders of two Value Payable parcels about non-receipt of Money Orders in respect of their Value Payable articles. The Police completed enquiry on four money orders, but could not prosecute the postman for want of evidence. The case of the fifth money order is reported to be still under police investigation. The case did not reveal any defect in the rules nor contributory negligence of departmental officials. It has been reported that there is no prospect of recovery of the loss. Settlement of claims of the defrauded parties is pending decision of a civil suit filed by them against the Department. The entire amount has, however, been written off to the Posts and Telegraphs revenues, assuming that the claims would have to be admitted and settled in full

1,236 4 0

3 Miscellaneous losses not exceeding Rs. 1,000 in each case. (64 cases)

1,176 7 0

BASE POST OFFICE.

4 Miscellaneous losses not exceeding Rs. 1,000/- in each case (6 cases)

289 14 0

BENGAL CIRCLE

5 Loss of Rs. 4,000 in Government Currency Notes, on the 20th December 1946, from the custody of the Supervisor of a Town Sub-Office. The amount was received by the Supervisor from the Sub-Postmaster, for payment of seven Telegraphic Money Orders to the payees who had come to the office to receive payment, and was kept in an unlocked drawer of his table. The Supervisor, then, went to the Sub-Post-master's table to get the register of Telegraphic Money Orders signed by two postmen, through whom payment was to be made, leaving the amount in the unlocked drawer. The money was found lost when the Supervisor returned to his table, after a few minutes. Both departmental and police enquiries failed to discover the culprit. The case did not disclose any defect in the rules. The loss was solely due to the carelessness of the Supervisor who was punished with a penal recovery of Rs. 1,200. The balance of the loss was written off

2,800 0 0

6 Loss due to payment of 24 bogus money orders of an aggregate value of Rs. 14,000, purported to have been issued from four Post Offices in Bengal and Assam and Bihar and Orissa Circles, during the period from the 19th May, 1944 to the 22nd July, 1944 and paid from several Sub-offices in Bengal between the 25th May, 1944 and the 26th July, 1944. Altogether 28 such Money Orders for Rs. 16,400 were attempted to be paid. The Money Orders in batches of two, were payable to one or other well established firm. The firm concerned, in each case, was duped to accept payment of the bogus Money Orders (in pairs), by some swindler under false name, who posed as a customer and placed some order for purchase with the firm, assuring that Money Orders covering the amount of the order placed would come to the firm from some relative of his and that he would call at the firm again to take delivery of the articles ordered and settle accounts. After the Money orders had actually come and their payment accepted by the firm, the swindler appeared again, took delivery of the articles ordered, and received the balance of the Money Orders after settle-

Serial No.	Nature of loss written off with particulars.	Amount. Rs. a. p.
	<p>ment of accounts. Two of the 28 bogus Money Orders were refused by a firm to whom they were addressed while the payee of two other Money Orders was not traceable. The fraud came to light as a result of reference to the alleged office of issue of the two refused Money Orders, when their issue could not be traced there. A Postman of a Sub-office and an outsider were sent up for trial in this case, but the Postman was discharged for insufficient evidence. The outsider was convicted and sentenced to rigorous imprisonment for four years. The discharged postman has been under suspension, pending conclusion of his trial in another criminal case. A sum of Rs. 5,800/- paid on ten out of the 24 bogus Money Orders, was recovered from their payees. A penal recovery of Rs. 192/- has been imposed on a Postman for contributory negligence, while one Sub-Postmaster and two clerks were warned and another Sub-Postmaster got the benefit of doubt. Attempts are being made to recover the amount of some of the other bogus Money Orders from their payees, through certificate proceedings. The question of defects in the existing rules revealed in this case, is still under examination. The net loss, amounting to Rs. 8,008/- for the present, has been written off</p>	3,008 0 0

7	<p>Loss due to misappropriation by a Sub-postmaster during the period from July, 1945 to December, 1946. The Sub-postmaster first started misappropriation from the office cash, and continued doing so, until the defrauded amount had equalled the maximum cash balance of the office. With a view to replenishing the depleted cash balance, he then began to misappropriate Savings Bank deposits, by not bringing the amounts to account. To avoid detection, the Sub-postmaster afforded credits for the earlier deposits misappropriated by him, out of the sums received on account of subsequent deposits in the Savings Bank accounts. The cycle of frauds continued till he had misappropriated a total sum of Rs. 5,678/- permanently and Rs. 11,847/- temporarily in respect of several Savings Bank accounts. Finally, the Sub-postmaster again started misappropriating from the cash balance of the office to make up for the Savings Bank frauds and concocted a story of theft in the office on the 4th December, 1946 to cover up the frauds. The Sub-postmaster was tried and sentenced to rigorous imprisonment for three months and a fine of Rs. 1,000/- or in default to rigorous imprisonment for three months more. The fine could not be realised. The frauds were not due to any defect in the rules. Departmental investigation, including assessment of responsibility, settlement of claims, recoupment of the loss, etc. has not yet been completed. A sum of Rs. 1,521/- is, however, reported to have been recovered from the Sub-postmaster. The balance of the loss was written off</p>	4,157 0 0
8	Miscellaneous losses not exceeding Rs. 1,000/- in each case (568 cases)	2,096 5 9

