



Report of the
Public Accounts Committee
on the
Accounts of 1943-44

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		<i>Eleventh Meeting</i> —Legislative Department, War Department, Legislative Assembly Department, Secretariat of the Governor-General (Public), Secretariat of the Governor-General (Reforms) and consideration of the Auditor General's report regarding Central expenditure in Bengal
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Composition of the Public Accounts Committee, 1945

Chairman

1. The Hon'ble Sir Archibald Rowlands*, K.C.B., M.B.E., Finance Member.

Elected Members

*Date of election
or
nomination*

- | | |
|---|---------------------|
| 2. Professor N. G. Ranga | 18th March 1939. |
| 3. Maulvi Mohammad Abdul Ghani * | Do. |
| 4. Mr. Mohamed Azhar Ali | 25th February 1940. |
| 5. Sir Syed Raza Ali, C.B.E. | Do. |
| 6. Pandit Lakshmi Kanta Maitra* | 17th February 1941. |
| 7. Mr. H. M. Abdullah | 28th March 1941. |
| 8. Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.* | 19th February 1942. |
| 9. Mr. Geoffrey W. Tyson, C.I.E. | 5th April 1945. |

Nominated Members

- | | |
|--|-------------------|
| 10. Sir Ratanji Dalal, C.I.E. | 17th March 1938. |
| 11. Khan Bahadur Sheikh Fazl-i-Haq Piracha | Do. |
| 12. Khan Bahadur Sheikh Habibur Rahman, O.B.E. | 12th August 1943. |

*Also Members of the Military Accounts Committee.

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE 1945

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

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

	Original grant or appropriation	Final grant or appropriation	Actual expenditure
(IN LAKHS OF RUPEES)			
Expenditure charged to Revenue (voted)	40,55	51,23	44,34
Expenditure charged to Capital (voted)	3,54	4,33	3,84
	44,09	55,56	48,18
Disbursement of Loans and Advances (voted) :	6,39	19,51	22,00
Total (voted)	50,48	75,07	70,18
Expenditure charged to Revenue (<i>non-voted</i>)	2,48,66	3,60,12	4,21,33
Expenditure charged to Capital (<i>non-voted</i>)	27,30	54,51	52,12
	2,75,96	4,14,63	4,73,45
Disbursement of Loans and Advances (<i>non-voted</i>)	8	5	5
Total (<i>non-voted</i>)	2,76,04	4,14,68	4,73,50
Total expenditure charged to Revenue	2,89,21	4,11,35	4,65,67
Total expenditure charged to Capital	30,84	58,84	55,96
Total disbursement of Loans and Advances	6,47	19,56	22,05
Grand Total	3,26,52	4,89,75	5,43,68

There was thus a total excess of 53,93 lakhs or 11.01 per cent over the final grant.

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

	1939-40	1940-41	1941-42	1942-43	1943-44
Expenditure charged to Revenue	+6.64	+3.18	+4.42	+6.38	+13.20
Expenditure charged to Capital	–58.69	–6.96	–67.50	+51.51	–4.789
Disbursement of Loans and advances	–3.10	–7.85	–9.96	–4.25	+12.73
Combined percentage	+6.22	+2.51	–13	+10.80	+11.01

As in the previous year, the most striking feature of these results is the very large excess of actuals over both budget provision and the final grant or appropriation. In 1942-43 the excess of actuals over the budget was till then the highest ever recorded, namely Rs. 15 crores. In the year under review that figure has been surpassed, the excess being Rs. 217 crores of which the Defence Services are responsible for Rs. 190 crores. The excess over the final provision is again the responsibility of the Defence Estimates, expenditure on the Civil side having been less than anticipated. This served somewhat to reduce the percentage of variation from the final grant, which percentage nevertheless is higher than it has ever been in recent years.

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

Item No.	Name of grant	Final grant	Actual expenditure	Excesses requiring the vote of the Legislature
		Rs.	Rs.	Rs.
1	2—Central Excise Duties	42,98,000	43,21,961	23,961
2	21—Finance Department	7,85,000	8,00,607	15,607
3	22—Commerce Department	15,27,000	15,30,362	3,362
4	27—Central Board of Revenue	8,76,000	8,78,459	2,459
5	31—Administration of Justice	70,000	1,36,292	66,292
6	32—Jails and Convict Settlements	3,03,000	3,14,568	11,568
7	34—Ports and Pilotage	32,70,000	33,27,477	57,477
8	35—Lighthouses and Light ships	8,24,000	8,29,969	5,969
9	37—Botanical Survey	74,000	78,768	4,768
10	42—Meteorology	26,24,000	26,65,874	41,874
11	58—Emigration—Internal	18,000	18,114	114
12	61—Census	5,000	5,205	205
13	81—Interest free Advances	4,64,50,000	7,19,16,133	2,54,66,133
14	10—Indian Posts and Telegraphs Department	14,83,36,000	15,05,86,786	22,50,786
15	78—Stores and Workshop expenditure (outside the revenue account)	1,03,12,000	1,86,25,633	83,13,633

The reasons for the excess are briefly explained below:—

Item 1.—Additional staff for the collection of excise duty on tobacco and vegetable products.

Item 2.—Omission to make provision for the pay of an officer through oversight and more touring than anticipated.

Item 3.—Mainly, proportionate pay of the officers of the Commerce Department doing War Risks Insurance Work wrongly included in the War Risks Insurance appropriation with *per contra* credit to the departmental budget.

Item 4.—Mainly, changes in personnel.

Item 5.—Omission to provide funds for expenditure connected with the trial of offences under the Criminal Law Amendment Ordinance, 1943.

Item 6.—Full amount of the Central Government's share of expenditure on the Central India Agency Jail not provided owing to an oversight.

Item 7.—Readjustment of arrear compensation for land requisitioned for the Stevedore Camp, advice for which was received too late for provision of additional funds.

Item 8.—Mainly, increased contribution to the General Reserve Fund owing to larger receipts from light dues than anticipated.

Item 9.—Carry forward of liabilities from the previous year remaining uncovered as anticipated savings did not materialise.

Item 10.—Increased expenditure on account of provision of meteorological facilities for the Defence Services than anticipated.

Item 11.—A petty excess.

Item 12.—A petty excess.

Item 13.—Mainly, adjustment of expenditure on the purchase of Sudan Cotton on behalf of Indian importers under "Advances Repayable" made after the close of the year.

Item 14.—Mainly creation of new posts to cope with additional work and larger expenditure on carriage of stores due to increased activities of the stores branch, offset by net increase in credits to working expenses due to increase in the cost of services rendered to other departments.

Item 15.—Payment made in advance of the receipt of certain stores and unanticipated receipt of some other stores.

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

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

4. *Budgeting and Control.*—We commented last year on the deterioration in budgeting and control which the results of the year then under review had disclosed when compared to those of a normal year in times of peace. The causes which occasioned that deterioration, namely the uncertainty and unpredictability of the demands of the war, continued almost unabated into 1943-44 and we are therefore, not surprised that the results of the year do not on the whole show any improvement over those of the previous year. In one or two directions some little improvement is however seen. There are this year, for example, only 15 uncovered excesses in the voted section of the accounts compared to 19 in the previous year while the number of excesses over non-voted appropriations has not increased. On the other hand, the number of supplementary grants and the amounts involved, which had reached record figures last year, have been surpassed by the figures this year. The percentage of the total voted amounts surrendered to actual savings in all the voted grants, though it is higher in the case of revenue and capital expenditure, is nil in the case of loans and advances. Again, while there has been a further fall in the percentage which the final unsurrendered savings bear to the total grant under loans and advances there has been an appreciable rise in this percentage under revenue and capital expenditure. Also in the year under review there were no less than seven unnecessary supplementary grants, a figure which has not been equalled for a very long time. But, considering the exceptional circumstances and uncertain conditions of this, the fifth year of the world war, of which all the fluctuating and urgent demands could not possibly have been foreseen, we are prepared to endorse the finding of Audit that budgeting and control may be said to have been on the whole satisfactory. We would, however, add that now that the War is over we hope and expect a rapid return to the standards of budgeting and control prevalent in peace time and we intend in future to tighten up the somewhat lenient standards of judgment in these matters which we have deliberately employed during the war.

5. *Unsurrendered Savings.*—We observe that the percentage which the final unsurrendered savings bear to the total grant has been steadily increasing for the last three years under the head "Revenue and Capital Expenditure" and now stands at the high figure of 10.53. The result of the inability of Departments correctly to estimate savings and their disinclination to surrender the amounts so estimated is that the revised estimates of expenditure are to this extent inflated and as the budget estimates of the succeeding year are largely framed on the basis of the revised estimates for the year about to close, the former also tend to be over-estimates. This source of error in estimating might have had no practical importance during the war when budgetary deficits were in any case heavy but a variation from the revised estimates of so large a percentage as ten can in normal times substantially affect the taxation and borrowing policy of Government and may therefore impose a greater burden on the tax-payer than would be justified. We desire therefore to impress on all spending departments the importance of estimating more accurately the savings that are likely to accrue and of surrendering the entire amount so estimated.

6. *Supplementary Demands.*—We had occasion to comment last year on the very large number of supplementary demands which the Legislature was called upon to vote and of the magnitude of the total sum involved. The figures for 1942-43 (excluding the Posts and Telegraphs estimates) were 46 supplementary demands for a total sum of Rs. 13,23,95,000 which was 52.0%

per cent of the original voted grant. The comparable figures for the year under review are 53 supplementary demands totalling Rs. 21,51,48,000 representing a percentage of no less than 62.29 of the original grant. Our warning last year against the presentation of supplementary demands was of course recorded too late for any results it might have had to be exhibited in the Accounts of the year under review. The conditions moreover which were responsible for this unsatisfactory state of affairs in the previous year continued with almost the same force during the year the accounts of which we are now considering. We recognise of course that in war conditions supplementary demands are inevitable but we, nevertheless, desire once again to emphasise that the requirement to spend only upto the budget allotment is the fundamental basis of all control over expenditure. We trust that, as the War is now over, the Finance Department will take steps to ensure, more strictly than it has been able to do during the War, that Departments do not launch in the middle of the year upon schemes for which provision has not been made in the budget and that they are compelled, save in the most exceptional circumstances, to postpone all their new expenditure till it can be included in the budget for the next year.

7. *Unnecessary Supplementary Grants.*—Out of the 53 supplementary grants voted by the Assembly on the Civil side, no less than seven proved to be entirely unnecessary while in one case a large portion of the supplementary grant remained unutilised. This is a very considerable deterioration and cannot wholly be explained by the conditions brought about by the War for, in the previous years, the number has never risen beyond three. We have more than once in the past recorded our view that the greatest care should be taken before a supplementary demand is placed before the Assembly and that the latest figures of actuals should be obtained and carefully studied immediately before a supplementary demand is submitted. We desire that these recommendations, which have possibly been overlooked through lapse of time and because of the preoccupations of the War, should once again be brought to the notice of Departments.

8. *Unanticipated Credits.*—Two years ago we discussed at length the question of what the best method was to obtain legislative approval for the expenditure of funds of which Departments become possessed by the amounts under the head "Deduct Recoveries" in grants exceeding those for which budget provision has been made. We then came to the conclusion that the best solution of the problem though it did not involve the obtaining of a definite act of approval from the Legislature, was that these unanticipated credits should be brought prominently to the notice of the Legislature by mention in the budget memorandum if the credits were noticed before the preparation of the revised estimates or by specific inclusion in the Appropriation Accounts if they were noticed after the close of the year. The Committee were at that time averse to the adoption of the English system of accounting for recoveries from other departments as it was held not to be in consonance with scientific principles of accounting. That system is that the original vote contains what is known as an "Appropriation-in-Aid" corresponding to our head "Deduct Recoveries" and Departments are prevented from spending more money than has been granted to them by the Legislature by the adoption of the device of taking to a receipt head recoveries in excess of the amount mentioned in the Appropriation-in-Aid. The Indian system as now modified succeeds in bringing to the notice of the Legislature the fact that money in excess of that granted by it has been spent but it does not even now require a positive act of assent from the Legislature granting funds. Moreover, the disadvantage of the Indian system is that, if the recoveries made from other departments happen to be substantially in excess of budget provision, the entire accounts of the grant are upset and such strange results are recorded as the year closing with minus expenditure under heads which are responsible for substantial spending.

Examples of this nature this year occurred in grants No. 36—"Survey of India", 67—"Civil Works" and 79—"Delhi Capital Outlay". There are, to our mind, two advantages in the English system; firstly, it enables budgetary equilibrium to be retained and, secondly, it makes it incumbent on the Executive to obtain a positive vote from the Legislature before it can spend more money than has been granted to it. We should like, therefore, the Finance Department to re-examine the whole question in consultation with the Auditor General with a view to ascertaining whether there is any serious objection to the adoption of the English system in India.

9. *Suspense Balances.*—We sounded a note of warning last year against the danger of allowing suspense balances to grow unwieldy. We were informed then that there were considerable sums of money standing to the debit of Suspense because it had not been found possible satisfactorily to separate and allocate the individual items of which they were composed to the various Governments or service heads to which they were debitable. We do not know how far our warning has been heeded and whether amounts in suspense are showing a tendency, as they should, to decrease. We consider it desirable that the Public Accounts Committee should be informed every year of how these suspense balances are progressing and we should like in future a statement to be embodied in the Appropriation Accounts of how much money there is in suspense at the end of the year under review and how long it has been there. We also desire the Finance Department to circularise other departments impressing upon them the urgency of clearing these debits.

10. *Vote on New Service.*—The Department of Industries and Civil Supplies came into existence on the 22nd of April 1943 but no vote for its expenditure was obtained till as late as March, 1944 so that for a period of eleven months public money was spent without the authority, and even without the knowledge, of the Legislature. It was explained to us that the decision to form this department was taken after the budget had been presented and, as it is usual to present all supplementary demands together towards the close of the financial year, it had not been thought necessary to present the demand for this Department separately and before that time. We agree, of course, that it is convenient to consider all supplementary demands at one time but, though there is no objection to supplementaries arising out of increases in expenditure on services already in existence being presented at the end of the year, it is important that when the Executive decides to embark on a new service or on an activity of a kind which has not received the approval of the Legislature previously, the latter should be given the earliest possible opportunity to express its views on the proposed expenditure. This should be done by the presentation of a supplementary demand in the session of the Legislature immediately following on the commencement of the new activity. If it is not possible at that stage to form an accurate picture of the total expenditure involved, a token demand should be moved.

11. *Expenditure in Bengal.*—We are indebted to the Auditor General for the preparation at our request of a very full and lucid account of the past history and present position of the expenditure incurred, mostly in 1942-43, by the Government of Bengal on behalf of the Central Government on the execution of the Denial Policy, the construction of military works and on refugees and evacuees. We invited the Government of Bengal to be represented before us to help us in our examination of the Auditor General's memorandum. We regret that they did not find it possible to accept our invitation and the advantage of ascertaining their views at first hand has consequently been denied to us. We note however that the Bengal Government accept the Auditor General's presentation of the facts as fair.

We realise that the Government of Bengal with its limited resources of trained personnel was suddenly called upon to deal with a situation of unusual gravity and unexpected magnitude and complexity which must have necessitated relaxation of the rules of normal peace-time procedure and practice.

In particular, we refer to the issue of orders for the free use by Collectors of Rule 2 of the Bengal Treasury Rules which the abnormal conditions of the time demanded. We can, nevertheless, not conceive of any set of conditions in which there could possibly be any justification for the disregard of such elementary commonsense precautions as the taking of receipts for money paid or of maintaining records of payment. We can, therefore, come to no conclusion but that the discretion vested in the district authorities under the Bengal Government's orders was in many cases most gravely and even flagrantly abused and we have no doubt whatever that much of the money alleged to have been spent on the payment of compensation, for the construction of works and to evacuees and refugees never reached those for whom it was meant.

We recognise, however, that our criticism must be tempered with leniency. As we have already said conditions in Bengal were exceedingly difficult, the staff at the disposal of the Bengal Government, the insufficiency of which even for normal administration has recently been fully disclosed, was quite inadequate to undertake the innumerable tasks with which it was suddenly burdened when the country was faced with an invasion and it is not surprising therefore that the administration came to the verge of a breakdown. Further, the importance of acting quickly was supreme. Having regard to all these factors we have come to the conclusion that no useful object will be served by pursuing this matter any further. We are, therefore, prepared reluctantly to acquiesce in the debits on this account, which are now held under objection, being accepted as a valid charge against the Government of India without requiring Audit to insist on too meticulous a fulfilment of normal audit requirements which it is in any case now impossible to fulfill.

12. *Delays in meeting Audit Requirements.*—We are concerned to note that many of the executive officers of the Posts and Telegraphs Department, specially in the Bengal and Assam and Bihar and Orissa Circles, have inordinately delayed their replies to Audit Inspection Reports. We regard it as essential in conditions recently obtaining when there has been so much scope for improper practices, that replies to Audit enquiries should be furnished as early as possible and we desire the Department to circularise its subordinate offices impressing upon them the necessity of doing so.