BIHAR AND ORISSA CIRCLE

9	<p>Loss due to misappropriation of office cash (Rs. 3,158-3-10) and from five Savings Bank accounts (Rs. 1,553) during the period from the 2nd October, 1937 to the 18th November, 1939 by an Extra Departmental Sub-Postmaster (who was a retired Postal Official and thus exempt from furnishing security) by (i) obtaining large sums from the cash office for meeting heavy Savings Bank Liabilities and which were not utilised for the purpose, (ii) not crediting or crediting short in the accounts, the amounts tendered for deposit and altering entries made in the pass books by the Head Office in the cases of first deposits in two of these accounts with a view to satisfy depositors; and (iii) making fraudulent withdrawals (some times in excess of those actually required by the depositors) from those accounts after obtaining the pass books from the depositor on the plea that they were required for entry of interest by the Head Office. The Extra Departmental Agent absconded from office on the 20th November, 1939 and has not so far been arrested. The police authorities have since struck off his name from the absconders' register too in the belief that he had</p>	
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Serial No.	Nature of loss written off with particulars	Amount. Rs. a. p.
	<p>died while in hiding. The pension of the official was also ordered by the Director General to be withheld from the 21st November, 1939. The fraud which came to light as a result of enquiries that followed the disappearance of the official was not facilitated by any defect in the rules though there was some contributory negligence on the part of the Sub-Postmaster of the cash office and a clerk of the Head Office for which they were respectively censured and severely warned. A sum of Rs. 1,140-14-0 was realised from the sale proceeds of the Extra Departmental Agent's moveable and immoveable properties and another sum of Rs. 16-11-0 representing his undischarged allowance was appropriated towards partial adjustment of the loss. Of the five defrauded Savings Bank accounts, claims in respect of only two amounting to Rs. 453/- were admitted and settled after allowing Rs. 12-11-6 as interest. Thus against the total loss of Rs. 3,623-15-4 (Rs. 3,158-3-10 on account of office cash and Rs. 465-11-6 on account of Savings Bank transactions including interest on embazzled amounts), involved in the case, recoveries to the extent of Rs. 1,157-9-0 only could be effected as explained above. After adjusting recoveries on a <i>pro-rata</i> basis, the net loss amounted to Rs. 316-15-4 on account of Savings Bank transactions and Rs. 2,149-7-0 on account of office cash. The two amounts were written off to the General and the Posts and Telegraphs Revenues respectively. The last claim of the defrauded depositors was settled in December, 1941 and it took over 6½ years thereafter to conclude the certificate case regarding attachment and sale of the Extra Departmental Agent's property and to apply for the write-off of the irrecoverable balance of the loss</p>	2,466 6 4
10	<p>Loss due to misappropriation during the period from the 4th December 1943 to the 9th December, 1943 by an officiating Postman of a Head Post Office, of the values of 4 insured articles (Rs. 850/-) and 25 money orders (Rs. 1,562-13-0) entrusted to him for delivery and payment to the parties concerned by forging their signatures. The Postman was challenged by the Police, but he absconded soon after he was released on bail. The fraud, which came to light as a result of investigation into complaints received from defrauded parties, was not facilitated by any defect in the existing rules, but there was contributory negligence on the part of the Treasurer and three clerks of the Post Office. Of these, the Treasurer was censured, one of the clerks died, another clerk was allowed to retire before departmental action could be taken against him and the remaining official was ordered to make good the loss to the extent of Rs. 100. A further sum of Rs. 260-11-0 was realised from the sureties of the Postman (Rs. 250) and his undischarged pay and allowances (Rs. 10-11-0), thus bringing the total recoveries effected to Rs. 360-11-0. This amount was adjusted towards partial recoupment of the loss and the balance of Rs. 1,202-2-0 ordered to be written off as irrecoverable</p>	1,202 2 0
11	<p>Loss due to misappropriation during the period from the 11th January, 1936 to the middle of November, 1940 by a clerk of a Sub-Post Office of a sum of Rs. 13,496 permanently and Rs. 5,223 temporarily from sixty-five Savings Bank accounts by forging the signatures on the applications for withdrawals and warrants of payments. In some cases, the official altered the entries of amounts made by the depositors in their applications for withdrawals, inserted larger amounts in their stead and misappropriated the difference (only actual amounts sought to be withdrawn being entered in the respective pass books) and in others, he met demands for withdrawal from his own pocket to avoid detection of fraud when the balance at credit of the accounts was found by him to be insufficient due to fraudulent withdrawals made previously by him from those accounts. The official was relieved on the 16th November, 1940 to join his permanent post in another Sub-post office and is absconding since then. The commission of the fraud came to light on the 27th November, 1940 as a result of enquiry and verification of balances of the Savings Bank accounts in that Sub-office following reports of irregularities in that Branch. The</p>	

Serial
No.