We have also observed that Departments of Government sometimes delay greatly the return of draft paragraphs of Audit Reports sent to them for acceptance. Such delays are undesirable and there is no real reason why they should occur, for the agreement sought is basically on questions of fact about which normally there cannot be much dispute. We suggest that no more than a period of six weeks should be allowed to Departments to accept or modify the terms of paragraphs sent to them failing which Audit should be at liberty to consider its own draft as final.

13. *Financial Irregularities, etc.*—In the Audit Reports on the Defence Services, the Railways and the Posts and Telegraphs there are separate chapters or sections devoted to the discussion of financial irregularities, losses and nugatory expenditure. We observe that there is no counterpart of this in the Civil Audit Report, instances of losses and the like being dealt with in notes below the Appropriation Accounts of the grants in which they occur. It is desirable that our attention should be drawn specifically to cases of this kind and we suggest that in future a section dealing with financial irregularities etc. should be included in the Civil Audit Report on the same lines as in the other Reports.

14. *Report of the Military Accounts Committee.*—We have examined the Report submitted by the Military Accounts Committee constituted to conduct the preliminary examination of the Defence Appropriation Accounts and connected documents. In view of the importance which Defence expenditure has

assumed in recent years, we desire to draw special attention to the Report and Proceedings of this Committee which should, as usual, be treated as part of our Report.

PART II.—RAILWAYS

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

(In lakhs of rupees)

	Budget	Revised	Actuals
Traffic Receipts (less refunds)	1,50,00	1,78,50	1,85,43
Miscellaneous Receipts	3,69	4,31	4,32
Working Expenses (including depreciation)	88,14	1,08,58	1,08,84
Miscellaneous Expenditure	1,52	1,61	1,54
Interest Charges	27,99	28,85	28,53
Surplus (+) or Deficit (—)	+36,04	+43,77	+50,84
Contribution to General Revenues	27,10	32,27	37,64

Out of the net surplus of Rs. 50,84 lakhs, a sum of Rs. 37,64 was paid to general revenues in terms of the Convention Resolution of 1943 and the balance of Rs. 13,20 lakhs was transferred to the Railway Reserve Fund. The closing balance for the year in the Railway Reserve Fund stood at Rs. 22,55 lakhs. The net accretion to the Depreciation Reserve Fund during the year (i.e., the excess of the amount paid into the fund over the amount withdrawn from it for renewal and replacement expenditure) amounted to Rs. 10,22 lakhs; the actual closing balance of the fund stood at Rs. 92.30 lakhs at the end of the year.

16. *Excesses over voted grants.*—There were excesses in 8 grants; viz., Nos. 5, 6B, 6E, 6F, 6G, 6H, 8 and 10, as compared to 7 during the previous year:—

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1.	5—Revenue—Payments to Indian States and Companies	2,67,35,000	2,80,27,217	12,92,217
2.	6—B—Revenue—Working Expenses—Maintenance and Supply of Locomotive Power	27,76,92,000	27,91,58,729	14,66,729
3.	6—E—Revenue—Working Expenses—Expenses of Traffic Department	13,87,30,000	14,16,93,033	29,63,033
4.	6—F—Revenue—Working Expenses—Expenses of General Department	5,18,08,000	5,30,72,807	12,64,807
5.	6—G—Revenue—Working Expenses—Miscellaneous Expenses	17,93,14,000	17,93,36,180	22,180
6.	6—H—Revenue—Working Expenses—Expenses of Electrical Departments	4,02,32,000	4,10,98,220	8,66,220
7.	8—Revenue—Interest Charges	1,89,000	2,07,508	18,508
8.	10—Revenue—Appropriation to Reserve	11,49,66,000	13,20,07,042	1,70,41,042

Brief explanations of the excess are given below:—

1. Increase in net earnings of worked lines owing to improvement in traffic.
2. Greater cost of coal and other stores owing to rise in prices, more consumption and increased expenditure on repairs to locomotives and workshop machinery owing to heavy traffic and greater wear and tear of machines.
3. Payment of more dearness allowance and heavier payment of compensation claims for goods lost or damaged resulting from increased traffic and higher prices of commodities.
4. Payment of more dearness allowance and increased cost of additional police and security staff for the protection of railway property in the conditions created by the war.
5. Adjustment of greater loss on grainshop transactions.

6. Increased cost of stores owing to rise in prices and more consumption due to heavy traffic and payment of more dearness allowance.

7. Adjustment of management charges in India in respect of repatriated stocks being more than was anticipated at the time of estimating the final grant.

8. Increase in the railway share of surplus owing to greater improvement in earnings than anticipated at the time of supplementary grant.

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

17. *Accuracy of budgeting and control of expenditure.*—The accounts of the year show a net saving of Rs. 23 lakhs or 0.17 per cent under Revenue expenditure (exclusive of withdrawals from the Depreciation Reserve and Railway Reserve Funds and the repayments to the former or the appropriation to the latter fund). Under expenditure charged to capital and the Depreciation Reserve Fund, there was a saving of Rs. 10.92 lakhs or 41.57 per cent. These compare with the results achieved in the four preceding years as follows:—

Expenditure charged to Revenue (exclusive of withdrawals from the Depreciation Reserve and the Railway Reserve Funds and the repayments to the former or the appropriation to the latter fund):—

Year	Final Grant and Appropriation	Saving (—) or Excess (+)	Percentage of column 3 to column 2
1	2	3	4
1939-40	1,11,57	—40	4.40
1940-41	1,02,37	—123	1.20
1941-42	1,09,82	—20	0.18
1942-43	1,16,31	—2,47	2.12
1943-44	9,13	—23	0.17

Expenditure charged to Capital and the Depreciation Reserve Fund.

Year	Final Grant and Appropriation	Saving (—) or Excess (+)	Percentage of column 3 to column 2
1	2	3	4
1939-40	11,30	—29	2.57
1940-41	11,24	—1,74	15.48
1941-42	15,54	—9,35	60.17
1942-43	38,93	—9,59	24.63
1943-44	26,27	—10,92	41.57

The position regarding revenue expenditure shows improvement but the percentage variation in respect of expenditure charged to Capital and the Depreciation Reserve Fund is the highest for five years (excluding 1941-42). The chief reason for this is the saving of Rs. 10.85 lakhs in Grant No. 12—Open Line Works which is further discussed below. There were twelve cases of excesses over the final grant or appropriation against nine in the previous two years and two unnecessary supplementary grants against one and none in 1942-43 and 1941-42 respectively. Though the results of the year indicate a deterioration from the standards of previous years we are satisfied that budgeting and control were on the whole satisfactory.

18. *Supplementary Grants.*—The railway accounts make a slightly better showing than the civil accounts in respect of the number of supplementary demands presented to the Legislative Assembly and in the amounts involved. As against 15 supplementary demands aggregating Rs. 25,86,36,000 in 1942-43 there were 14 supplementary demands aggregating Rs. 25,00,53,000 in the year

under review. There has been no deterioration here but there has on the other hand, been no improvement; and we would like once again particularly as the War is over, to repeat the hope that we expressed last year that it will be possible to eliminate these large supplementaries.

19. *Authorisations of expenditure in excess of grant.*—The Public Accounts Committee in their report on the accounts of the year 1926-27 dealt with the question of the propriety of making allotments to any particular railway in the course of the year without effecting corresponding reductions elsewhere and agreed to a convention whereby the Financial Commissioner, Railways was given a discretion to over-allot funds in Grants No. 4—“Administration”, 5—“Repairs and Maintenance of Operations”, and 6—“Companies and Indian States’ share of surplus profit and net earnings” instead of being required to make specific reductions under heads in respect of which savings were anticipated corresponding to the excesses authorised to be spent under other heads. Five years later it was decided to make each abstract under “Working Expenses” a separate demand and each railway a sub-head under the demands subject to a convention that a saving under one of these demands would be considered as a set off against an excess in another. Since 1933 over-allotments have not been made by the issue of formal orders or reappropriation but by the issue of expenditure orders authorising the Railway administrations to incur expenditure in excess of the grant, no cognisance being taken of them in making reappropriations. Demands for grants for railways have been made in the revised form since the year 1934-35 and upto the year 1942-43 the authorisations issued to the railways were invariably explained in the appropriation accounts as having been made out of savings expected in other grants. In the year under review, however, excess authorisations amounted to Rs. 81.16 lakhs and there resulted a net excess over the aggregate of the eight grants under Working Expenses of Rs. 12.83 lakhs. The point has, therefore, arisen whether the splitting up of one demand into eight automatically did away with the earlier convention by which the Financial Commissioner was given discretion to over-allot funds. We are of the opinion that the two conventions are independent of each other and there is, therefore, no question of conflict between the two. By the first the Railway Board is allowed to authorise expenditure in excess of the amounts voted by the Legislature in one particular grant in the hope that it will be met by savings elsewhere within the same grant. By the second the Railway are authorised to exceed the budget allotments in one grant if they expect savings in another. This latter arrangement is, however, tantamount to reappropriations being allowed between eight different grants and we regard this as most unsatisfactory. We are of the view that, instead of adopting this subterfuge which has been necessitated by the peculiar conditions of the railways but which is quite contrary to all canons of budgeting and financial control, it might be better to revert to the system of having one grant for Working Expenses as a whole of which the present grants could be sub-heads between which reappropriations would be allowed in the normal course. We should like the Railway Department to re-examine this matter in detail in consultation with the Auditor General and present a report to the Committee. Till the matter is settled the present arrangements should continue.

20. *Correlation of Budgeting.*—We have come across in our examination of the Railway accounts several instances which lead us to the conclusion that there is insufficient correlation in budgeting between the different railway administrations. We understand that a system is already in force whereby one railway does not debit or credit itself till the other railway has accepted the corresponding credit or debit thus ensuring correlation in the accounts of the two railways. We see *prima facie* no reason why some similar arrangement should not be adopted at the stage of making budget estimates so that a railway would not make any entry in its estimates relating to payments to or receipts from any other railway till the other railway had agreed to make a corresponding reverse entry in its own estimates. We should like the Railway Department to investigate this matter and to adopt the procedure suggested if found feasible.

21. *Debits for Services Rendered.*—We have come across many cases in all the accounts—Civil, Posts and Telegraphs and Railways—in which large final savings having been explained as being due to the fact that debits for stores or for other services had not been received from other departments of Government before the close of the accounts. This matter is really of general interest but we discuss it in this part of the Report because the most glaring example of the kind of budgetary disturbance which this non-receipt of debits involves occurred in the Railway Grant No. 12—“Open Line Works”. A supplementary grant of Rs. 1·86 crores was taken under this head but there was in the end a final saving of Rs. 10·85 crores caused in the main by the non-receipt of debits for stores received. We consider it important that the accounts should closely correspond with facts and that a debit for articles which have actually been received or for a service which has actually been enjoyed during the year should appear in the accounts for the year. It is also important that expenditure should as far as possible correspond with the amounts voted by the Legislature. Both these desiderata are achieved by the English system whereby, if debits are not received by one department from another department before the end of the year, the first department debits itself by making an advance payment of an amount approximating to that which would ultimately have to be paid to the department to which the credit is due. We are not sure whether this practice could *mutatis mutandis* be fitted into the Indian system of accounts. It should *prima facie* be possible for departments to debit themselves by credit to suspense and for the suspense head to be cleared by the debits when received; but this might on the other hand, involve further difficulties such as large amounts being held in suspense and a divergence between credits made to suspense on the basis of estimates and the actual debits raised. We should like the Finance Department to investigate this matter and to suggest to us means whereby this constant source of error can be eliminated or its effects mitigated. In the meantime and till a new system is devised, we should like it to be impressed on all Departments that it is the duty of the controlling officers of the departments served whose grants are affected, to see that all debits against their grants, on account of supplies made or services rendered, are raised by the serving departments and adjusted in the accounts of the year to which they relate before these accounts are closed.

22. *Financial Irregularities.*—We examined with care the more important of the cases of loss, nugatory expenditure and financial irregularity described in the Audit Report. We are satisfied that wherever a defect of procedure has been disclosed steps have been taken to rectify it. We should like, however, to recall that we recorded in our Report on the accounts of 1940-41 that the punishments inflicted were apt to be lenient even where charges of a grave nature were proved and last year we urged again that the punishments awarded should fit the crime. We regret to note however that this attitude of leniency to delinquents still continues with the result that there has been no improvement in this respect. We regard it as very necessary, particularly at the present time when corruption and malpractices of every kind are unfortunately so common, that those against whom it is found possible successfully to prove an offence should be awarded exemplary punishment. We should like the Railway Department to give very much more attention than they seem hitherto to have given to this aspect of the matter and we would welcome a report as to the action in this respect which they may find it possible to take.

23. *Wharfage and Demurrage.*—We observe from a statement in the Audit Report that on most Railways there are very considerable remissions of wharfage and demurrage charges the percentage of the amounts remitted to the amounts accrued being in one case at least as high as 50. We do not quite understand why so large a proportion of these charges should be remitted. We consider it wrong in principle to allow liberal remissions in present circumstances not so much because of the loss of revenue involved—which, however, is not

inconsiderable—but in order to prevent railway wagons which are badly needed for legitimate purposes from being used as store-houses and godowns. We desire that the question of how this percentage can be reduced should be further considered by the Railway Department and suitable instructions issued on the subject.

24. *Loss on Strategic Railways.*—In our Report on the accounts of 1939-40 we discussed the point whether losses on Strategic Railways should not be included in the Defence Budget. We then came to the conclusion that, as the Defence Budget was no longer a contract budget and as it would make no ultimate difference to the incidence of this expenditure whether it was included in the civil or the defence side of the Budget, the procedure then followed should continue at any rate during the war. As the war has now ended, we should like the matter to be reviewed, particularly with a view to discover whether it would not be in more accord with correct principles of accounting to charge this loss to the Defence Estimates than to continue to follow the present procedure.

25. We desire in conclusion to place on record our appreciation of the great help rendered to us in our examination of the accounts by the Auditor General and his staff, as also of the efficient service rendered to us by our Secretary.

A. ROWLANDS.
R. D. DALAL.
L. K. MAITRA.
RAZA ALI.
MOHD. AZHAR ALI.
N. G. RANGA.
ISMAIEL ALI KHAN.
ABDUR RAHMAN.
MOHD. ABDUL GHANI.
H. M. ABDULLAH.
FAZLI HAQUE PIRACHA.

B. K. NEHRU, *Secretary.*
The 4th September 1945.

REPORT OF THE MILITARY ACCOUNTS COMMITTEE ON THE ACCOUNTS FOR 1943-44

We are appointed in pursuance of the recommendations made in paragraph 31 of the Report of the Public Accounts Committee on the Accounts for 1929-30 to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. We have been assisted in this work by the Auditor General, the Secretaries to the Government of India in the Departments of War and Supply, the Financial Adviser, War and Supply, the Director of Audit, War and Supply and other officers of Government. The results of our examination are embodied in the proceedings of our meetings which we desire to be treated as part of our report. The following paragraphs deal only with the more important points discussed therein.

2. One important feature of the accounts for the year under review is the great difference between the actuals and the budget estimates. Though we have been accustomed in the war years to expenditure invariably outrunning the budget estimates, the increase of effective expenditure this year—amounting to 100 per cent over the budget—is so great as to call for comment. The chief reason for this large variation is, we understand, that the budget estimates were framed on the assumption that during the year 1943-44 a major offensive would be launched from India against the Japanese. As the fighting would then have been outside the borders of India the cost of the troops involved and of the operations generally would, under the Financial Settlement, have been borne by His Majesty's Government. In actual fact what happened was that the Japanese invaded Indian soil with the result that the cost of the troops necessarily retained in or specially brought into India as well as that of other measures taken to defend India against the invasion were debited to the Indian

budget. The second cause for this increase was the decision to bring to account during the year India's liability for the cost of vehicles used for her armed forces a great part of which, owing to the absence of requisite information and the complexities of the calculations involved, had been lying in suspense for a considerable time. This adjustment alone amounted to Rs. 47 crores and this, taken together with the factor mentioned above, furnishes the explanation for the large variation.

3. There has been no change in the year under review in the principles of the Financial Settlement governing the division of war expenditure between India and England but the adjustments between the two countries have become even more complex than before not only because of the continued expansion of the armed forces but owing to the emergence of certain other complicating factors two of which have been mentioned above.

The adjustment made on account of the cost of motor vehicles also involves a reference to the principles of the Financial Settlement. The method adopted for assessing India's liability was explained to us at length and we think that in the circumstances of the case the method adopted yielded the fairest result. We note, however, that the question of what relief India can get on this account under the terms of Canada's Mutual Aid Appropriations to the United Nations is still under investigation. We hope that this matter will be pursued with vigour and brought to a satisfactory conclusion.

A third complicating factor was the formation during the year of the South-East Asia Command which took over from the India Command the administrative control not only of all forces serving in Burma and Ceylon but also of certain land forces and the bulk of the Air Forces serving in India itself. We were assured that this did not affect the extent of India's liability for defence expenditure under the Financial Settlement but it did necessitate certain changes in the accounting procedure. The difficulties created by this change have not been completely solved and we understand that the credits due to His Majesty's Government for the year 1943-44 on account of certain classes of expenditure have not yet been afforded to them. We trust that the ascertainment and final adjustment of these credits will soon be possible.

4. We have, since the war started, been accustomed to the Audit Report bringing to light a large number of irregularities—some of a serious nature. The present Report is no exception to the rule and contains the usual tale of losses in Government stores on account of storage and store accounting arrangements being defective or non-existent; of works carried out without proper authority or without execution of contracts; and, as regards both works and the acquisition of stores, cases in which the financial interests of Government were disregarded. We recognise, as we have recognised before, that the very unsatisfactory state of affairs which has been revealed is largely the result of war conditions. We recognise also that there has been an extreme shortage of trained personnel, that the magnitude of the works programme and of the stores handled has increased tremendously, that this immense increase in the volume of work to be done has been accompanied by a decrease in the time in which the task had to be accomplished and that all these factors taken together led to considerable confusion, disorganisation and waste. We have once again examined the numerous rules and orders that have been issued from time to time in an effort to improve matters and we are glad to be able to record that they have not been without effect. We are convinced that the rules of procedure already in existence are sufficient, if observed, to prevent losses from being incurred but we confess that we are far from satisfied that such observance of the rules is adequately enforced.

We feel that there might have been greater improvement than has actually been disclosed if the authorities had taken a stronger line with respect to cases in which it had been proved that officers had disobeyed orders either deliberately or through neglect. On reading through the Audit Report we have gained the

impression that breaches of procedure have been dealt with far too leniently by the Department and this impression has been strengthened by our examination of the witnesses. There seems to have grown up a tendency to regard the breach of rules of procedure as of little consequence and it is this tendency against which we wish to sound a note of warning. Departures from procedure may occasionally be innocuous; they may even perhaps be necessary; but they invariably give rise to the possibility of loss to the State through fraud, embezzlement, theft, bribery, corruption and a host of other ways. Rules of procedure are designed to act as a safeguard against losses to the State and though every breach of these rules may not involve a loss the instances we have investigated are sufficient to convince us that it is not seldom that the two go together. Now that the War has ended we should like to impress upon the War Department that there is no longer any justification left for their officers to disregard clearly expressed orders and we should like them to insist very much more firmly on a strict compliance with instructions than seems to have been their custom in the past—the breach of orders in such prosaic matters as stores and works not being regarded with less seriousness than discipline in the field. It must be remembered that with the cessation of hostilities the financial interests of the State which had faded into the background have once again resumed the importance which they must necessarily have in times of peace.

5. *Recovery of overpayments.*—Another direction in which the Department appear to have been unduly lenient with its officers is in the recovery of overpayment of emoluments. We were informed, while dealing with a particular case, that certain sums which had been overpaid by mistake had been written off without any effort being made to recover them on the ground that the overpayments had been received in good faith. This justification is, in our view, totally inadequate for not enforcing recovery. Every overpayment of money to a public servant is, and must be regarded as, a debt owed to the public and all possible action should be taken to recover it with despatch.

6. *Pay Accounts.*—We commented last year on the importance of the proper maintenance of individual ledger accounts of officers and personnel on the war system of accounting. We have been informed that the War Office have made available a special mission of experts to advise on, and effect improvements in, our system of accounting and that considerable improvements have been the result of their activities. We are concerned to note, however, that appreciable arrears still exist. As the war is now ended and as demobilization will shortly start, we cannot over-emphasise the urgency of wiping out all these arrears as rapidly as possible and we hope that the War Department will take all necessary measures to this end.

7. *Canteen Services (India).*—We were interested in the account given to us of the working of Canteen Services (India). We were told that this organisation would in due course be dissolved and its functions handed back to the Canteen Contractors' Syndicate as before the war. We understand that under the terms of agreement with Government, Government will have to hand back to the Syndicate the Stores taken over from them in kind and orders have been issued that the difference between the value of the stocks taken over and the value of the stocks returned should be debited to General Revenues. Canteen Services (India) is run on a commercial basis and we see no justification for any part of the cost involved in running it being borne by the general tax-payer. We should, therefore, like these orders to be reviewed. Further, we understand that the practice is to set aside 50 per cent of the profits made by Canteen Services as a reserve against contingent losses and terminal expenses. This percentage has not been arrived at after any detailed investigation and we are not sure that it is enough to meet the losses which may be incurred. We should like a full investigation into this matter made and a report submitted to us in due course.

Supply Department

8. *Advance Payments to Contractors.* We took objection two years ago to the procedure by which 100 per cent payments were made to contractors on inspection and proof of despatch but we agreed last year on the matter being represented to us that this system should continue. We are opposed in principle, for obvious reasons, to full payments being made to contractors before goods have reached the consignees but we do recognise the force of the reasons which led to the introduction of this practice and to its continuance upto the present time. We should like, however, the department once again to consider, in view of the war having come to an end, of the consequent reduction in the volume of orders, of the likelihood that there will be less delays in payment and of the general easing of the supply situation in the country, whether it would not now be possible to revert to the original and *prima facie* more desirable arrangement of some portion of contractors' bills being kept in hand till delivery has been taken by the consignee. Connected with this question is another similar one. We are informed that it is not the practice to make any advances to contractors against goods in process of manufacture. In the absence of such a system there is a possibility that Government has to pay higher prices—particularly when the cycle of manufacture is long—in order to recoup the contractor for interest charges on borrowed capital. As the interest at which the contractor can borrow must necessarily be higher than the interest at which funds are available to Government, it follows that Government would obtain its requirements cheaper if it adopted the system of advancing working capital against the security of goods in the process of manufacture. We would like the Department to consider and report whether the introduction of such a practice which would obviously be advantageous to Government, is not practicable.

9. *Contracts.*—We examined in detail the terms of some of the contracts entered into by the Supply Department and wish to record our views on some matters of principle which arose from this examination. In one case a substantial item representing goodwill was admitted as part of the capital employed in negotiating the profit margin to be allowed on Government orders. We consider that there was no justification for doing so. The only kind of capital that can justifiably be taken into account in such cases in calculating profit margins is the value of the block capital assets and working capital, the amount and composition of the share capital being entirely irrelevant.

In another case the prices allowed were such as to yield 11 per cent on the turnover and 88 per cent on the capital at charge, rates which we regard as grossly excessive. It was urged in extenuation that these profits had been calculated without reference to fees which the firm in question had to pay to the holders of patent rights, which fees were said to be heavy. The correct course of action in this case would have been to get a reduction in patent fees through a recourse to the Defence of India Rules if necessary.

In a third case we found that the Department, having demanded a cost investigation, allowed itself later to be persuaded into waiving that demand as the firm was not agreeable to an inspection of its books. In cases of this kind again we would suggest that recourse should be had unhesitatingly to the ample powers with which Government has armed itself under the Defence of India Rules.

10. *Disposals.*—We were greatly interested in the account given to us of the work being done by the Central Disposals Organisation and of the steps being taken to smooth the transition of Indian economy from a wartime to a peace-time basis. We are satisfied that the steps taken so far, namely the gradual and orderly release of basic materials for civil production and continued assistance in the matter of priority for raw materials and transport for factories which have gone over to civil production, are adequate. We are also satisfied that the principles which it is proposed to follow in disposing of surplus stores, not required by public authorities, namely that the disposal should be through

the usual trade channels and should be so phased as to cause the minimum of dislocation to Indian industrial economy, are correct. We should, however, like to stress the great importance which this subject has assumed with the termination of the war and to express the hope that it will continue to engage the constant and careful attention of Government.

11. *Audit Report*.—The arrangement of the Audit Report at present is that the financial irregularities etc., are classified according to the branches or departments concerned. It seems to us that it would be a better arrangement if the Report were to be so remodelled as to group together into certain well-defined categories the instances of irregularity which are now spread throughout the body of the Report. Such categories are, broadly, Store Accounting, Works Expenditure, Pay and Allowances and Expenditure on the Acquisition of Stores and the particular instances of irregularity can be dealt with under each head irrespective of the organisation in which they occur. This arrangement would have the advantage of concentrating our attention on irregularities which were prone to occur oftener than others and would save time in going through the Report. Matters which could not be brought within this classification should continue to be dealt with separately as before. We recommend that the Report should be remodelled on these lines from next year. But we should like to make it clear that we do not mean by this recommendation that the Report should embody less material or in less detail than it does now or that it should be drawn up with less meticulous care than it is at present.

12. We desire in conclusion to place on record our indebtedness to the Auditor General and his staff for the help they have given us in our deliberations.

A. ROWLANDS.
L. K. MAITRA.
MOHD. ABDUL GHANI.
ISMAIEL ALI KHAN.
C. E. JONES.

B. K. NEHRU, *Secretary*.
The 31st August 1945.

Proceedings of the first meeting of the Public Accounts Committee held on Monday, the 13th August, 1945, at 10-30 a.m.

PRESENT:

The Honourable Sir Archibald Rowlands, K.C.B.,
M.B.E., Finance Member.

Chairman.

Professor N. G. Ranga.

Maulvi Mohammad Abdul Ghani.

Mr. Mohamed Azhar Ali.

Sir Syed Raza Ali, C.B.E.

Pandit Lakshmikanta Maitra.

Kunwar Hajee Ismaiel Ali Khan, C.I.E. O.B.E.

Sir Ratanji Dalal, C.I.E.

Khan Bahadur Sheikh Fazl-i-Haq Piracha.

Sir Lakshmiapati Misra, Chief Commissioner of
Railways

Mr. A. C. Turner, C.I.E., M.B.E., I.C.S., Financial
Commissioner of Railways.

Mr. I. S. Puri, Director of Finance.

Rai Bahadur R. V. Ramchandani, Director of
Railway Accounts.

Members.

Witnesses.

Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.

Mr. G. H. A. Wood, Director of Railway Audit.

Mr. S. Sankaran, Deputy Director of Railway Audit.

Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Secretary.

Railway Department

The proceedings opened with a speech of welcome by Sir Ratanji Dalal, the seniormost member of the Committee, welcoming the new Chairman and the new Auditor General. Sir Ratanji was seconded by Pandit Lakshmi Kanta Maitra and suitable replies were made by Sir Archibald Rowlands and Sir Bertie Staig.

2. The Chairman referred to the memorandum (Appendix X) on Denial measures and other central expenditure in Bengal which had been prepared by the Auditor General in accordance with the Committee's recommendation in paragraph 11 of their report last year (outstanding recommendation No. 16) and suggested that, as more than one department of the Government of India was involved, this memorandum should be taken up at a special meeting at which representatives of the War, Defence, Commonwealth Relations and Finance Departments should be present, also, as the Government of Bengal were primarily involved in these measures, they should be invited to send their representative to this meeting of the Committee if they so desired. The Committee agreed to the proposal.

3. The Chairman then said that a slight alteration in the procedure normally followed by the Committee might be of advantage and suggested that in going through the documents before them the Committee should give priority to those matters which in the opinion of the Auditor General were important. The Committee could then discuss other matters which appeared of importance to members. The Auditor General had already given an indication to the Chairman of the matters he would like to be discussed in the Committee. The Committee agreed to the adoption of this procedure in order to ensure that no matter of importance should be left out through lack of time.

4. The witnesses were then called in and the Committee devoted its attention to a consideration of the outstanding items. With reference to outstanding item No. 1, a memorandum (Appendix IV) was submitted to the Committee explaining in detail the facts regarding the regirdering of the Dufferin Bridge. The Department admitted that no really satisfactory explanation could be given for the delays that took place between May 1940 and December 1943. Government's liability during this period had however not been left indeterminate. The Committee considered that three major points arose out of this memorandum; firstly, did the tenderers not form a combine against Government thus forcing it to accept the only tender submitted namely that by Messrs. Braithwaite, Burn and Jessop Construction Co., Ltd., secondly, what was the difference between the terms offered by the contractor in May 1940 and the terms finally settled in December 1943 and, thirdly, whether any disciplinary action had been taken in this case for the delay involved. Full information on these points was not immediately available and the Department promised to give a supplementary note embodying this information to the Committee before the close, if possible, of its present session.

5. In considering outstanding item No. 2, the Committee observed that during the year under review the net loss to the railways on account of the grain shops was over Rs. 10 crores. It was explained that the limit of pay upto which railway servants could take advantage of concessional rates, which had been fixed in accordance with the wishes of the Railway Standing Finance Committee at Rs. 500 per mensem from the 1st of October 1944, had further been reduced to Rs. 400 per mensem from the 1st of May 1945 in view of the grant of cash dearness allowance at enhanced rates and that the losses on the working of the grain shops were not losses in the true sense of the term because they were intentionally incurred as part of dearness allowance. The price at which commodities were sold in the grain shops was based on February 1943 prices less 20 per cent. with the exception of proprietary articles and standard

cloth. From October 1944 onwards it had in most cases been further reduced by 10 per cent. As the basic price level was fixed, it was obvious that as the price level fell, the loss would automatically diminish. The Committee, though they were not opposed to the policy of the Department in providing food and other necessities of life in shops run by itself nor to their being sold, in present circumstances, at below cost, and though they did consider this to be a discrimination in favour of one particular class of government servants—for which however they admitted there was some justification—were nevertheless of the view that Government should constantly keep under review the policy followed with regard to the grain shops with the object of minimising and ultimately eliminating losses on this account. It was further stated in this connection that certain grocery shops, the accounts of which were not included in the grain shops, had also been opened to provide for articles not provided in these grain shops, that the basis on which these were supposed to be run was "no cost to Government" but that there had in fact been some loss in their running and the matter of how this loss was to be adjusted was under consideration by Government.

6. In pursuance of the recommendation contained in outstanding item No. 3; a detailed memorandum (Appendix V) on the Stores Balances of railways was presented to the Committee. The Committee commented on the fact that, since they made their last recommendation on the subject, the Stores Balances had increased instead of decreasing, the balances at the end of 1943-44 standing at 21.29 crores against 15.28 crores in 1942-43. It was explained that some part of this increase was due to grain stocks (2.65 crores) and a major part due to the rise in prices which had caused the monetary value of the stocks to increase without a corresponding increase in the physical quantity of stores. It was further explained that more intensive railway operations, the conservation of stocks by the exercise of strict economy, bunching in the arrival of stores, etc., were other factors which had contributed to the increase. The Committee were however satisfied by the categorical assurance given by the Department that their view in this matter coincided entirely with that of the Committee, that they were opposed to locking up capital in stocks particularly in a period of falling prices and that their policy was now to keep stocks at the minimum compatible with safety.

7. With reference to outstanding item No. 4 a memorandum (Appendix VI) was submitted explaining the position. The Committee remarked on this memorandum that the correct principle was that when a Department altered its form of public accounts, it should invariably do so after consultation with the Auditor General. It was explained that in this particular case this had been done, an agreement regarding the temporary form (annexure 'H') had been arrived at and the terms of the memorandum were misleading in so far they suggested that Audit had not been consulted.

8. With reference to outstanding item No. 6 in which the Committee suggested that, save in the most exceptional circumstances, no work of any kind should be commenced without the prior execution of contract documents, a memorandum (Appendix VII) was placed before them. It was stated that the redraft of paragraph 455-S in Chapter 4 of the State Railways Stores Code which was mentioned in the memorandum had now been issued. The Committee were satisfied that the new procedure, if followed, was adequate to achieve the desired result.

9. The Committee then passed on to a consideration of the Audit Report. They discussed at great length the point of principle involved in the matter described in paragraph 5 (e) of the Report. It appeared that the Public Accounts Committee on the accounts of 1926-27 had agreed to a convention whereby the Financial Commissioner, Railways, in view of the peculiar circumstances in which he had to work, was given a discretion to over-allot funds in grants Nos. 4 (Administration), 5 (Repairs and Maintenance and Operation) and 6 (Companies and Indian States' share of surplus profits and net earnings) instead of being required to make specific reductions under heads in respect of

which savings were anticipated corresponding to the excesses authorised to be spent under other heads. Five years later it was decided to make each abstract under working expenses a separate demand and each railway a sub-head under the demands subject to a convention being established that a saving under one of these demands should be considered as a set-off against an excess in another. Since 1933 over-allotment had not been made by the issue of formal orders of reappropriation but by the issue of expenditure orders authorising the administrations to incur expenditure in excess of the grants and no cognisance was taken of them in making reappropriations. Demands for grants for railways had been made in the revised form since the year 1934-35 and up to the year 1942-43 the authorisations issued to the railways were invariably explained in the Appropriation Accounts as having been made out of savings expected in other grants. In the year 1943-44 however excess authorisations amounted to Rs. 81.16 lakhs and these caused a net excess over the aggregate of the eight grants under "Working Expenses" of Rs. 12.83 lakhs. The point under consideration was whether the splitting up of one demand into eight automatically did away with the earlier convention by which the Financial Commissioner was given discretion to over-allot funds. It seemed to the Committee that the two conventions were independent of each other and there was therefore no question of conflict between the two. By the first the Railway Board were allowed to authorize expenditure in excess of the amount voted by the Legislature in one particular grant in the hope that it would be met by savings within the same grant. By the second the Railways were authorized to exceed the budget allotment in one grant if they expected savings in another. The Committee were of the view, however, that this latter arrangement which was tantamount to reappropriations being allowed between eight different grants was unsatisfactory and that it might perhaps be better to revert to the system of having one grant of which the present grants could be sub-heads between which reappropriations would be allowed in the normal course. Before making a final recommendation however, the Committee desired that the Financial Commissioner, Railways, should re-examine the matter in detail in consultation with the Auditor General and present a report to the Committee. Till the matter was settled, the present arrangements should continue.