Nature of loss written off with particulars

Amount.
Rs. a. p.

fraud was facilitated as a result of certain lapses on the part of the Divisional Superintendent who allowed the clerk to remain in charge of the Savings Bank work continuously for a period of seven years and to perform all the work of this branch including the personal duties of the Sub-Postmaster both during his presence as well as during his authorised absence from duty. He also failed to verify balances in pass books during local inspections and to attend to reports regarding discrepancies in certain pass books made earlier by the Head Postmaster. Eighteen officials including the Divisional Superintendent and the Head Postmaster were held responsible for lack of supervision and contributory negligence displayed by them in this connection and ordered to make good the loss to the extent of Rs. 3,919 out of which a sum of Rs. 700/- payable by the Head Postmaster could not be realised as he was implicated in another fraud case. A further sum of Rs. 300/- was realised from the sureties of the accused clerk and another sum of Rs. 43-2-0 representing his undrawn pay and allowances was also available towards partial adjustment of the loss. Thus against the total loss of Rs. 13,886-3-4 on account of claims of defrauded Savings Bank depositors settled so far, a sum of Rs. 3,562-2-0 only as explained above could be made available in partial recoupment thereof and the balance of Rs. 10,304-1-4 was ordered to be written off as irrecoverable leaving claims in respect of certain other depositors to be settled later

10,304 1 4

- 12 Loss due to misappropriation of cash (Rs. 3-1-2), stamps (Rs. 134-4-0), value of several Indian Postal Orders (Rs. 154-4-0) and non-credit and short credit of the value and commission (Rs. 4,177-14-0) of a number of Money Orders by an Extra Departmental Sub-postmaster, during the period from the 1st September, 1941 to the 13th September, 1941. While accepting Money Orders, the official used to fill up only the upper pencil copies of the Money Order receipts, which he granted to the remitters, leaving the duplicate and the triplicate copies blank, and did not credit the amount of the Money Orders in the accounts. The blank copies of the Money Order receipts were utilized by him in bringing to account other Money Orders, subsequently presented at the office. The Indian Postal Orders, of which the value and commission were not brought into the accounts by the Extra Departmental Agent were presented at another Post Office for encashment by a person whose whereabouts remained untraced. The Extra Departmental Agent absconded on the 16th September, 1941, with the keys of the office safe, etc. The fraud came to light on the 17th September, 1941, when a clerk deputed by Head Office to take charge of the office in question, forced open the office safe and examined the accounts. The Extra Departmental Agent was arrested on the 8th November, 1941. He was prosecuted and sentenced to rigorous imprisonment for six years and to pay a fine of Rs. 1000/- or to undergo rigorous imprisonment for one year more. The fine was not realised. The case did not reveal any defect in the rules nor any contributory negligence of any official. Money Order claims for Rs. 4,062-11-0 were admitted and settled. The gross loss amounted to Rs. 4,427-12-2, against which a total sum of Rs. 312-8-0 was recovered. The loss on account of the stamps was taken in reduction of the revenue receipts of the Department. The balance of the loss was written off

3,981 0 2

- 13 Loss due to armed dacoity in a Sub-post Office during the small hours of the 7th April, 1944. The signaller and the Sub-Postmaster of the office were roused from sleep by the bandits, on the plea of booking an urgent telegram. They got hold of the keys of the iron safe of the office from the officials at the point of a revolver when the signaller fell down unconscious through fear. Both the officials were tied with ropes. The dacoits then opened the office safe and decamped with cash (Rs. 3,853-5-6) stamps (Rs. 34/-) and two insured letters worth Rs. 370/- for which claims were settled in full. Soon after, the Sub-postmaster managed

Serial No.	Nature of loss written off with particulars	Amount] Rs. a. p.
	to untie himself and chased the dacoits, who injured him seriously. The signaller reported the case to Police after he had regained consciousness. The Police sent up three men for trial but they were discharged by the Court. The sum of Rs. 34/- lost in stamps, was taken in reduction of the revenue receipts of the Department and the cash portion of the loss was written off	2,853 5 6
14	Loss due to destruction of a Branch Post Office by an accidental fire caused from a cooking oven behind the Post Office, about the midnight of the 17th February, 1946. The Branch Postmaster and the two mail peons attached to the office, were out at the time. The Postmaster came to know of the fire at about 1 A. M. next day, while on his way back to the Post Office. The fire had completely gutted the Post Office premises by that time. The loss amounted to Rs. 1,066-13-9 in cash and Rs. 25/- on account of compensation paid for a Value payable article. The loss in cash was written off	1,066 13 9
15	Loss of a remittance of Rs. 1,500-2-0 sent by a Head Post Office to one of its Sub-Offices on the 11th February, 1947. The amount was contained in an unlocked cash bag placed inside an account bag which was duly sealed and placed in a mail bag duly closed and sealed. The mail bag reached its destination outwardly in good condition on the next day. When opened, it was found that the seal on the account bag was defective and that the cash bag enclosed therein was empty. The police and the departmental enquiries instituted in the case proved unsuccessful in finding out the culprit. The question of responsibility of the departmental officials for the loss is, however, being examined, though the entire loss has been ordered to be written off in the meantime	1,500 2 0
16	Miscellaneous losses not exceeding Rs. 1,000/- in each case (498 cases)	2,160 5 0

BOMBAY CIRCLE.