10. In examining paragraph 10 of the Audit Report the Committee commented on the lack of correlation in budgeting on the Railways. They were given to understand that a system was in force whereby one railway did not debit or credit itself till the other railway had accepted the corresponding credit or debit thus ensuring correlation in the accounts of the two railways. They saw *prima facie* no reason why a similar arrangement should not be adopted at the stage of making budget estimates whereby a railway should not make any entry in its estimates relating to payments to or receipts from another railway till the other railway had agreed to make a corresponding reverse entry in its own estimates. The Committee desired the Railway Department to investigate this matter and present a report to it in due course.

11. The Committee then looked into the case reported in paragraph 13 (v) relating to certain payments made to the Karachi Corporation as a grant in aid for the "Haleji Dhand Water Supply Scheme". Audit had drawn attention to the fact that the Railways had undertaken a liability, and had actually paid, a sum of Rs. 16.9 lakhs towards the cost of executing a scheme for the improvement of the water supply in Karachi without any corresponding benefit accruing to them in the shape of a reduction in the water rate or in any other form. It was explained that the water supply in Karachi was on the point of a breakdown; that the Karachi Corporation had refused to undertake any expansion unless it received a substantial grant in aid from the Central Government and the Government of Sind; that the Railways, in common with other departments of the Government of India, could not face the risk of a breakdown in the water supply and that, therefore, they had no alternative in the circumstances but to share, in common with the other departments of the Government of India, a portion of the cost without getting a direct benefit in return. The

Committee were of the view that in the circumstances in which they were placed, there was no alternative but to pay the price demanded by the monopolistic supplier of water and that the action of the Railway Department was justified.

12. A supplementary grant of Rs. 1.86 crores was taken under grant No. 12—Open Line Works, but the actuals disclosed a final saving of Rs. 10.85 crores. It was explained that this was mainly due to non-receipt of debts from the Supply Department to the extent of Rs. 7.33 crores for locomotives. During the year only 170 out of 232 locomotives expected were delivered and no debts were raised before the end of the year by Supply Department in regard to those delivered except for a few thousand rupees on incidental expenditure. The Committee were of the view that this case disclosed a defect in the methods of accounting. It was important that the accounts should closely correspond with facts and that a debit for articles which had actually been received should therefore appear in them. It was also important that the expenditure should as far as possible correspond with the amounts voted by the Legislature. Both these desiderata were achieved by the English system whereby, if debts were not received by one department from another department before the end of the year, the first department debited itself by making an advance payment of an amount approximating to that which would ultimately have to be paid to the department to which the credit was due. The Committee desired the Finance Department to investigate and to report whether a similar convention *mutatis mutandis* could not be introduced in India.

13. The Committee then agreed to recommend that the following excesses over the final voted grants should be regularised by a vote of the Assembly:—

1. Grant No. 5—Revenue—Payments to Indian States and Companies—Excess Rs. 12,92,217.

2. Grant No. 6—Revenue—Working Expenses—Maintenance and Supply of Locomotive Power—Excess Rs. 14,66,729.

3. Grant No. 6E—Revenue—Working Expenses of Traffic Departments—Excess Rs. 29,63,033.

4. Grant No. 6F—Revenue—Working Expenses of General Departments—Excess Rs. 12,64,807.

5. Grant No. 6G—Revenue—Working Expenses—Miscellaneous Expenses—Excess Rs. 22,180.

6. Grant No. 6H—Revenue—Working Expenses—Expenses of Electrical Departments—Excess Rs. 8,66,220.

7. Grant No. 8—Revenue—Interest charges—Excess Rs. 18,508.

8. Grant No. 10—Revenue—Appropriation to Reserve—Excess Rs. 1,70,41,042.

14. The Committee went on to look into the case reported in paragraph 6 of the Audit Report in which the point at issue was whether a particular officer working in the office of the Secretary of State should be paid from British or Indian revenues. The amount involved was small but the Committee were interested in the constitutional position. They were informed that the matter had been referred to the Reforms Commissioner and the Legislative Department and would be taken up with the India Office in the light of the advice given by these Departments.

15. The Committee then turned to Chapter II of the Audit Report which deals with losses, nugatory expenditure and financial irregularities. After an examination of the individual cases described in this chapter they came to the conclusion that the punishments meted out to officers and staff of railway who were found guilty of misappropriation, fraud and sharp practice were unduly lenient. They instanced as an example the fact that while 271 cases of fraud were discovered in the Carriage Wagon Workshop, Alambagh, the final action taken was only that five employees belonging to the Workshop were dismissed and three were removed from service. They also commented strongly and unfavourably on the fact that no action had been taken against the Divisional

Superintendent of the East Indian Railway who accepted, for reasons which the Railway Board had themselves found to be unacceptable, the fourth highest tender in two cases in favour of the same contractor. They were of the view that the facts as stated lent *prima facie* a suspicion of dishonest intent and considered that *prima facie* some punishment was called for. (It was explained that in this case the Railway Board had come to the conclusion that even if an error of judgment had occurred there were no *mala fides*). Other instances of similar lenient treatment were that nobody had been punished for the loss of Rs. 12,098 caused to the railways in the Coal Department in the case described in paragraph 20 and that the sole punishment meted out in the case in which the stock of rice, wheat and sugar was found short by Rs. 52,304 on the Bengal and Assam Railway was that one of the ward keepers was removed from service and his security of Rs. 500 forfeited, one of the salesmen was discharged and certain 'khalasis' were transferred.

It was mentioned that in at least three of these cases the Railway Administrations concerned had or were taking further action against the offenders at the instance of the Railway Board.

16. The Committee enquired what steps had been taken to counter corruption on the railways which had grown enormously during the last few years. It was stated that a special police staff was employed for this purpose, the details of the staff employed and the work done by them being promised to be placed before the Committee on the next day.

17. The Committee then took into consideration, in conjunction with paragraph 27 of the Audit Report, the memorandum (Appendix VIII) about the increase in the amount paid under Compensation Claims. They observed that the number of claims paid, the amount involved and the percentage of the amount to the gross traffic receipts was substantially higher in the war years than it had been in the pre-war years and they were concerned to discover that a special review of some of the compensation claims paid revealed that adequate steps were not taken on several railways for locating the responsibility of staff or taking disciplinary action against them. It was explained that the reasons for this increase were operational difficulties, heavy increase in traffic, the rise in commodity prices, losses in transit due to theft and pilferage, misdischarge and misdelivery and congestion in goods and parcels sheds. This was a matter which had received and would continue to receive the serious attention of the Railway Board and all Railway Administrations. Steps had already been taken to tighten up control with regard to this matter and more recently General Managers had been instructed to strengthen further their Claims Settling Organisations, improve their Watch and Ward arrangements, adopt preventive measures to reduce the number of claims and initiate periodical discussions with police officials in order to review the measures in force for safeguarding goods in transit. The Committee hoped that these new instructions would have the desired effect.

18. The Committee were concerned to note from paragraph 28 of the Audit Report that in most railways a very high percentage of wharfage and demurrage charges were remitted. They objected on principle to such remissions in present circumstances not because of the loss of revenue involved but in order to prevent railway wagons which were badly needed for legitimate purposes from being used as store houses and godowns. They desired that the question of how this percentage could be reduced should be further considered by the Railway Department and suitable instructions issued on the subject.

19. The Committee were pleased to observe from paragraph 29 of the Audit Report that the position with regard to lack of trained staff in the Railway Accounts Department was now much better than it was in the previous year. They considered however that further improvement was both possible and necessary, in particular on the East Indian Railway where, according to the Report, suspense registers were irregularly kept and the check of the salary bills of running staff was not being properly done.

**Proceedings of the second meeting of the Public Accounts Committee held on
Tuesday, the 14th August, 1945 at 10-30 a.m.**

PRESENT :

The Honourable Sir Archibald Rowlands, K.C.B., *Chairman.*
M.B.E., Finance Member.

Professor N. G. Ranga.

Maulvi Mohammad Abdul Ghani.

Mr. Mohamed Azhar Ali.

Sir Syed Raza Ali, C.B.E.

Pandit Lakshmikanta Maitra.

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.

Sir Ratanji Dalal, C.I.E.

Khan Bahadur Sheikh Fazl-i-Haq Piracha.

Sir Lakshmiapati Misra, Chief Commissioner of
Railways.

Mr. A. C. Turner, C.I.E., M.B.E., I.C.S., Financial
Commissioner of Railways.

Mr. I. S. Puri, Director of Finance.

Rai Bahadur R. V. Ramchandani, Director of Rail-
way Accounts.

Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.

Mr. G. H. A. Wood, Director of Railway Audit.

Mr. S. Sankaran, Deputy Director of Railway Audit.

Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Secretary.

Railway Department

20. In continuation of the discussions recorded in paragraph 16 the Chief Commissioner informed the Committee that the Railways had for the last three years employed a special establishment to check corruption. At the head of this establishment was a Deputy Inspector General of Police who had twelve police officers under him. In addition each railway had a number of sectional officers whose function was to detect bribery, corruption and other offences against railways such as frauds, embezzlements and thefts. Since the establishment of this organisation 320 cases had been investigated by it out of which 187 had been sent up for trial in the courts or before special tribunals. These figures did not however include cases in which departmental action had been taken which were numerous. The Committee considered the results of the activities of the special establishment to be satisfactory as far as they went but were of the opinion that, as the evil of corruption had become so deep rooted and so widespread, the most strenuous efforts should be made to suppress it and the Railway Department should, if necessary, take greater powers to itself, employ more staff and spend more money to attain this object.

21. The Committee then examined the statement showing the percentage of Working Expenses to Earnings in respect of State-owned railways (Annexure 'C' to the Chief Commissioner's Review) and observed that this percentage was on the increase which was contrary to what one would normally have expected considering the large increase in earnings over previous years. It was explained that during the year under review this result was due to the fact that the price of coal had risen considerably, to an additional appropriation of Rs. 4 crores made to the Depreciation Fund, to the rates and scope of dearness allowance having been revised and to heavy expenditure having been incurred on the supply of cheap grain to the railway staff.

22. The Committee then enquired what principles were followed in the allocation of works expenditure between the Railways and the Defence Services. It was stated that the general principle was that, if a work was executed at the instance of the Defence Services, it was paid for by them unless the asset created by the expenditure was of permanent value to the Railways in which

case the Railways bore the cost. The allocation in each particular case was decided by agreement between the Financial Commissioner, Railways and the Financial Adviser, War and Supply.

23. The Committee went on to consider annexure 'A' to the Appropriation Accounts (Part II) which contained a statement showing expenditure held under objection. They referred in particular to the dismantling of the Cawnpore Khairada Branch of the G. I. P. Railway and of the dismantling of the Dharwa Pusad Railway which had taken place as long ago as December 1940 but the expenditure connected with which had not yet been finally regularised in the accounts. It was explained that, as the dismantling of these lines had, under the conditions prevailing at the time, to take place forthwith, it was decided to proceed with the work without drawing up an estimate which would normally have been done. As no estimate was prepared, it was then decided to regularise the expenditure by giving sanction to the completion report of the work. This completion report was not yet ready because the basis of the allocation of credits for material had not yet been settled between the Railways and the Defence Services. With regard to this case and reviewing the items held under objection as a whole, the Committee were of the view that there was too much delay in the settlement of details and they hoped that steps would be taken to ensure that such delays were minimised in future.

Proceedings of the third meeting of the Public Accounts Committee held on Wednesday, the 15th August 1945, at 10-30 a.m.

PRESENT:

The Honourable Sir Archibald Rowlands, K.C.B., *Chairman.*
M.B.E., Finance Member.

Professor N. G. Ranga.

Maulvi Mohammad Abdul Ghani.

Mr. Mohamed Azhar Ali.

Pandit Lakshmikanta Maitra.

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.

Sir Katanji Dalal, C.I.E.

Khan Bahadur Sheikh Fazl-i-Haq Piracha.

Members.

Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Secretary.

Mr. M. V. Rangachari, Deputy Secretary, Finance Department.

Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.

Mr. S. A. Vaneswar, Accountant General, Central Revenues.

Mr. Raunaq Lal, Deputy Accountant General, Central Revenues.

Finance Department

Witnesses.

24. The Committee commented on the fact that in spite of their oft-repeated views about the undesirability of supplementary demands, the latest expression of which was contained in their Report last year, there had been in the year under review no less than 53 supplementary demands for grants aggregating Rs. 21,51,48,000 and representing 62.29 per cent. of the total original grant. They were informed that subsequent to their recommendation last year, the Finance Department had on two occasions circularised Departments pointing out to them the importance of keeping their expenditure within the budget allotment. These exhortations could not of course have affected the results of the year under review and supplementary demands were, in war conditions, inevitable. The Committee recognised this but nevertheless desired to emphasise that the requirement to spend only upto the budget allotment was the fundamental basis of all control over expenditure. They hoped that, as the war was now over, the Finance Department would take steps to ensure more strictly than it had been doing during the war that the departments did not launch, in the middle of the year, upon schemes for which provision had not

been made in the budget and that they were compelled, save in the most exceptional circumstances, to postpone all their new expenditure till it could be included in the budget for the next year.

25. The Committee commented upon the fact reported in paragraph 5 of the Audit Report that there had been large savings in no less than 15 grants; they observed also that the percentage which the final unsurrendered savings bore to the total grants had been steadily increasing over the last three years and now stood at 10.53. The result of the disinclination of departments to surrender savings was that revised estimates of expenditure were to this extent inflated and, as the budget estimates for the succeeding year were largely framed on the basis of the revised estimates for the year which was about to close, the former also tended to be over estimates. This source of error in estimating might have had no practical importance during the war years when budgetary deficits were in any case heavy but a variation from revised estimates of so large a percentage as 10 could in peace time substantially affect the taxation policy of Government. The Committee desired that the Finance Department should impress on all spending departments the great importance of estimating more accurately the savings that were likely to accrue and of surrendering the entire amount so estimated.

26. The Committee then reviewed the excesses over the final grants which had occurred in Grant No. 21—Finance Department and Grant No. 81—Interest free Advances and agreed to recommend their regularisation by a vote of the Assembly.

27. The Committee observed that while in the "Grand Summary of Appropriation Accounts by Grants and Appropriations" the actual expenditure was compared with the combined total of the original and supplementary grant or appropriation, there was no statement in the Appropriation Accounts or the Audit Report which brought together in one place the excesses or savings in each grant compared to the original grant or appropriation. They suggested that the inclusion of such a statement by the addition of appropriate columns in the Grand Summary or otherwise would be useful as it would enable them to form an idea at a glance of the extent to which the various departments had deviated from their original budget.

28. The Committee noted that the percentage of savings over the final grants stood this year at the abnormally high figure of 20.59. The actual amount of the savings was Rs. 7½ crores and it was explained that Rs. 6½ crores out of this total was due to nine grants, the savings having been caused by circumstances arising out of the impact or uncertainty of war conditions.

29. In reviewing Audit comments on the accuracy of budgeting the Committee enquired about the details of the very large supplementary grant of Rs. 21,51,48,000 which it had been found necessary to vote during the year. It was explained that Rs. 13 crores of this grant was under the head "Loans and Advances" out of which Rs. 11 crores was for advances to Bengal in order to enable it to finance its food purchase programme while Rs. 1.65 crores was for advances for the purchase of Egyptian cotton. Of the Rs. 8 crores of supplementary grants for expenditure proper, Rs. 3 crores for the subvention made to Bengal meet famine expenditure, Rs. 1 crore for the intensification of Civil Defence Expenditure in Assam, Rs. 1 crore for Currency and Mint owing to the large increase in the circulation of notes and coin, Rs. ½ crore owing to the increase in the Central subvention for Provincial Police, Rs. ½ crore for the increase in Central Excise Staff and Tobacco Research necessitated by the proposals made in the next year's budget and Rs. ½ crore for the technical purpose of transferring the Temporary Sugar Excise Duty to Suspense.

30. The Committee commented unfavourably on the fact that this year there had been as large a number as seven of cases in which supplementary demands presented to the Legislative Assembly had proved to be unnecessary. This was the highest number in the last five years and the Committee desired to repeat its oft-reiterated recommendation that the most careful investigation

should be made by Departments before they decided to ask for a supplementary grant.

31. The Committee next dealt with the question of Unanticipated Credits. They had discussed at great length when they were examining the accounts of 1941-42 the question of what was the best method of obtaining legislative approval for the expenditure of funds of which Departments became possessed by the amounts under the head "Deduct Recoveries" in grants exceeding those for which budget provision had been made. They had then come to the conclusion that the best solution of the problem, though it did not involve a definite act of approval from the Legislature, was that these unanticipated credits should be brought prominently to the notice of the Legislature by mention in the Budget Memorandum if the credits were noticed before the preparation of the revised estimates or by specific inclusion in the Appropriation Accounts if they were noticed after the close of the year. They were then averse to the adoption of the English system of accounting for recoveries from other departments as they did not consider it in consonance with scientific principles of accounting. That system was that the original vote contained what was known as an "Appropriation-in-Aid" corresponding to our head "Deduct Recoveries" and departments were prevented from spending more money than had been granted to them by the Legislature by the adoption of the device of taking to a receipt head all recoveries in excess of the amount mentioned in the Appropriation-in-Aid. The Indian system as now modified succeeded in bringing to the notice of the Legislature the fact that money in excess of that granted by it had been spent but it did not even now require a positive act of assent from the Legislature granting the funds. The Committee considered that if such a positive act was not constitutionally necessary it was at least desirable and, therefore, desired the Finance Department to re-examine the whole question in consultation with the Auditor General with a view to examining whether there was any serious objection to the adoption of the English system in India.

31A. The Committee then went on to an examination of the individual grants. In examining the Commercial Accounts under Grant No. 7—Stamps, the Committee observed that the stocks of Security Printing, India, stood at Rs. 47 lakhs at the end of 1943-44 compared to Rs. 41 lakhs at the end of 1942-43, this being against the view of the Committee that stocks should be reduced. It was explained that most of the increase was due to a larger reserve of finished products being kept in hand, this larger reserve being necessitated by the rapid increase during the war of the demands for the products of the press. The remainder of the increase was due to increase in prices. The Committee accepted the explanation of the increase as adequate.

In Grant No. 66—Mint Sub-head 'C'—"Purchase of Local Stores" there was a saving of Rs. 3,69,000 over the final appropriation which was explained as being due in part to certain debits from the Railway and other Commercial Departments not having been received before the close of the year. The Committee's comment on this was that such a variation should not, in future occur if the general recommendation made by them in paragraph-12 were accepted.

In Grant No. 68—Central Road Fund, the block grant for the transfer to the fund had been reduced from Rs. 1,70 lakhs to Rs. 92 lakhs. This was due to a reduction in the revenue from the import duty on motor spirit which followed on the decision to refund to the Defence Services the duty on motor spirit used by them. It was explained that this decision was taken because the motor spirit used by the Defence Services was supplied free by His Majesty's Government, that if duty had been charged on it that duty would have been payable by His Majesty's Government, so that unless the duty was waived H.M.G. would have been paying us to accept a gift.

In Grant No. 71—Miscellaneous a supplementary grant of Rs. 45,49,000 was taken but there was a final saving of Rs. 26,03,000. It was explained that this was because the scheme for the supply of food stuffs to government servants at concessional rates did not come into operation in time in certain provinces and because, the scheme being new, no accurate estimate was possible. There were also certain other minor reasons for the savings.

The Committee had no comments to offer on the other grants.

32. The Committee then went on to consider the report (Appendix IX) regarding the adjustment of expenditure in connection with the reception and maintenance of evacuees which was presented to it by the Auditor General in pursuance of outstanding recommendation No. 14. The Committee observed that out of the Rs. 24 lakhs in dispute it had been decided that Rs. 3½ lakhs were not debitable to the Secretary of State while full particulars of the charges with vouchers in respect of a sum of over Rs. 20 lakhs had now been submitted to him. They also noted that apart from this amount there was a sum of Rs. 19.6 lakhs in suspense awaiting allocation with the provinces. They hoped that a final decision with regard to these sums would soon be reached. They agreed with the Auditor General that, in view of the progress made towards the settlement of outstanding items with the Secretary of State, it was not necessary to make any special reference about this matter.

33. With reference to outstanding item No. 15, the Committee noted that the National War Front was no longer in existence, that the organisation which had taken its place was subject to the normal operation of the accounting rules and that the Auditor General had found no difficulty with regard to the accounts of this new body.

34. The Committee then examined with interest the running account of the several schemes of expenditure accounted for under the head "Capital Outlay on Schemes Connected with the War" which was introduced in the Appropriation Accounts in accordance with outstanding recommendation No. 13. They expressed themselves as satisfied with the form in which the accounts had been exhibited. They considered, however, that it would be useful if it was possible to give in the Appropriation Accounts a statement of how much money there was in suspense at the end of the year under review and how long it had been there and desired the Auditor General to consider the possibility of doing so in the future. They also attached importance, now that the war was over, to the rapid liquidation of all sums outstanding in suspense and desired that the Finance Department should circularise other departments impressing upon them the urgency of clearing these debits.

35. A member made a further suggestion for the improvement of the accounts. He suggested that as there were some items of expenditure relating to Defence which were not debited to the Defence budget, all the items in all the accounts relating to this subject should be brought together to show exactly how much was spent on the defence of the country. The Committee were of the view that in war time it was not possible to separate Defence from non-Defence expenditure. In peace time the only two items relatable directly to Defence which were not included in the Defence Services' estimates were, firstly, the expenditure debitable to Account No. 1.—Frontier Watch and Ward in the Appropriation "Tribal Areas" and, secondly, the loss on Strategic Railways; and as the expenditure under both these heads was easily discoverable, they did not favour the acceptance of the suggestion.

Proceedings of the fourth meeting of the Public Accounts Committee held on Monday, the 20th August, 1945, at 10-30 a.m.

PRESENT:

The Honourable Sir Archibald Rowlands, K.C.B.,
M.B.E., Finance Member.

Chairman

Professor N. G. Ranga.

Maulvi Mohammad Abdul Ghani.

Mr. Mohamed Azhar Ali.

Sir Syed Raza Ali, C.B.E.

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.

Sir Ratanji Dalal, C.I.E.

Khan Bahadur Sheikh Fazl-i-Haq Piracha.

Khan Bahadur Sheikh Habibur Rahman, O.B.E.

Members.

Sir P. M. Kharegat, C.I.E., I.C.S., Secretary, Department of Education, Health and Lands.

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

Dr. John Sargent, M.A., D.Litt., C.I.E., Educational Adviser to the Government of India.

Dr. D. M. Sen, M.A., Ph.D., Deputy Educational Adviser to the Government of India.

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

The Honourable Mr. R. N. Banerjee, C.I.E., I.C.S., Secretary, Department of Commonwealth Relations.

Mr. A. V. Pai, O.B.E., I.C.S., Joint Secretary, Department of Commonwealth Relations.

Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.

Mr. S. A. Vaneswar, Accountant General, Central Revenues.

Mr. Raunaq Lal, Deputy Accountant General, Central Revenues.

Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Secretary.

Witnesses

Department of Education, Health and Lands

36. *Grant No. 36—Survey of India.*—With reference to outstanding item No. 18 in which the Committee had asked the Auditor General to investigate further the matter, relating to the accounting of the receipts from the sale of maps of the Survey of India, it was stated that it had been agreed that recoveries on account of these sales would in future be treated as revenue receipts instead of as a reduction of expenditure and that orders had been issued accordingly. The Committee observed that for the second year in succession which, apart from indicating that there was something wrong with the accounting procedure followed (which had been set right by the issue of the new orders) there was a possibility that the department was making a profit out of the sale of its maps which it was not the intention that it should do. It was explained that the price at which the maps were sold was so fixed as to take into account all the indirect charges involved in their preparation which were not included in the Survey of India's budget. The mere fact that this grant showed a minus expenditure did not therefore prove that the activities of the Department were being carried on at a profit. The price of six annas per map which had been fixed for the year under review had to take into account, for example, the cost of paper (which came to one anna per map and which was not shown in this budget) and the cost of certain temporary buildings expressly built with the object of increasing the supply of these maps at considerable expense, the cost of which had been debited to the Civil Works' budget. It was not known over how many years it had been decided to spread the recovery of the cost of these buildings by the sale of the maps. The Committee were of the opinion that the policy pursued by the Department, namely, that the cost of maps supplied to other departments should be fixed on the basis of the all-inclusive cost of manufacture was correct but, in view of the results of the last two years, they suspected that the costing had not been carried out on a correct basis. They desired that the department should submit a report to them indicating fully how, and on what basis, the charge of six annas per map had been fixed and, if the result of the investigation disclosed that the charge had been fixed at too high a level and resulted in a profit at the expense of other departments of Government—and therefore indirectly at the expense of His Majesty's Government—steps should be taken forthwith to reduce it.

The Committee then reviewed the store accounts of the Photo-Litho Office and observed that the closing balance of stores was Rs. 9,67,000 against the opening balance of Rs. 6,30,000. It was stated that the Department was fully aware of the Committee's views with regard to the necessity of keeping stocks down to a minimum but that the stocks of the Photo-Litho Office did

not represent the entire stocks of the Survey of India, the total figures for which would probably present a somewhat different picture.

37. *Grant No. 37—Botanical Survey.*—There was an uncovered excess of Rs. 4,768 in this grant due to the carry forward of liabilities from the previous year as certain anticipated savings had not materialised. The Committee accepted the explanation as adequate and agreed to recommend that the excess should be regularised by a vote of the Assembly.

38. *Grant No. 43—Other Scientific Departments.*—The final savings in this grant was 32.67 per cent. compared to the budget estimates. It was explained that this was due to the inability to import certain equipment which had been ordered for the Aeronautical Engineering course at the Indian Institute of Science at Bangalore. Most of the saving had however been surrendered in time.

39. *Grant No. 44—Education.*—There was a saving here of Rs. 1,90,000 which amounted to 15.7 per cent. of the original grant. This variation was due to a number of causes, the chief being that certain stores and machinery ordered for the Delhi Polytechnic had not arrived, certain posts remained unfilled and there was a misclassification regarding the payment of the annual grant to the Aligarh University.

40. *Grant No. 46—Public Health.*—The Committee observed that the financial result of the Central Research Institute, Kasauli disclosed a profit of Rs. 8,02,000 against Rs. 5,26,000 in the previous year and enquired why so much profit was being made. It was explained that the institute was not meant to make a profit, that the price of the vaccines and sera were fixed in such a way as only just to cover the cost with a very small margin of profit (in order to ensure against loss) though some regard had to be paid to the commercial prices of these articles in order not to compete unfairly with private trade. The large profit was due to the sudden increase in the quantities sold in 1943-44 compared to 1942-43. Owing to the time lag between variations in sales and the fixation of selling prices there was always a tendency for profits to increase when sales rose and to decrease when sales fell. The sale prices of vaccines and sera had however been revised since the close of the year under review and had been reduced.

41. *Grant No. 47—Agriculture.*—With reference to sub-head 'H'.—Transfer of the net proceeds of the Sugar (Temporary Excise) Duty to the Sugar (Temporary Excise) Fund, it was explained that this Fund had now been handed over to the Sugar Cane Committee which would utilise it for the betterment of the sugar industry in the postwar period. The point was raised why the original purpose, for which the Assembly had agreed to the creation of the Sugar Excise Fund, as embodied in Sir George Schuster's Budget Speech of 1934-35 namely, "for the purpose of assisting the organisation and operation of co-operative societies among the cane growers so as to help in securing fair prices or for other purposes directed to the same end" was changed without reference to the Assembly. It was explained that this point was taken up by the Public Accounts Committee on the accounts of 1940-41, that it was then discovered that it was through an oversight that the permission of the Assembly for the change in the purposes of the fund had not been taken, that the Public Accounts Committee had accepted the assurance that the omission was due to an oversight, that they had reported the matter to the Legislative Assembly and that the Legislature had taken cognisance of that report and must now, therefore, be assumed to have approved of the change in this policy. The Sugar Cane Committee would, however, no doubt consider to what extent the Fund should be utilized for the benefit of the cane grower.

The Committee next looked into the affairs of the Government Research Creamery at Anand. They were informed that this Creamery had now been returned by the Supply Department to the Department of Education, Health and Lands who intended to make over part of the Creamery to the Bombay Government who would use it for improving the milk supply to

Bombay City and to retain part of it as a Research Station. The land and buildings would be lent to the Bombay Government without rent but they would be required to pay a certain price for the machinery.

42. *Grant No. 50—Imperial Institute of Sugar Technology.*—With reference to sub-head 'C'—Running of Sugar Factories, it was explained that this factory was a pilot plant which was run with the main object of carrying out research in methods for improving the recovery of sugar from sugarcane. This sub-head represented its running costs. There were also receipts from the sale of the sugar produced which were taken to a receipt head.

43. *Grant No. 41—Archaeology.*—With reference to sub-head 'E'—Conservation of Ancient Monuments, the Committee observed that the final saving was more than the supplementary grant. The chief reason for this was the non-receipt of certain debits from provincial Accounts Officers and the Committee commented that this kind of saving would not arise if the general recommendation which they had made earlier with regard to advance payments against anticipated debits was accepted.

Department of Commonwealth and Relations.

44. The Committee reviewed the expenditure on Indian evacuees from war zones. They learnt that all allowances to evacuees were regarded as recoverable advances, the scale of the maintenance allowances being based on the estimated pre-evacuation income of the evacuee. The expenditure on evacuees was allocated between several governments, India's being responsible only for Indians and Anglo-Indians. Efforts had been made to find employment for as many evacuees as possible and the policy now was to continue to give allowances only to those who were unemployable or those who remained unemployed for reasons beyond their control, no allowance being given to those who had found employment or who had refused suitable employment.

The Committee had no comments to make on the Appropriation Accounts proper.

Proceedings of the meeting of the Public Accounts Committee held on Tuesday, the 21st August 1945, at 10-30 A.M.

PRESENT:

The Honourable Sir Archibald Rowlands, K.C.B., M.B.E., Finance Member, (up to 12 noon).	}	<i>Chairman.</i>
Sir Ratanji Dalal, C.I.E., (after 12 noon).		
Professor N. G. Ranga.	}	<i>Members.</i>
Maulvi Mohammad Abdul Ghani.		
Mr. Mohamad Azhar Ali.		
Sir Syed Raza Ali, C.B.E.		
Khan Bahadur Sheikh Fazl-i-Haq Piracha.		
Khan Bahadur Sheikh Habibur Rahman, O.B.E.	}	<i>Witnesses.</i>
Sir John Sheehy, C.S.I., I.C.S., Member, Central Board of Revenue.		
Mr. S. Ranganathan, I.C.S., Secretary, Central Board of Revenue.		
Mr. N. R. Pillai, C.I.E., C.B.E., I.C.S., Secretary, Department of Commerce.		
Mr. Y. N. Sukthankar, C.I.E., I.C.S., Joint Secretary, Department of Commerce.		
Mr. E. S. Krishnamoorthy, Deputy Secretary, Department of Commerce.		
Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.		
Mr. S. A. Vaneswar, Accountant General, Central Revenues.		
Mr. Raunaq Lal, Deputy Accountant General, Central Revenues.		

Central Board of Revenue.

45. *Grant No. 1—Customs.*—It was stated that most of the remissions mentioned in paragraph 5 were made under the special orders of the Government of India. The frauds referred to in note 6 were, it was stated, practised by certain Chinese dealers who were under-declaring the value of the cotton-piece goods, silk and dental appliances imported by them. They were discovered from information given by a secret source but the dealers were not prosecuted as it was not found possible to produce the source of information in court. With reference to note 7, which gave a *pro forma* account of receipts and expenditure relating to overtime and holiday fees, it was explained that the levy of penalty fees was abolished in July, 1942 in order to encourage the quicker turn round of ships. The Committee expressed the hope that there was no racial discrimination in the matter of membership of clubs etc., that received grants in aid.

46. *Grant No. 2—Central Excise Duties.*—There was an uncovered excess in this grant of Rs. 23,961 the main reason for which was the employment of additional staff for the collection of excise duty on tobacco and vegetable products. The exact cost of the staff required could not be estimated with accuracy. The Committee accepted the explanation as adequate and agreed to recommend its regularisation by a vote of the Assembly. In explanation of sub-head 'C'—Payment to the Salt Department on account of the combined Central Excise and Salt Department", it was explained that the personnel of the Central Excise and Salt Departments were common, the same officers performing both functions, the former department having historically grown out of the latter. The cost of the combined staff was therefore initially debited to the Salt budget but, as it was necessary to show in the accounts the expense incurred on each department separately, the estimated cost of the Central Excise Department was debited to this grant, a corresponding credit being taken in grant No. 4—"Salt" under the head "G—Deduct share debited to 2—Central Excise Duties".