17	Loss due to misappropriation of the value of eight Money Orders (Rs. 1,384-8-0) and three insured letters (Rs. 525/-) by a Postman by forging the signatures of the addressees, during the period from June, 1944 to September, 1944. The Police could not prosecute the Postman as he had absconded. The case did not reveal any defect in the existing rules nor was there any contributory negligence of the departmental officials. The claims of the defrauded parties were settled in full. The security money (Rs. 250/-) and the undrawn dues (Rs. 68-7-0) of the Postman were recovered and appropriated in recoupment of the money order loss. The balance of the money order loss was written off to the departmental revenues	1,066
18	Loss due to acceptance in good faith during the period from March, 1945 to December, 1946 of a number of forged Siamese, Burmese, Malayan and Indian Currency notes to the value of Rs. 5,872-0-5 by certain Indian Field Post Offices in the South East Asia Command which had to be subsequently impounded. The Field Post Offices had instructions not to refuse Currency notes of any country as such an action was likely to be misconstrued by the troops and would create panic. In the absence of detailed description of the various types of forged Currency notes in circulation, their acceptance in the course of postal transactions was unavoidable. The entire loss was, therefore, written off to the Posts and Telegraphs Revenues	5,872 0 5
19	Loss due to alleged misappropriation during the period from the 4th November, 1946 to the 8th January, 1947 by the Sub-Postmaster and a clerk of a Sub-Post Office of the office cash (Rs. 2-15-11) and amounts tendered for deposit in the several Savings Bank accounts (Rs. 10,117/-) which though entered in the respective pass books, were not accounted for in the Departmental accounts. The Savings Bank fraud came to light on the 31st December, 1946, on receipt of a complaint from a depositor of the non-	

Serial No.	Nature of loss written off with particulars	Amount Rs. a. p.
	<p>receipt of Savings Bank acknowledgements in respect of two sums deposited by him on the 12th and the 24th December, 1946, while the shortage of cash was detected on the 8th January 1947 during the course of check of the cash and stamp balances of the office. Both the officials are now undergoing trial in a Court of Law on various counts. The fraud was not facilitated by any defect in the departmental rules, but was rendered possible as a result of the non-observance of the prescribed procedure on the part of certain departmental officials against whom action will, it is reported, be taken after the conclusion of the trial referred to above. Against the total loss of Rs. 10,119-15-11 involved in the case, a sum of Rs. 9,314-15-11 representing claims of the defrauded Savings Bank depositors settled upto the 11th August, 1948 (Rs. 9,312/-) and the loss of office cash (Rs. 2-15-11) have been written off by the Government as irrecoverable, leaving a balance of Rs. 805/- to be dealt with later</p>	9,314 15 11
20	<p>Miscellaneous losses not exceeding Rs. 1,000 in each case (7,177 cases)</p>	6,102 10 1

CENTRAL CIRCLE.

21	<p>Loss due to payment from a certain Post Office of three bogus money orders for the aggregate value of Rs. 1,772/- on the 3rd January, 1940 which appeared to have been issued on the 30th December, 1939 from a Head Post Office in the same circle. As the payee (a temple priest) was prevailed upon by an outsider to hand over the money to him on the plea that the money was really his and was remitted by his clerk, the payee took steps to ascertain the identity of the remitter through the Post Office. This naturally led the office of payment to suspect the genuineness of the money orders, all of which after enquiry were found to be bogus ones, although the exact manner in which the offence was planned and committed remained a mystery. The outsider who took payment of the value of the three money orders, from the payee and a Postman of the office from which the money orders were purported to have been issued, were tried in a Court of Law. The former was convicted and sentenced to undergo two years' rigorous imprisonment with a fine of Rs. 2,000 (out of which a sum of Rs. 1,772/- was payable to the Post and Telegraphs Department, if realised), while the latter was acquitted. There being little prospect of the amount of fine imposed on the accused being realised, action has been taken to institute, necessary proceedings against the payee of the money orders which are still pending. No official was found responsible except a Deputy Postmaster, who was found to have infringed certain departmental rules regarding safe custody of Post Office stamps and seals and examination of money orders received for issue, and was censured. The loss has since been ordered to be written off as irrecoverable</p>	1,772 0 0
22	<p>Loss due to misappropriation during the period from October, 1944 to February, 1945 by a Postman of the value of sixteen money orders entrusted to him for payment, by forging the signatures of the payees on the money orders. The frauds came to light as a result of investigation into complaints regarding non-payment of the money orders to the proper payees. The official was tried, convicted and sentenced to various terms of rigorous imprisonment in the three cases filed against him including a fine of Rs. 100/- which could not be realised. A town Inspector whose laxity of supervision over the Postman's work facilitated the frauds was also warned. Against the total loss of Rs. 1,835-6-0 involved in the case recoveries to the extent of Rs. 307-4-6 were effected partly from the accused and partly from his sureties. The claim for the refund of a sum of Rs. 34/- became time-barred thus leaving a net loss of Rs. 1,494-1-6 which was written off as irrecoverable</p>	1,494 1 6