47. *Grant No. 3—Taxes on Income.*—With reference to note No. 3—"Remissions of Revenue", the Committee desired that a note should be given to them analysing the types of cases in which revenue had been remitted on the ground that it was irrecoverable because the assesses had left behind no assets. They desired in particular to know whether there were included under this head any cases of assesses having left India leaving no assets behind or whether this class of case was completely covered by the head (a)(iii)—"Assesses having left India".

The Committee observed that, while the revenue collected by the Department had increased very substantially in recent years, the expenditure on the Department had increased very little. It was stated that, while before the war the Department had 313 Income-tax Officers, it had now 512 such officers, and that steps had been taken further to increase staff. The Committee were anxious that no revenue should be lost on account of shortage of staff and that Government should take all steps necessary to strengthen the Department.

48. *Grant No. 4—Salt.*—The Committee observed that the salt in store in Bombay on the 31st March 1944 was 16,05,493 maunds compared to 4,05,303 maunds at the beginning of the year and enquired why such large stocks were held. It was explained that the stock at the end of the year was not abnormally high and that in fact it was the stock at the beginning of the year that was abnormally low due to increased consumption in the previous year.

With reference to the comment in paragraph 59 of the Commercial Appendix that the Engineering Section of the Salt Works at Sambhar had run at a loss on account of an agreement with the B. B. & C. I. Railway which compelled the Sambhar Electric Supply Co. to supply the Railway with electric current at -/2/6 per unit while the actual cost of production was -/2/8 per unit, it was explained that the Department was bound by the terms of the contract which had been in existence for a considerable time. The loss involved was very small but the question of reviewing this contract was at present

under consideration by the Collector. The Committee commented that as the B. B. & C. I. Railway had now been taken over by the State, it should not prove difficult for a new and fairer contract to be executed.

The Committee commented on the fact that the total profit made by the Salt Works in North-Western India during the year under review amounted to Rs. 15½ lakhs compared to Rs. 8 lakhs in 1942-43. It was explained that it was the policy of the Department not to make any profit from the manufacture of salt (other than a very small profit in order to ensure against loss) but to sell the salt at cost. The increase in profit during the year was due to the largely increased turnover which naturally resulted in a decrease in the average cost of manufacture owing to the overheads being spread over a large number of units. The issue price of salt was reviewed periodically and refixed on the basis of the average manufacturing cost over a period of years prior to the fixation.

49. *Grant No. 5—Opium.*—The Committee observed that there was in this grant a large saving of Rs. 18,71,000 which worked out to 18.7 per cent. of the original Appropriation. It was explained that this saving was due, firstly to the non-payment for certain Persian opium which was the subject of adjudication by Prize Courts and to considerably less payments than anticipated for opium cultivation in Malwa and the United Provinces.

50. *Grant No. 27—Central Board of Revenue.*—There was a small uncovered excess of Rs. 2,459 in this grant which was explained as being due to changes in personnel. The Committee agreed to recommend the regularisation of this excess.

Commerce Department

51. *Grant No. 22—Commerce Department.*—There was a small excess of Rs. 3,362 in this grant, the explanation being that the proportionate pay of the officers of the Commerce Department doing War Risks Insurance work had been wrongly included in the War Risks Insurance Appropriation with a *per contra* credit to the Department's budget. The Committee agreed to recommend that the excess should be regularised by a vote of the Assembly.

With reference to sub-head 'C', it was explained that the Cotton Co-ordinating Committee had been set up in Alexandria because, two years ago when the demand for Egyptian cotton was great and the supply small, it was necessary, in order to prevent prices being pushed up against the buyer, to set up a co-ordinating purchase agency of the principal purchasing countries, namely the United Kingdom, the U.S.A. and India.

52. *Grant No. 34—Ports and Pilotage.*—There was an uncovered excess of Rs. 57,477 in this grant. The explanation for this excess was, firstly, that certain anticipated savings in the grant failed to materialise and, secondly, that an adjustment of arrear compensations for land requisitioned for the Stevedore Camp had to be made, the advice for which was received too late for the provision of additional funds. The Department responsible for sending the advice was the War Transport Department. The Committee agreed, in the circumstances of the case, to recommend that the excess should be regularised.

The Committee then reviewed the Commercial accounts of the Bengal Pilot Service. They observed that the working of the Service had again resulted in a substantial deficit, the accumulated deficit now amounting to Rs. 7,22,000. This was explained, as before, by the heavy fall in receipts owing to the decrease in the number of ships visiting Calcutta because of the War. It was stated that the position now was very much better. The Committee enquired why the rent of the portion of the new Marine House building occupied by the Bengal Pilot Service had not yet been assessed though the point had evidently been raised as long ago as 1941-42 and desired that a note on the subject should be submitted to the Committee.

53. *Grant No. 35—Lighthouses and Lightships.*—In this grant also there was an uncovered excess of Rs. 4,969 which was due to an increase in the

contribution paid to the General Reserve Fund owing to the receipts from light dues having been larger than anticipated. The Committee agreed to recommend the regularisation of the excess. Turning to the Commercial Accounts, they observed that the physical verification of stores in False Point Light House at Calcutta had again not been made during the year under review. They trusted that now that the war was over, it would be possible to verify the stores and desired the Department to see that this verification was no longer neglected.

54. *Grant No. 60—Commercial Intelligence and Statistics.*—The Committee commented upon the fact that a supplementary demand had been made under this grant for Rs. 12,000 while the actuals disclosed an expenditure less than the original grant thereby rendering the supplementary grant unnecessary. It was explained that the cost-of-living Index Scheme for which the supplementary grant had been taken was started later than was expected in most of the centres and budgeting could not be accurate as the scheme was new and definite information regarding its progress was not available.

55. *Grant No. 62—Joint Stock Companies.*—With reference to outstanding recommendation No. 20 in which the Committee desired, firstly, that the office of the Registrar of Joint Stock Companies, Bengal, should return to Calcutta from Suri and, secondly, that Registrars of Joint Stock Companies should collate the information given in the balance sheets of various companies for the use of the Industries & Civil Supplies Department and the Income-tax authorities with a view to detecting cases of bribery and to prevent evasion of income-tax, it was stated that it had been decided in consultation with the Bengal Government to shift back to Calcutta that portion of the office of the Registrar which had been moved to Suri as soon accommodation was available and that the Industries and Civil Supplies Department and the Central Board of Revenue had stated that, as far as they were concerned, it was not necessary for the Registrars to furnish them with any special information. The Committee agreed that, in view of this situation, no further action was necessary.

56. The Committee next examined the accounts of the War Risks (Goods) Insurance Fund and the War Risks (Factories) Insurance Fund. They enquired what was going to happen to the balances at the credit of these funds. It was stated that, in accordance with the Ordinances under which the Insurance schemes were established, the balances at the credit of these Funds would merge into General Revenues. A part of these funds, namely Rs. 10.27 crores in 1944-45 and Rs. 5.76 crores in 1945-46, had already been appropriated for meeting compensation claims under the Bombay Explosion Ordinance. The Committee commented on the remarkably small amount of expenditure which had been incurred in the administration of these large schemes and wished to place on record their pleasure at the unqualified success with which this experiment in State insurance had been conducted.

Proceedings of the sixth meeting of the Public Accounts Committee held on Wednesday, the 22nd August 1945, at 10-30 a.m.

PRESENT :

The Honourable Sir Archibald Rowlands, K.C.B., M.B.E.,
Finance Member.

Chairman.

Professor N. G. Ranga.

Maulvi Mohammad Abdul Ghani.

Mr. Mohamed Azhar Ali.

Sir Syed Raza Ali, C.B.E.,

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.,

Sir Ratanji Dalal, C.I.E.,

Khan Bahadur Sheikh Fazl-i-Haq Piracha.

Khan Bahadur Sheikh Habibur Rahman, O.B.E.

Members.

Mr. P. V. R. Rao, I.C.S., Deputy Secretary, Home Department.
 Mr. V. Shankar, I.C.S., Deputy Secretary, Home Department.
 Mr. B. L. Pandey, P.C.S., Deputy Secretary, Home Department.
 Mr. Mukundlal Chopra, representing the Delhi Administration.
 Mr. Roshan Lal Jha, representing the Ajmer-Merwara Administration.
 Mr. G. S. Bozman, C.I.E., I.C.S., Secretary, Information and Broadcasting Department.
 Mr. S. S. Bajpai, Deputy Secretary, Information and Broadcasting Department.
 Mr. A. S. Bokhari, C.I.E., Controller of Broadcasting.
 Mr. Abdul Qadir, Financial Adviser, Communications.
 Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.
 Mr. S. A. Vaneswar, Accountant General, Central Revenues.
 Mr. Raunaq Lal, Deputy Accountant General, Central Revenues.
 Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Secretary.

Witnesses.

Home Department

57. At the commencement of the meeting objection was taken to the Home Department not being represented before the Committee by its Secretary. The Chairman said that the importance of this Committee entitled it to demand the presence before it of Secretaries of Departments, who were in the final resort responsible for control over expenditure, and this practice was in accordance with usage and convention. He understood, however, that there had been some relaxation in the normal practice during the war and that the Committee had allowed officers of rank lower than Secretary to attend. He had issued orders on the previous day that Departments must be represented by their Secretaries. The Home Department had stated that, as they were not aware that the old convention was to be restored at this session, the Secretary of the Department had not prepared himself for appearing before the Committee by a study of the accounts and felt that his appearance at such short notice would not serve any purpose. No disrespect to the Committee was meant and the Chairman had in these circumstances agreed to dispense with the attendance of the Secretary. The Committee agreed to examine the witnesses on the understanding that in future Secretaries of Departments would invariably appear before it.

58. With reference to outstanding recommendation No. 22 in which the Committee had recommended that the capital assets as also all the outstanding balances now shown in the accounts relating to the Andaman and Nicobar Islands should be written off without exception. It was stated that orders had been issued for the write-off of all assets of the commercial departments in the Andamans except three launches which were at present on loan to the Naval Authorities.

59. *Grant No. 12. Executive Council.*—The Committee commented on the final saving in this grant of Rs. 55,684 which worked out to 23.16 of the original grant. The sub-head A(3) Tour Expenses was mainly responsible for the saving. The Committee, agreeing that it was difficult to forecast the movements of Hon'ble Members of Council, did not look upon this variation as a reflection on budgetary control.

60. *Grant No. 32.*—There was an uncovered excess in this grant of Rs. 11,568 the explanation for which was that the full amount of the Central Government's share of the expenditure on the Central India Agency Jail was not provided for in the supplementary grant which was taken, owing to an oversight of the Local Administration. The attention of the Local Administration had been drawn to this mistake and it was hoped that it would not recur. The Committee agreed to recommend that the excess should be regularised by a vote of the Assembly.

61. *Grant No. 61—Census.*—There was a petty uncovered excess of Rs. 205 which the Committee agreed to recommend for regularisation. With reference to outstanding recommendation No. 21 in which the Committee had asked that a copy of the monograph on Primitive Tribes in the United Provinces published by the Lucknow University should be obtained with a view to see whether Government had got value for the money contributed by it for its publication, it was stated that the Census Commissioner had already been supplied with a copy of the publication, that the Home Department had seen it and were satisfied that Government had received good value for the money spent.

62. *Grant No. 74—Delhi.*—The Committee were of the opinion that it would be useful if a note could be added to the account of the Delhi Area grant as well as to the grants of other centrally administered areas showing the total expenditure incurred on the administration and the total receipts credited to Government in that year in the area concerned (excluding receipts from purely Central sources of revenue). This would enable the Committee to discover at a glance to what extent the centrally administered areas were self-supporting and to what extent they were being subsidised by General revenues. They desired the Auditor General to consider the suggestion and, if possible, to include such a statement in the Appropriation Accounts of these grants.

The Committee observed that the store accounts of the District Jail, Delhi for the year 1943-44 had not been audited locally as it had been decided to audit local accounts only in alternate years. The Auditor General explained that, as had been pointed out to the Committee previously, local audit had had to be considerably curtailed owing to the wartime depletion of his staff a large proportion of which had been lent to other departments of Government where they were performing more urgent wartime duties. The Committee were anxious that the scope and frequency of local audit should be resumed as soon as possible. They were informed that this question would be taken in hand as soon as the Audit staff returned to its normal strength.

There was a saving in the voted section of this grant of Rs. 20,71,000. The chief reason for this was that civil defence activities, in particular A.R.P., had been drastically curtailed during the year under review owing to the change in the war situation.

63. In reviewing the accounts of sub-head 'D'—Expenditure in connection with interned enemy subjects in the non-voted Appropriation "Miscellaneous expenditure connected with the War", the Committee commented on the fact that no recoveries from other Governments were made during the course of the year though the budget contained a provision on this account of Rs. 35,97,300. It was explained that this was not due to any difficulties created by those Governments in accepting debits but because the reception and maintenance of internees from abroad had had to be arranged at such short notice and the presentation of accounts involved so many practical difficulties that the total amounts recoverable from the various interests involved could not be determined before the close of the year. Some recoveries had been made.

64. *Grant No. 33—Police.*—It was explained that sub-head "A—Lumpsum charges paid to Provincial Governments" comprised three different kinds of payments for provincial police. The first was payment for the cost of police engaged on guarding Central Government property and the second for police engaged on performing agency functions for which, according to the Constitution, the Central Government was responsible but which were performed for them by the Provincial Police. For both these kinds of payments the Government of India was to a large extent responsible in law. The third kind of payment included in this account was *ex gratia* grants under section 150 of the Constitution Act. The provinces were compelled to engage additional police due to circumstances created by the War and it was felt that the burden was in some cases too heavy for the Provinces to bear. The Centre had, therefore, agreed to subsidise them in accordance with well-defined principles. The supplementary grant under this head was due to the fact that there had been, after the framing of the budget, considerable expansion of the police forces and a general rise in the cost of police

administration. Further, the budget estimates had been framed on inadequate data because the claims of provinces under the financial arrangements arrived at with regard to these *ex gratia* payments had not been finally settled.

Department of Information and Broadcasting

65. The Committee examined the commercial accounts of All-India Radio and enquired why the value of stores at the end of the year was over Rs. 2 lakhs more than at the beginning and why store balances had been progressively mounting for several years past. It was explained that the stores consisted of Transmitting, Control Room and Power Plant spares, Dry Cells, Accumulators and the like and that the store balances had increased, firstly because of the rise in prices and secondly, because of the amount of stores which had to be kept in stock bore a direct relation to the capital assets of All-India Radio. These latter had been progressively increasing and, as the number of Transmitting Stations, Power Plants, etc. had increased, a larger stock had to be kept in hand.

66. The Committee then looked into the accounts of the Radio publications. They observed that these publications had again incurred a loss in the year under review. It was explained that there were certain limitations which prevented either a large increase in income or a large decrease in expenditure. There was a minimum number of pages below which the journals could not reduce their size because they had to contain a fixed number of radio programmes and there was a limit beyond which the rate of subscription could not be raised as it had to bear some relation to the licence fees and the income of the average listener. The only flexible source of income was advertisements; this had now increased and in the year 1944-45 these publications had shown a profit of Rs. 1,16,000.

The Committee observed that the income and expenditure account of the Radio publications seemed to take into account most of the items, direct and indirect, which were involved in their production. They were however not sure whether the item "Headquarters' charges" included or excluded all overhead charges, including a share of the cost of the supervisory staff of All-India Radio legitimately chargeable to this account. They desired the Auditor General further to investigate this point and to recast the account so as to include in it such share if necessary.

66-A. *Grant No. 57—Capital Outlay on Broadcasting met from Revenue.*—The Committee enquired about the genesis of the Fund for the Development of Broadcasting. It was explained that a sum of Rs. 40 lakhs was originally set aside from a budgetary surplus to help the development of broadcasting in this country. *Ad hoc* grants were made to this fund from time to time from revenue and the capital expenditure on the development of broadcasting was met from this fund.

67. The Committee then reviewed the accounts of the Appropriation—Miscellaneous Expenditure Connected with the War.

(i) *Sub-head C(4)—Film Advisory Board.*—The Committee was struck by the fact that the rental charged from cinemas for films produced by Government Organisation was nominal, varying from Rs. 2/8/- to Rs. 40 per week. It was pointed out that the reason for this was that the cinemas were compelled to show these films under the Defence of India Rules. The Committee were nevertheless of the view that a higher rental could legitimately be charged and desired the Department to consider the raising of the rental to such an extent as to cover the cost of the organisation from rental receipts.