Serial No.	Nature of loss written off with particulars	Amount
		Rs. a. p.
23	<p>Loss due to misappropriation of Government money by an Extra Departmental Sub-Postmaster who had appointed a substitute in his place on his own responsibility during his absence on leave from the 8th February, 1945. The fraud came to light on the 6th March, 1945 when a detailed inspection of the office was carried out by an Inspector of Post Offices and the cash balance of the office was found short by Rs. 5,360/-. Both the Extra Departmental Sub-Postmaster and his substitute were tried, convicted and sentenced to various terms of rigorous imprisonment and fines of Rs. 1,000/- (which could not be realised) and Rs. 500/- respectively. The fraud did not reveal any defect in the rules but it was facilitated by the laxity of control and failure to exercise the necessary checks on the part of the supervising officers and other officials of the Head Post Office against whom departmental action is reported to be in progress. The loss involved in the case was, however, ordered to be written off after taking into account a sum of Rs. 300/- only recovered from the Accountant of the Head Post Office for his failure to see that the Extra Departmental Sub-Postmaster's security bond was kept current</p>	5,060 0 0
24.	<p>Miscellaneous losses not exceeding Rs. 1,000/- in each case (41 cases)</p>	3,589 7 0
EAST PUNJAB CIRCLE		
25	<p>Loss due to armed dacoity at a camp Sub-Post Office on the 28th May, 1947. The dacoits entered the Post Office on the pretext of purchasing Post-cards, threatened the staff with a revolver and kirpan and decamped with the cash lying in the drawers of the tables after locking the Post Office door from outside. The Police investigations into the case proved unsuccessful in tracing the culprits. Departmental enquiries, however, revealed that there was some failure on the part of the Sub-Postmaster and the clerk to make adequate arrangement for the safety of cash, to relieve the Savings Bank counter clerk of the surplus cash and to keep the door of the Post Office room locked for greater security, but it was not considered serious enough to warrant the recovery of the loss or any part thereof from them. The entire loss of cash amounting to Rs. 13,818/- was, therefore, written off as irrecoverable</p>	13,818 0 0
26	<p>Loss of 43 Currency notes of Rs. 100/- each from the cash box of a Sub-Post Office in the following circumstances. The Sub-Postmaster who had taken over charge of the office on the 28th September, 1942 being very busy in the compilation of the accounts, asked the Postman in the evening to deposit the cash box of the office in the iron safe embedded in the Tehsil. The Postman found the cash box unlocked and pointed this out to the Sub-Postmaster who without verifying the cash balance locked it and sent it to the Tehsil for deposit through the Postman. The cash box was brought back next morning to the Post Office as usual, but while transacting business, it was noticed that the envelope containing the Currency notes was missing. Both the Sub-Postmaster and the Postman were brought to trial but they were acquitted by the Court. The Sub-Postmaster was then dealt with departmentally and ordered to make good the loss to the extent of Rs. 1,000/-. A sum of Rs. 250/- was also recovered from the sureties of the Postman who died soon after the judgment was delivered by the Court. The balance of the loss amounting to Rs. 3,050/- was written off as irrecoverable</p>	3,050 0 5
27	<p>Loss due to mis-appropriation during the period from the 11th September, 1945 to the 3rd October, 1945 from certain Savings Bank Accounts standing open at a Head Post Office, of amounts withdrawn fraudulently (Rs. 4,725) and those tendered for deposit (Rs. 60) by not bringing them to account. The frauds came to light as a result of Audit objection regarding non-receipt of Savings Bank Journals (which had purposely been destroyed to prevent</p>	

Serial No.	Nature of loss written off with particulars	Amount Rs. a. p.
	the fraudulent transactions being traced) in support of certain amounts which were added in the withdrawal column of the consolidation sheets for the 26th September, 1945 and the 3rd October, 1945 without any details. The Savings Bank counter clerk and one packer of the Head Post Office were arrested in this connection by the Police and challaned in the Court which has not yet come to any final decision in the absence of relevant records which are in Pakistan. The results of departmental enquiries are also not available yet for the same reason. Although the entire amount of the loss involved in the case (Rs. 4,785/-) was ordered to be written off as irrecoverable, a sum of Rs. 4,725/- only could be adjusted in the accounts as the balance of the loss written off has not yet been charged in the accounts.	4,725 0 0
28	Loss due to burglary in a Sub-Post Office on the night of the 24th December, 1944. The burglars decamped with Rs. 6,633 in cash and Rs. 15/- in stamps (of which stamps worth Rs. 8-10-9 were subsequently recovered lying at a distance from the Sub-Post Office) besides an insured article for Rs. 150/-. The case was reported to the Police but was filed by them as untraced after necessary investigation. Departmental enquiries, however, revealed that the loss was facilitated by the negligence of the Sub-Postmaster who failed to secure the door of the room in which the iron safe was embedded and also to lock the box containing cash and valuables before placing it in the iron safe on the night of the incident. The clerk of the office was also found guilty of not verifying the cash on the 23rd and the 24th December, 1944 and of failure to lock the safe with a particular type of lock, the key of which was entrusted to him. Both these officials were dealt with departmentally and ordered to make good the loss to the extent of Rs. 2,052/- (Rs.1,620/- from the Sub-Postmaster and Rs. 432/- from the clerk). A sum of Rs. 150/- was paid as compensation for the loss of the insured article and the loss of cash and stamps amounting to Rs. 4,587-5-3 was written off as irrecoverable. An additional chowkidar has also been sanctioned for the office from the 12th March, 1945	4,587 5 3
29	Loss due to abstraction of cash amounting to Rs. 1,350 and an insured article for Rs. 80 from an account bag closed by a Head Post Office for one of its Sub-offices on the 18th March, 1943. The bag along with other articles of mail was duly handed over under receipt by the R.M.S. to the Agent of the mail contractor. When, however, the mails arrived at the Sub-office, the account bag was found to contain a hole in it and the leather cash bag enclosed therein was also missing. The police filed the case as untraced. On the contractor's refusal to make good the loss, the matter was referred to the arbitrator who decided that a sum of Rs. 150 representing the security deposit of the mail contractor could only be forfeited to the Department which was accordingly done. The claim for the compensation for the lost insured article was rejected as time-barred. The net loss of cash thus amounted to Rs. 1,200 and was written off as irrecoverable. As a remedial measure, all contract deeds which did not contain provision for locked receptacles for the conveyance of mails were ordered to be set right	1,200 0 0
30	Miscellaneous losses not exceeding Rs. 1,000 in each case (96 cases)	3,382 14 6

MADRAS CIRCLE

- 31 Loss due to issue and payment of thirteen bogus money orders for the total value of Rs. 5,900/- prepared by a packer of a Sub-Post Office during the period from the 7th May, 1945 to the 30th June, 1945 and made payable to two of his friends. The official had free access to all the Post Office seals and stamps required for the purpose as he was irregularly entrusted with the task of stamping all money orders presented for issue. All the bogus money orders thus prepared by him were signed by himself as the 'issuing clerk' and the 'Postmaster' and were inserted either between the other

Serial No.	Nature of loss written off with particulars	Amount Rs. a. p.
	<p>genuine money orders when the money order bundles were being prepared or were placed by him in the mail bag for disposal along with other unregistered articles. The fraud came to light on the 12th July, 1945 on receipt of a report from the Audit Office that certain money orders received as paid had no corresponding credit in the issue lists. The packer and his two accomplices were convicted and sentenced to undergo rigorous imprisonment for three years each with orders for confiscating some of the properties and the cash seized from the accused. Thus against the total loss of Rs. 5,900/- involved in the case, recoveries to the extent of Rs. 3,022/- were effected from (i) the Sub-Postmaster and four clerks of the office of issue of the money orders (Rs. 1,260/-), (ii) a postman of the office of payment (Rs. 50), (iii) the mother of the accused packer (Rs. 370/-), (iv) his sureties (Rs. 250/-) and (v) the sale proceeds of certain material objects belonging to the accused (Rs. 1,092) and the balance of the loss amounting to Rs. 2,878/- was written off as irrecoverable although departmental proceedings against two more delinquent officials have not yet concluded ..</p>	2,878 0 0
32	<p>Loss due to misappropriation during the period from the 8th April, 1946 to the 9th July, 1946 of the amounts of 12 money orders permanently and of 14 money orders temporarily by the money order clerk of a Sub-Post office by drawing money for them from the Treasury, accounting for them as paid at the window of the Post Office and charging the amounts in the list of money orders paid with the remarks that "vouchers will follow" in order to avoid early detection and to frustrate enquiries. The particulars of these money orders, the values of which he thus misappropriated, were either not entered in the Register of money orders received for payment or were entered in it somewhere, after the Register had been examined by the Sub-Postmaster. In some cases, the entries relating to numbers of money orders and names of the offices of their posting, already made in the Register in respect of the money orders issued to the Postman for payment, were also altered or overwritten. The fraud came to light on the 9th July, 1946 as a result of investigation that followed the detection of certain discrepancies in the Register of money orders received for payment by the acting money order clerk who worked in his place during his absence on casual leave. The official was tried, convicted and sentenced to one year's rigorous imprisonment but the conviction was set aside on appeal by the Sessions Judge who ordered a retrial of the case which has not yet concluded. The departmental proceedings against the delinquent officials, the Sub-Postmaster and the Supervisors of the Head Post Office have also not yet concluded and are kept pending till the result of the trial in the Court is known. The loss involved in the case (Rs. 2,099-3-0) has, however, been written off after taking into account the sum of Rs. 300/- recovered from the sureties of the clerk</p>	1,799 3 0
33	<p>Loss due to misappropriation during the period from October, 1944 to February, 1945 of the value of 39 Money orders by a postman who forged the thumb impressions or signatures of the payees and the attesting witnesses. The fraud came to light on the 24th February, 1945 as a result of a complaint from the public. The official was convicted and sentenced to various terms of rigorous imprisonment and a fine of Rs. 800/- out of which a sum of Rs. 799-4-0 was ordered to be paid to the Posts and Telegraphs Department, if realised. Only a portion of the fine could be recovered. Two money order clerks found delinquent were punished with penal recovery. Against the total loss of Rs. 1,725-4-0, recoveries to the extent of Rs. 520-9-0 were effected as follows :—</p>	

(i) from the arrears of pay due to the postman Rs. 108-2-0 ;

(ii) out of fines imposed by the Court Rs. 27-7-0 :