(ii) *Sub-head C(6)(1)—Expenditure on War Publicity—Grants to Provinces and Group Head C(7)—National War Front.*—It was explained that the national War Front had ceased to exist and grants for war publicity as such had also ceased to be given to provinces. In place of this organisation a purely official body called "The Field Publicity Organisation" had been started in order to publicise matters on which either the Central or the Provincial Governments desired publicity. The arrangement was that the Central Government would pay half the capital cost of the equipment of this organisation and two-thirds of the

running cost. The Committee were inclined to the view that it was not justifiable to charge so great a part of the cost to the Centre as the main items of publicity would be provincial. They observed that in the Demands for 1945-46 provision had been made for the full year for the National War Front under the non-voted head "Miscellaneous Expenditure connected with the War", but no provision had been made for the Field Publicity Organisation, Expenditure on the latter, which had nothing to do with the war, was votable and the correct course to follow was to surrender the entire outstanding amount under "The National War Front" and to go to the Assembly for funds to finance the Field Publicity Organization. This course the Department would no doubt pursue.

(iii) *Sub-head C(6)(2)—Indian News Reel Scheme.*—This had been converted into the Indian News Parade and it was intended to continue this as a peacetime measure.

(iv) *Sub-head C(6)(9)—Joint Planning Committee.*—It was stated that after the next War Exhibition the activities of this Committee would be wound up.

(v) *Sub-head C(3)—Foreign Branch.*—It was stated that it was intended to continue the foreign publicity activities of the Department. A number of publications in various languages were sold in various countries mainly in the Middle and Far East. They were not all sold at a price above cost but a *pro forma* account of the cost of production and of receipts was kept. A costing system had recently been evolved and the assistance of Audit was being sought to improve it. The receipts for the year 1943-44 amounted to Rs. 2,18,000. Expenses were of course much heavier. The question was under consideration of increasing revenue by taking in advertisements.

(vi) *Sub-head C(8)—Counter Propaganda Directorate.*—It was stated that this Directorate had been wound up and its place had been taken by a Research and Reference Organization which collected and collated information and thus served as the basis for the entire work of the Information and Broadcasting Department.

68. The Committee next considered the accounts of sub-head C(6)(4)—Labour Propaganda. It had been brought to the notice of the Committee last year that Audit had been having considerable difficulty with regard to the accounts of this grant. It was explained that this head had now been taken over by the Labour Department, but the position with regard to the accounts was that, inspite of every effort having been made, it had not been possible to extract from the Indian Federation of Labour fully vouched accounts as required by Auditor nor was there any hope of getting them in future. The Committee took the view that there was no alternative but to abandon further search for these vouchers and that they would acquiesce in the payments being accepted in Audit without proper vouchers being produced. It was stated that since the middle of 1944 (when an Accountant was sent from the office of the Accountant General, Central Revenues, to help the Federation) there had been no difficulty in the accounts being properly maintained.

Proceedings of the seventh meeting of the Public Accounts Committee held on Friday, the 24th August, 1945, at 10-30 a.m.

PRESENT:

The Honourable Sir Archibald Rowlands, K.C.B., M.B.E.,
Finance Member.

Chairman.

Professor N. G. Ranga.

Mr. Mohamed Azhar Ali.

Sir Syed Raza Ali, C.B.E.

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.,

Sir Ratanji Dalal, C.I.E.

Khan Bahadur Sheikh Fazl-i-Haq Piracha.

Khan Bahadur Sheikh Habibur Rahman, O.B.E.

Members.

- Sir Olaf Caroe, K.C.I.E., C.S.I., Secretary, External Affairs Department.
- Mr. P. N. Krishnaswamy, Under Secretary, External Affairs Department.
- Mr. W. H. Shoobert, C.I.E., E.D., I.C.S., Secretary, Posts and Air Department.
- Dr. S. K. Banerji, D.G.Θ.
- Wing Commander L. A. Egglefield, Director of Civil Aviation.
- Mr. D. D. Warren, C.I.E., M.C., I.C.S., Secretary, War Transport Department.
- Mr. G. M. McKelvie, O.B.E., I.S.E., Consulting Engineer (Roads).
- Mr. Abdul Qadir, Financial Adviser, Communications.
- Mr. Ram Chandra, C.I.E., M.B.E., I.C.S., Secretary, Defence Department.
- Brigadier A. J. Reeve, Director-General (Civil Defence)
- Mr. S. R. Kaiwar, I.C.S., Deputy Secretary, Defence Department.
- Mr. A. V. Raman, Assistant Secretary, Defence Department (Civil Defence).
- Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.
- Mr. S. A. Vaneswar, Accountant General, Central Revenues.
- Mr. Raunaq Lal, Deputy Accountant General, Central Revenues.
- Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Department.

Witnesses.

External Affairs Department

69. The Committee observed that the Fund for Special Frontier Expenditure including Development known commonly as the Afghan Fund had been credited during the year with over Rs. 25 lakhs while the expenditure was only Rs. 1,61,670, the balance at the end of the year being as high as Rs. 91,76,000. It was explained that the normal credit to this Fund was Rs. 5 lakhs per annum but this had been increased after the outbreak of the War to Rs. 25 lakhs per annum as it was felt that, in the circumstances prevailing in Afghanistan and the influence which the enemy exercised in that country, much larger expenditure from this Fund would be necessary in order to maintain stability on the Frontier. In the year under review conditions in the Frontier had been exceptionally quiet and it was for this reason that the debit to the Fund had been so small. It was felt that expenditure from this fund would again increase after the war but it had been decided, in view of the large balance at its credit, to discontinue further contributions to it till such time as the balance resumed more reasonable proportions compared to the annual expenditure.

70. *External Affairs.*—The Committee commented on the very large provision for postage, telegram and telephone charges in sub-head A(4). It was explained that these charges were incurred not only for the External Affairs Department but on behalf of all departments of the Government of India other than General Headquarters. The modification in sub-head "B(3)—Allowances, Honoraria, etc." were explained as being due to the inordinate rise in the cost of living in Iran and the Persian Gulf through inflation which had necessitated large increases in allowances given to the government servants in that area. The Committee remarked on the fact that the sub-head "C(1)—Agents General for India in the United States of America and in China" contained provision on account of the Information Branch of the Agency General in Washington. They were of the view that all publicity expenditure should be shown in one place in the accounts and it was, therefore, desirable that the expenditure on this account should be debited to the budget of the Information and Broadcasting Department. It was stated that since the year under review this ex-

penditure had been transferred to a separate budget head under the control of that Department and the External Affairs Department was no longer responsible for it.

With reference to sub-head "C(2)(5)—Expenditure on Chinese Wartime Service Corps", the Committee recalled that they had last year expressed the hope that these Chinese would not for long continue to be a charge on Indian revenues. They were assured that the Corps was being rapidly disbanded, that the expenditure for the year 1944-45 on this account was small and that in the current year it would be practically negligible.

71. *Baluchistan*.—The Committee noted that the income from the sale of the Ephedra shrub this year was less than the total expenditure incurred in its collection. It was however pointed out that the stocks in hand had increased and, if account was taken of the increased value of stocks, these operations would not show a loss.

Department of Posts and Air

72. *Grant No. 42—Meteorology*.—There was an uncovered voted excess of Rs. 41,874 in this grant. The explanation given for this excess in the Audit Report was "less recoveries on account of provision of meteorological facilities for the Defence Services than anticipated". The Committee observed that this explanation did not seem to be correct as the actual recoveries from the Defence Services were more than had been allowed for in the final appropriation. What appeared really to have happened was that the actual expenditure recoverable from the Defence Services under the sub-head "D(4)—Weather Telegram and Other Charges" had proved finally to be considerably more than the final appropriation and the entire amount of this excess was not recovered before the close of the year thus causing an uncovered final excess.

73. *Grant No. 54—Aviation*.—It was explained that there were two separate aviation funds, namely the "Civil Aviation Fund" and the "Fund for the Development of Civil Aviation", the function of the former being expenditure on research, training and grants to flying clubs while that of the latter was capital expenditure for the development of aviation. The former was financed by such portion of the extra duty on motor spirit as was used in aviation; the latter by direct grants from General Revenues. The Committee enquired how it was that the receipts of the latter fund were shown as Rs. 20 lakhs while the appropriation under sub-head B-2 was only Rs. 15 lakhs. It was explained that the remaining Rs. 5 lakhs had been debited to sub-head B.3. The net effect of this was the transference to the Development Fund of this sum from the Civil Aviation Fund.

Department of War Transport

74. The Committee examined the commercial accounts of the Vizagapatam Port and enquired whether there was no hope of the port ever being run at a profit. It was stated that it was not likely that the Port could be made a paying proposition unless there was considerable post-war development in the Vizagapatam area. In normal times the traffic of the Port consisted of exports of manganese and groundnuts while there were practically no imports, the reason being that the hinterland which the port served was not industrialised, and, therefore, incoming traffic found it cheaper and more convenient to use the ports of Calcutta and Madras. Charges levied on exports were already as heavy as the traffic would bear and could not be further increased. All that could be done to reduce the loss was to hand the port over to the Railways thereby reducing the overhead charges. The Committee recalled that this question formed the subject matter of one of its outstanding recommendations consideration of which had been postponed till the end of the War. It was stated that although the War had ended, the port was still in the possession of the Army authorities who had taken it over on the 1st April, 1944 and that the question of handing it over to the Railways would be pursued after the port had been handed back to the War Transport Department.

75. *Grant No. 68—Central Road Fund.*—The Committee took into consideration the elaborate memorandum (Appendix XI) which was placed before it in pursuance of Outstanding recommendation No. 23 and which explained how exactly the allocation to the provinces from the Central Road Fund was made and how the intervention of the War Department into the working of the Fund had affected its accounts. The Committee approved of the revised forms in which it was proposed to show the accounts of the Fund in future and also approved of the suggestion that an explanatory note should be added to the Road Fund Accounts to make the latter easier to follow. They felt that the basis of allocation to provinces, which depended on the consumption of taxed motor spirit within their jurisdiction, might be unfair to provinces which had few roads (and consequently a small consumption of motor spirit) and therefore needed more. It was explained that this was taken into account to some extent in the allocations made from the Central Reserve. Further, if the Nagpur plan was implemented, the entire basis of the Central Road Fund would have to be revised and radically altered.

Defence Department

76. With reference to the sub-head C(1) in Grant No. "71—Miscellaneous" it was explained that the Kazaks Committee consisted of the Defence Member, the Defence Secretary, one non-official and a special officer appointed to look after the Kazaks who had come into India from Chinese Turkistan. The Committee had now been dissolved as the problem of the Kazaks had been solved.

77. *Grant No. 73—Civil Defence.*—It was stated that orders had been issued in May of this year to close down all civil defence activity and it was hoped that all such activity would be wound up by next month. The civil defence equipment in the possession of the provinces would either be taken over by the Provinces at a fair price for their own use or by local bodies. Any surplus would be disposed of by the Director of Disposals. In all cases the proceeds would be credited to the pool. The Central Government will obtain a share of the sale proceeds proportionate to the expenditure on civil defence borne by it. Such equipment as was exclusively the property of the Central Government was being sold through the Disposals Organisation.

Proceedings of the eighth meeting of the Public Accounts Committee held on Monday, the 27th August 1945, at 10-30 a.m.

PRESENT:

<p>The Honourable Sir Archibald Rowlands, K.C.B., M.B.E., Finance Member.</p>	<p><i>Chairman.</i></p>
<p>Professor N. G. Ranga. Maulvi Mohammad Abdul Ghani. Mr. Mohamed Azhar Ali. Sir Syed Raza Ali, C.B.E. Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E. Sir Ratanji Dalal, C.I.E. Khan Bahadur Sheikh Fazl-i-Haq Piracha. Khan Bahadur Sheikh Habibur Rahman, O.B.E.</p>	<p style="font-size: 2em;">}</p> <p><i>Members.</i></p>
<p>Mr. A. A. Waugh, C.S.I., C.I.E., I.C.S., Secretary, Department of Supply. Mr. A. K. Chanda, O.B.E., Additional Financial Adviser, Supply Finance.</p>	<p style="font-size: 2em;">}</p>
<p>The Hon'ble Sir Akbar Hydari, K.C.I.E., C.S.I., I.C.S., Secretary, Department of Industries and Civil Supplies. Mr. K. L. Panjabi, I.C.S., Joint Secretary, Depart- ment of Food.</p>	<p style="font-size: 2em;">}</p> <p><i>Witnesses.</i></p>

Mr. G. S. Rau, Deputy Financial Adviser (Food).
 Lt.-General Sir Thomas Hutton, K.C.I.E., C.B., M.C.
 Secretary, Department of Planning and Development.

Sir Shanti Swarup Bhatnagar, O.B.E., D.Sc., F.R.S., F.
 INST. P., F.I.C., Director of Scientific and Industrial
 Research.

Rao Sahib C. R. Natesan, Assistant Secretary, Depart-
 ment of Planning and Development.

Sir Bertie Staig, C.S.I., I.O.S., Auditor General of India.

Mr. S. A. Vaneswar, Accountant General, Central Revenues.

Mr. Raunaq Lal, Deputy Accountant General, Central Revenues.

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

Rai Bahadur Bindra Ban, Controller of Food Accounts.

Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Secretary.

Witnesses.

Supply Department

78. The Committee reviewed the accounts of the Iron and Steel Control Equalisation Fund. It was explained that the cost of production of the main producers, *i.e.*, Tatas and the Steel Corporation of Bengal, was less than that of the others and the Fund was a mechanism designed to equalise the selling price for all producers. A standard price was fixed and those who produced cheaper than the standard price paid into the Fund the difference between their cost of production and the standard price, while the Fund paid out to those whose cost of production was higher the difference between the standard price and the cost of production. The net effect of the Fund was that it kept the average price lower than it otherwise would have been.

79. The Committee then reviewed the schemes of State Trading for which the Department of Supply was responsible.

With reference to the remark in the Audit Report on the scheme for the purchase of Electrical Engineering Plant that the detailed procedure for the maintenance of proper stock accounts of the plant and the fixation of issue price was under the consideration of the Finance Department (Supply), it was stated that the necessary orders had since been issued. Issue rates were fixed on one of the following three bases:—

(a) Recognised Indian prices for similar Indian goods.

(b) Fair market prices fixed on an *ad hoc* basis with reference to prevailing price levels, and

(c) actual cost *plus* a percentage sufficient to cover incidental expenses.

With reference to the scheme for the purchase of wattle bark, it was stated that Babul bark was technically a good substitute for wattle bark but at present the cost of collection of the latter was so high that its commercial use was not economical.

Department of Industries and Civil Supplies

80. Grant No. 22-A—Department of Industries and Civil Supplies.—The Committee observed that the Department had come into existence on the 22nd of April, 1943 but that no vote for its expenditure had been obtained till as late as March, 1944 so that for a period of eleven months money had been spent without either the authority or the knowledge of the Legislature. It was explained that the decision to form this Department was taken after the budget had been presented and, as it was usual to present all supplementary demands together towards the close of the financial year, it had not been thought necessary to present the demand for this Department separately and before that time. The Committee were of the view that, though it was no doubt convenient to consider all supplementary demands at one time and though there was no objection to supplementaries arising out of increases in expenditure on services already in existence being presented at the end of the year, it was important that, when the Executive decided to embark on a new service or on an activity of a kind

which had not received the sanction of the Legislature, the latter should be enabled at the earliest possible opportunity to express its views on the proposed expenditure. This should be done by the presentation of a supplementary demand in the session of the Legislature immediately following on the commencement of the activity. If it was not possible at that stage to form an accurate picture of the total expenditure involved a token demand should be moved.

81. *Grant No. 47—Agriculture.*—With reference to sub-head "F—Transfer to the Fund for the benefit of Cotton Growers", it was explained that the Fund was created during 1941-42 out of the additional export duty of one anna per pound imposed by Ordinance No. VIII of 1942 on the exports of raw cotton. The object of the Fund was to assist the growers of cotton of varieties which were chiefly exported to Japan and whose market had been completely cut off by the War. The Fund was used to assist the cotton growers to change over to other crops. The question whether the Fund should be continued was annually reviewed by Government.

82. *Grant No. 52—Industries.*—With reference to sub-head 'B', it was explained that the grants for the development of the handloom industry dated from 1934 and the original object was to protect the handloom weavers from the effects of a rise in the price of yarn following on the imposition of a protective duty. The grants were disbursed through the agency of the Provincial Governments. Recently a Handloom Board had been set up on whose advice the grants would in future be distributed.

83. *Grant No. 53—Scientific and Industrial Research.*—The Committee reviewed the income and expenditure account of the Government Test House for 1942-43 and 1943-44 and observed that in three years there had been an appreciable loss. The loss was due to the fact that, while the value of the work done at the Test House for the Defence Services during these years was heavy, the grant received from the War Department was only Rs. 15,212. It was explained that this was under an arrangement between the Commerce and War Departments by which it had been agreed that the Defence Services would be billed only to the extent of the average debit to them during the three years ending 1938-39 irrespective of the value of work done. The Committee did not see any justification for this kind of agreement and desired that in the interest of correct accounting this arrangement should be reviewed and the full value of the work done should be charged to Defence Services estimates.