Serial No.	Nature of loss written of with particulars	Amount. Rs. a. p.
	(iii) from his sureties Rs. 250/- and (iv) from two officials responsible for contributory negligence Rs. 135/-.	
	The balance of the loss of Rs. 1,204-11-0 was written off as irrecoverable. A sum of Rs. 1,104-11-0 only out of the amount ordered to be written off could, however, be adjusted in the accounts as the balance of the loss still remains to be charged	1,104 11 0
34	Loss due to misappropriation by an Extra Departmental Branch Postmaster during the period from January, 1935 to June, 1940 by (i) non-credit or short credit of money tendered for deposit in Savings Bank Accounts, (ii) withdrawals on forged signatures of depositors or withdrawals of amounts higher than what the depositors sought to withdraw, (iii) use of the pass book of a deceased depositor in lieu of a fresh pass book for a depositor whose pass book had been used up and (iv) unauthorised transfer of accounts from one name to another. The frauds were covered up by making fictitious entries of interest in pass books and not discovered as a result of non-submission of pass books to the Head Office. The frauds came to light when, on the death of the Extra Departmental Agent on the 21st/22nd June, 1940, an Inspector of Post Offices visited the office to appoint another man as the Branch Postmaster and examined some pass books. No legal action could be taken against the Branch Postmaster as he was dead. The case revealed no defect in the rules, but contributory negligence on the part of the departmental officials, none of whom except one Sub-Postmaster of the office of account of the Branch Office, could be brought to book for want of necessary records which had been destroyed in the usual course. The heirs of the deceased were sued in a civil suit which was decreed for Rs. 3,100/- together with costs and interest. Only a portion of the amount could however, be realised. The total loss amounted to Rs. 7,171-9-8, out of which a sum of Rs. 2,775-4-4 was adjusted by (i) recovery from the delinquent Sub-Postmaster (Rs. 135/-), (ii) recovery of the security (Rs. 300/-), (iii) the realisation of the assets of the deceased and arrears of his allowances (Rs. 2,070/- and (iv) the excess payments made to some depositors by the Extra Departmental Agent from his own pocket (Rs. 270-4-4), leaving a net balance of Rs. 4,396-5-4 which was written off under the orders of the Governor General	4,396 5 4
35	Miscellaneous losses not exceeding Rs. 1,000 in each case (200 cases).	5,810 3 8

UNITED PROVINCES CIRCLE

36	Paid vouchers in respect of money orders amounting to Rs. 3,508-0-8, paid at a sub office were destroyed in a raid on the Post Office during the disturbances of August, 1942, and as such, the vouchers in support of the charge were not forthcoming. The charge was, therefore, taken as a loss and written off. Only two of the raiders could be prosecuted and they were convicted and sentenced to rigorous imprisonment for two years	3,508 0 8
37	Loss due to theft, in transit, of three account bags for certain sub-offices closed by a Head Post Office on the 3rd April 1947. The transit bags containing these account bags were duly received at the local R.M.S. office in good condition and with seals intact on the same evening, but when they were opened, one of the account bags was found missing altogether and the other two in an open condition, with no leather cash bag containing a cash remittance of Rs. 1,300 enclosed in them. The case was reported to the Police but the alleged culprit who was an outsider, could not be brought to book. The departmental enquiries also proved in vain. The entire loss of cash amounting to Rs. 1,300/- was, therefore, ordered to be written off as irrecoverable	1,300 0 0

Serial No.	Nature of loss written off with particulars.	Amount Rs. A. P.
38.	<p>Loss due to highway robbery of mails in a running train on the B. and N.W. Railway on the night of the 12/13th March, 1941, resulting in a total loss of Rs. 13,183-13-0 representing the value of 25 insured articles (Rs. 9,561/-) and cash and unpaid postage (Rs. 3,622-13-0). The mail van was not, it appears, fitted by the Railway authorities with expanded metal shutters which could be bolted from inside as prescribed in the Director General's Circular No. Mails-65/40(7), dated the 30th March, 1940. The question of asking the B. and N.W. Railway authorities to share a portion of the loss owing to the delay on their part in providing the safety devices as desired by the Department, was also raised by Audit but not agreed to by Government. In all, 10 persons were arrested by the Police and challaned in this connection, of whom 3 were ultimately acquitted by the Court and the remaining seven sentenced to various terms of imprisonment including fines which were also set aside by the High Court after a sum of Rs. 36-6-6 had been realised. The claims of the senders of the insured articles were duly satisfied and the loss of cash and unpaid postage amounting to Rs. 3,586-6-6 written off as irrecoverable</p>	3,586 6 6
39.	<p>An alleged theft took place in an Extra Departmental Sub Post Office on the night of the 8th January, 1946. The Police filed the case as they were of opinion that it was a case of embezzlement and not of burglary. Departmental investigations did not reveal any defect in or infringement of rules. The total loss of cash involved in the case amounted to Rs. 3,207-8-10 and the Extra Departmental Agent was ordered to make good the entire sum. The order was later revised on appeal and the amount reduced to Rs. 300/- which was equivalent to his surety. The balance of the loss amounting to Rs. 2,907-8-10 was written off as irrecoverable</p>	2,907 8 10
40.	<p>Loss of Rs. 5,000/- on the 3rd October 1944 from the custody of a Head Postman of a Head Post Office while at the counter of the Imperial Bank of India. The Assistant Treasurer of the Post Office was entrusted with vouchers for Rs. 30,000/- for the purpose of bringing the amount from the Bank and the Head Postman was ordered to accompany the former. The vouchers were signed by both the officials before they left the Post Office. The Assistant Treasurer handed over the signed vouchers to the Head Postman and did not actually accompany the latter to the Bank, but went there a little later. The Cashier of the Bank began to make payment to the Head Postman before the arrival of the Assistant Treasurer. Meanwhile, the Head Postman with the cashier's knowledge had been away from the counter, for about a minute to fetch some water to facilitate counting of the Currency notes received from the Cashier, leaving the amount with the latter. The Head Postman, on return to the counter, found a sum of Rs. 5,000/- missing. The Cashier of the Bank was strongly suspected to have committed the mischief and was sent up for trial, but was acquitted. The question of responsibility of the Bank for the loss was taken up in view of the fact that payment was made to one official only notwithstanding the vouchers standing in the joint names of two, but the Bank's responsibility could not be established as both the officials had signed the vouchers before the payment. No recovery could also be made from the Head Postman and the Assistant Treasurer who were responsible for the loss, as the former died shortly after and the latter resigned. Necessary instructions to the effect that vouchers should not be signed except in the presence of the Cashier or the Treasurer of the Bank, etc., have since been issued to all concerned by the Director General of Posts & Telegraphs, as a safeguard against such losses in future. The entire amount of loss was written off</p>	5,000 0 0

Serial No.	Nature of loss written off with particulars	Amount Rs. A. P.]
41.	Loss due to mob raids on certain Post Offices which were burnt and looted during the Civil Disturbances in August, 1942. Some of the raiders were prosecuted and sentenced to various terms of imprisonment. The loss of cash, postage and Defence Savings stamps and paid money orders (Rs. 13,836-13-0) being irrecoverable was written off by the Central Government and that of Revenue stamps (Rs. 35-4-0) by the United Provinces Government	13,836 13 0
42.	Miscellaneous losses not exceeding Rs. 1,000/- in each case (79 cases) .	7,055 3 2
Total J. V.		<u>1,66,760 10 1</u>

ASSAM CIRCLE

43.	Loss of Rs. 3,978/- from the custody of a peon of a Sub-Divisional Officer, Telegraphs, from the counter of a branch of the Imperial Bank of India on the 1st February, 1947. The Sub-Divisional Officer sent a peon to the local branch of the Bank with two cheques for a total amount of Rs. 4,002-1-0 for encashment without arranging for an escort. After having obtained the amount for the cheques, the peon went to another counter of the Bank for small change worth Rs. 22/-, in lieu of twenty-two one rupee notes. While counting the bits received in exchange, the peon placed the remaining sum (excepting two one rupee notes and the one anna bit received at the former counter) of Rs. 3,978/- on the left hand side of the counter table, wherefrom the money was removed by some unknown person, who could not be apprehended, in spite of the departmental and the police enquiries. The loss was not due to any defect in the existing rules. It was due to negligence of the Sub-Divisional Officer, who did not send an escort with the peon to the Bank. The entire loss was written off in the joint accounts of the undivided Government of India. Departmental proceedings subsequently held, imposed a token recovery of Rs. 50/- only against the Sub-Divisional Officer as he was held to have acted in good faith and in accordance with the existing practice in his office	3,978 0 0
GRAND TOTAL		<u>*1,70,738 10 1</u>

*Amount of loss debited to the General Revenues on account of Savings Bank transactions	24,329 6 0
Amount of loss debited to the Posts and Telegraphs Revenues on account of Savings Bank and Cash Certificate transactions .	4,725 8 8
Amount of loss debited to the Posts and Telegraphs Revenues on account of other transactions	1,41,683 11 5
Total	<u>1,70,738 10 1</u>

APPENDIX XXIX

RAILWAYS.

Statement Showing the Losses

S. No.	Particulars of Loss	Amount
		Rs.
1.	Loss in G.I.P. Railway due to acts of violence by Railway Staff .	16,768
2.	Loss in M. & S. M. Railway due to unauthorised operation of Railway Grainshop identity cards after the date of termination of service	*18,000
	*This is only very approximate. In the absence of complete data, it has not been possible to assess the precise extent of loss.	
3.	Loss incurred by the E.I.R. in the purchase of potatoes Rs. 1,000 was recovered from the contractor.	46,700
4.	Loss to M. & S. M. Railway on risk purchases against grain-shop contracts	19,500
5.	Loss involved in the running of Grocery Shops on Railways .	4,30,593
6.	Loss in earnings due to non-revision of reduced fares	30,000
7.	Loss due to irregular use of saloons	10,940

APPENDIX XXX

CIVIL DEPARTMENTS

Important Financial Irregularities

S. No.	Particulars of Losses	Amount
		Rs.
<i>Ministry of Industry and Supply</i>		
1.	Loss due to irregular procedure followed in the disposal of unused cotton twill striped shirts declared surplus to the requirements of the Defence Services	11,000
2.	Loss due to irregular procedure followed in disposal of Anti-gas capes declared surplus	73,000
3.	Loss due to sale of certain quantity of Alluminium Powder at a rate lower than that fixed by Finance	1,500
4.	Loss incurred by the Disposals Organisation in connection with the sale of "Brass Rods and Rounds"	6,114
5.	Loss involved in the sale of surplus stores	9,257
6.	Loss incurred in connection with sale of Jute Canvas	2,55,954
7.	Loss in connection with disposal of certain stores taken over from U.S.A. authorities	41,000
8.	Loss in disposal of certain U.S.A. surplus Stores	19,000
<i>Ministry of Food</i>		
9.	Loss to Government consequent on declaration of a consignment of meat being unfit for human consumption	6,068
<i>Ministry of Labour</i>		
10.	Loss on account of embezzlement and defalcation	8,747
<i>Ministry of Works, Mines and Power</i>		
11.	Loss due to stationery stores and other articles becoming unserviceable owing to damage by rainwater, ravages by rats and white ants, etc. (book value)	18,838
<i>Ministry of Communications</i>		
12.	Overpayment to an engineer from U.S.A. appointed for employment with the Civil Aviation Department	7,200
<i>Ministry of External Affairs</i>		
13.	Destruction by fire of an out-post of the Assam Rifles	25,409
<i>Ministry of Health</i>		
14.	Loss in connection with purchase and sale of 1 oz. bottles for issue of chloroform	10,715