Food Department

84. *Grant No. 26—Food Department.*—A supplementary grant of Rs. 1,12,000 had been taken under this head but the final voted saving was Rs. 1,32,156 thus rendering the supplementary grant unnecessary. It was explained that this was due to a large surrender of funds by the Sugar Controller and to a decision to treat the pay of one officer as non-voted instead of voted. The Committee accepted the explanation that, as this was the first year of the life of the Food Department, the probable savings for surrender could not be estimated with any degree of exactitude in view of the growing development of its activities.

85. With reference to paragraph B(1)(iii) of the Audit Report by the Controller of Food Accounts, in which it was stated that a further cost investigation had been proposed with regard to a contract for cigarettes in which overpayment to the extent of Rs. 9 lakhs was alleged, it was stated that the result of the cost investigation had now been received and was under the consideration of Government. It appeared from the latest report that the original estimate that Rs. 9 lakhs had been overpaid was erroneous and that a much smaller sum was involved.

Department of Planning and Development

86. *Grant No. 53—Scientific and Industrial Research.*—It was explained that in addition to Rs. 10 lakhs per annum, which was the grant which the Council of Scientific and Industrial Research received from Government, its other sources of income were fees from patents of discoveries made by its

officers and occasional grants for research from industry. The chief items of expenditure were the publication of a journal which was now almost self-supporting, Planning and maintenance of research laboratories, the preparation of a dictionary of Indian raw materials and grants to Universities and other institutions for approved schemes of research.

87. With reference to sub-head "U" in the Appropriation "Miscellaneous Expenditure connected with the War", the history, functions and composition of the War Resources Committee were explained to the Committee.

Proceedings of the ninth meeting of the Public Accounts Committee held on Tuesday, the 28th, August 1945, at 10.30 A.M.

PRESENT

The Honourable Sir Archibald Rowlands, K.C.B.,
M.B.E., Finance Member.

Chairman.

Professor N. G. Ranga.

Maulvi Mohammad Abdul Ghani.

Mr. Mohamed Azhar Ali.

Sir Syed Raza Ali, C.B.E.

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.

Sir Ratanji Dalal, C.I.E.

Khan Bahadur Sheikh Fazl-i-Haq Piracha.

Khan Bahadur Sheikh Habibur Rahman, O.B.E.,

Mr. Krishna Prasada, C.I.E., I.C.S., J.P. Director
General, Posts and Telegraphs.

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

Mr. Abdul Qadir, Financial Adviser, Communications.

Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.

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

Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Secretary.

Members.

Witnesses.

Posts and Telegraphs Department

88. *Budgeting and control over expenditure.*—The Committee observed that in Grant No. 77—"Capital Outlay on Indian Posts and Telegraphs (outside the revenue account)" there was a saving of Rs. 319 lakhs or 38 per cent of the gross provision made for outlay on new assets and saving of about 57 per cent under expenditure on renewals and replacements. The explanation was that much progress could not be made on Tele-communication Scheme due to nonavailability of stores and equipment. In respect of Grant No. 10, there was a saving under a sub-head which was due to the fact that some vehicles, for which budget provision had been made, did not arrive at all, while debits for others which did arrive were not raised by the supplying departments before the close of the year. The Committee commented that the latter class of saving had been repeatedly brought to their notice in examining the accounts of the year and they intended to make certain proposals designed to prevent such cases from arising.

There was an uncovered excess of Rs. 83,14,000 in Grant No. 78—"Indian Posts & Telegraphs—Stores—Suspense (outside the revenue accounts)". The explanation for this was that payment had been made in advance of receipt of certain stores and that certain other stores, the receipt of which was not anticipated during the year, were received.

89. The Committee commented on the fact that there had been, in the year under review, expenditure on 73 major works without specific provision being made in the budget for them. It was explained that, as shown in Appendix X, 54 of these 73 were works which had been carried forward from the previous

year. It was anticipated that they would be finished by the close of 1942-43, but the anticipation had not proved correct and some little work had remained to be done on them. 28 of these works had cost under Rs. 1,000, while only eight had cost more than Rs. 20,000 each. The Committee enquired why the modified appropriation for the workshop building at Jubbulpore was Rs. 15,00,800 when the original appropriation was only Rs. 2,45,700. It was explained that the project had undergone a series of changes since it was first conceived. Budget provision had been made according to the original plan which was to acquire and construct buildings in order to house certain workshop machinery from Calcutta. Subsequently, owing to the intervention of the Tele-communications Development Scheme and other factors, the project was greatly expanded. The decision on which the expansion was ultimately found necessary was taken towards the middle of 1942, but by the time the budget had to be prepared the estimates were not in an enough advanced stage for provision to be made according to the revised requirements. The Committee were of the view that, as modifications in budget estimates were accepted till the 15th of January, a greater effort should have been made to make budget provision according to the latest information available on that date and the original unmodified appropriation should not have been allowed to stand.

90. *Store Accounting.*—With reference to paragraph 33(i) of the Audit Report, in which it was stated that no independent physical verification of stock was carried out during 1943-44 in eleven Store Depots, it was explained, in extenuation, that the Department had, because of the war, been suddenly called upon to handle a volume of stores ten times what it handled in peacetime. The Department had not foreseen the expansion of the Stores Organisation that would be required for handling such a vast volume of stores and cases like the one quoted were the result of this lack of organisation. An Officer on Special Duty had now been appointed whose function it was to see that stocks were verified in all store depots. The Committee desired that they should be informed next year about the steps taken to improve the stores organisation and the extent to which stores had been verified.

91. Paragraph 33(ii) recorded a case in which 4510 cwts. of zinc dross were sold from a Telegraph Workshop at Rs. 14.53 per cwt. while the market rate was Rs. 43.65 per cwt. It was explained that this arose as follows. Before the War this dross was sold by public auction and the rate list was amended according to the rate actually obtained at the last auction, which was Rs. 14.53 per cwt. This commodity was controlled during the war and the Controller ordered the workshop to hand over its stocks to certain firms but gave no indication of the price to be charged. In the absence of any indication as to the price to be charged, the accounts officer charged the price recorded in the rate list. The suspicions of the workshop might not have been aroused because of the fact that, while the market price was so high, the Department was actually being supplied with zinc at Rs. 19 per cwt., and Rs. 14.53 per cwt. for dross compared to this price did not appear unreasonable.

With regard to the cases discussed in sub-paragraphs (vi) and (vii) of paragraph 33, it was stated that there was grave suspicion that dishonest practices had been indulged in, and that the case was now being investigated by the police.

92. *Stock Position.*—The Committee observed that, inspite of their recommendation last year that stocks should be reduced, the closing balance of stores for the year 1943-44 was 3.06 crores against an opening balance of Rs. 1.50 crores. It was explained that during the course of the year the Department had taken on certain new items of stores and, as the Tele-communications Development Scheme was still in full swing, the balance was not regarded as excessive. Instructions had now been issued to restrict fresh purchases.

The normal stocks that the Department expected to carry were something over a crore of rupees.

93. *Irregularities in Grain Shops.*—With reference to paragraphs 31 and 33 (viii), it was stated that the facts were that some individuals were employed on contract to do certain work for the Department. These contractors or group leaders employed labour at piece-work rates, the labour being paid direct by the Department. As the piece-work rates had not been increased during the war, relief had been afforded to these workers by the grant to them of dearness allowance and of the concession to purchase their food at departmental grain shops. Neither the grant of the allowance nor the grant of the concession was covered by Government orders and this accounted for the irregularity being brought to notice by Audit. As it was clear, however, that these workers were morally entitled to the concessions they were enjoying, there had really been no loss to government and the technical irregularity would be put right by a formal sanction. The Committee were, however, not completely satisfied about the economy or efficiency of this system of contractors and group leaders. It was stated that it was intended shortly to review the whole question.

94. With reference to outstanding item 11 the Department furnished two memoranda (Appendices XII and XIII), the one discussing the adequacy of the Renewal Reserve Fund and the question of a lumpsum contribution to the Fund of Rs. 50 lakhs during 1945-46 and the other regarding the review of the basis of apportionment of cost of petty works between Working Expenses and the Renewals Reserve Fund. It was explained that, as neither the Telecommunications Development Scheme nor the Railway Scheme of Communications had yet been completed, it would not be possible to undertake the general review which the Committee desired to be undertaken in 1946. The Committee felt that the date for the review suggested by the Department, namely the end of 1946-47, was rather late and hoped that, in view of the earlier termination of the war than anticipated, it would be possible to undertake the review prior to that time.

95. The Committee noted that it had been recorded in paragraph 30 of the Audit Report that many of the Executive Officers, specially in the Bengal and Assam and the Bihar and Orissa circles, took a considerable time in returning the Audit Inspection Reports with replies. They regarded it as most important, particularly at the present time when improper practices were so rampant that replies to audit objections should be furnished as early as possible and desired the Department to circularise its subordinate offices impressing upon them the necessity of doing so.

**Proceedings of the tenth meeting of the Public Accounts Committee held on
Wednesday, the 29th August 1945, at 10.30 A.M.**

PRESENT

The Honourable Sir Archibald Rowlands, K.C.B.,
M.B.E., Finance Member.

Chairman.

Professor N. G. Ranga.

Maulvi Mohammad Abdul Ghani.

Mr. Mohmed Azhar Ali.

Sir Syed Raza Ali, C.B.E.

H. M. Abdullah.

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.

Sir Ratanji Dalal, C.I.E.

Khan Bahadur Sheikh Fazl-i-Haq Piracha.

Khan Bahadur Sheikh Habibur Rahman, O.B.E.

Members.

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

Mr. S. Lall, C.I.E., I.C.S., Additional Secretary,
Labour Department.

Witnesses

Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.

Mr. S. A. Vaneswar, Accountant General, Central Revenues.

Mr. Raunaq Lal, Deputy Accountant General, Central Revenues.

Labour Department

96. *Savings*.—In Grant No. 39—"Geological Survey" there was a saving of Rs. 9,28,000 compared to the final grant. The explanation for this saving in brief was that the full programme of sulphur operations in Baluchistan could not be carried out during the year. This caused a saving of about Rs. 13.12 lakhs which was set off to the extent of Rs. 3.23 lakhs owing to a recovery from the Joint Mica Mission, provision for which was not made in the budget as the principles and rate of recovery were settled after the budget had been framed.

There was a saving of Rs. 15,58,000 in Grant No. 64—"Miscellaneous Departments" mainly under the sub-head 'M' "Labour Coordination of Unskilled Labour Supply Scheme". The reason for this was that a decision was taken after the close of the year to account for this expenditure under "Advances Repayable" instead of the service head.

In Grant No. 67—Civil Works, there was a saving of Rs. 1,72,79,000, the year closing with a minus expenditure of Rs. 89 lakhs against an estimated net expenditure of Rs 84 lakhs. The main reason for this was the unforeseen large net credit under sub-head 'K'—Suspense owing to large issues of stores to emergency works taken up during the closing months of the financial year. It was stated that this system of accounting for stocks under a suspense head within the grant for civil works created difficulties in the way of accurate budgeting because the Department could never be certain when debits for the supply of materials would be received nor at what rate the stores would be issued. This difficulty had always existed but as the stores held in stock had been increased as a matter of deliberate policy during the war, the amounts involved under this head had grown so large that variations in them upset entirely the budgeting of the grant as a whole. The Committee desired the Finance Department to consider in consultation with the Auditor General whether it would not be possible and desirable to adopt some other means for accounting of their stores and to attempt to evolve a method which would not have the defects of the present system.

In Grant No. 79—"Delhi Capital Outlay" there was a saving of Rs. 19,75,000, the reason being unanticipated recoveries from the War Department on account of shared schemes of residential buildings. The Committee understood that the capital head "Delhi Capital Outlay" was debited only with the cost of permanent works while the arrangement for sharing the cost of buildings with the War Department related only to temporary buildings. They did not, therefore, understand why any recoveries have been made from the War Department under this head and desired the Department to investigate how recoveries had been effected in this Grant.

97. *Excesses*.—There was a petty excess of Rs. 114 in Grant No. 58—"Emigration (Internal)" which the Committee decided to recommend for regularisation by the Assembly.

98. The Committee then went on to examine the commercial accounts of the Koh-i-Sultan Sulphur Operations. They noted that the sulphur produced in the year under review was more than double produced in the previous year and that the operations had resulted upto the end of 1943-44 in a profit of Rs. 7,74,921. It was explained that it was not intended that any profit should be made and that the latest figures showed that the accounts would more or less balance.

99. The Committee next considered the Appropriation Accounts of Grant No. 67—"Civil Works" in detail. They observed that there was a saving of Rs. 2,31,000 over the final appropriation under the sub-head A(2)—"Minor works" but considering that this expenditure was distributed over 59 Divisions

they did not regard this as any evidence of laxity of control. They noted with interest that the total expenditure on works incurred through the Public Works Department reached in 1943-44 the level of Rs. 26 crores as against Rs. 121 lakhs in the last prewar year.

100. The Committee noted that the profit of C. P. W. D. Nursery at Jur Bagh had been maintained at about the same figure as in the previous year.

101. The Committee then reviewed the *pro forma* accounts of the C.P.W.D. Unfiltered Water Supply at New Delhi. These accounts also disclosed a small profit of the same order as in previous years and the Committee had no comments to offer.

102. The Committee observed that the closing balance of P.W.D. stores at the end of the year was Rs. 25,60,000 as against an opening balance of Rs. 18,56,000. This was explained as being due to the heavier transactions involved during the year because of the execution of air-field and other construction works. It was not expected that stocks would go down to normal before 1946.

103. The Committee then devoted its attention to the case described in Important Note No. 8 below the grant in which an Executive Engineer had kept the Divisional Cash Book for March 1943 open till about the middle of April 1943 and had entered disbursements made in April as having been made in March. Government had, after taking into account the explanations of the Officer concerned, observed that as the Accounts rule broken in this case was well known to all Divisional Officers, its breach without reference to higher authorities was a serious irregularity which should not be allowed to recur. Government had also issued a circular to all Divisional Officers impressing on them that the Cash Book should in no account be kept open after the 31st March. The Committee enquired why no more serious action had been taken against the officer concerned. It was explained that there was not the slightest suggestion of dishonesty in this case, that the officer had acted in this manner through an excess of zeal in that he did not wish to surrender the unspent balance of his budget and that he was an officer with a very good record.

104. The Committee next considered outstanding item No. 17 in which they had asked the Auditor General to investigate the question whether the fact that receipts and recoveries on capital account from the War Department, which were shown as a deduct item in the Grant "Delhi Capital Outlay" would interfere with the correct figure of the "Capital Outlay on New Delhi" being shown in the running account, with the object of ensuring that the correct figure of the Outlay should be discoverable from the accounts. It was stated that the running account of the Capital Outlay on New Delhi showed only expenditure incurred from civil estimates with recoveries from other departments. In order to show the correct figures of the actual Outlay arrangements had been made this year to show separately the recoveries from the Defence Estimates of expenditure initially charged to the capital head. As regards the expenditure debitable to Railway, Posts and Telegraphs and War estimates or the expenditure accounted for under the revenue account under Civil Works, which was not included in the running account, arrangements would be made if possible, to furnish departmental figures in a foot note below the running account.

105. Grant No. 70.—"Stationery and Printing".—There was a final saving in this grant of Rs. 2,28 lakhs the explanation for which was two-fold. Firstly, there had been a decrease in gross expenditure to the extent of Rs. 1,58 lakhs mainly because supplies of paper to the Middle East were stopped due to the shortage of paper in India. Secondly, there had been an increase in recoveries from other departments to the extent of Rs. 70 lakhs because large quantities of paper were issued to them than anticipated.

106. The Committee then devoted their attention to the irregularities described in the note below the Appropriation "Miscellaneous Expenditure

Connected with the War" which had occurred in the Civil Pioneer Force in the North-West Frontier Province. The irregularities consisted of the drawing of the pay and rations in excess of actual strength, of local purchases without sanction and without calling for tenders, of stock accounts not being kept properly and Railway warrants being misused by every single officer and clerk of the unit, of no accounts being kept of the running expenses of lorries and of misappropriations. The only action that appeared to have been taken was that one of the Commandants had been transferred to a subordinate charge and the other, who was a retired officer, had been discharged from the Force and his pay and leave salary amounting to Rs. 4,000 were held in abeyance. It was stated that the Provincial Governments were considering further action against the officials concerned. In view of the seriousness of the irregularities committed, the Committee considered the treatment hitherto accorded to these officers as being too lenient and trusted that further and more severe action would be taken against them.

Proceedings of the eleventh meeting of the Public Accounts Committee held on Friday, the 31st August, 1945 at 10.30 A.M.

PRESENT

The Honourable Sir Archibald Rowlands, K.C.B.,
M.B.E., Finance Member.

Chairman.

Professor N. G. Ranga.

Maulvi Mohammad Abdul Ghani.

Mr. Mohamed Azhar Ali.

Sir Syed Raza Ali, C.B.E.

Pandit Lakshmikanta Maitra.

Mr. H. M. Abdullah.

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.

Sir Ratanji Dalal, C.I.E.

Khan Bahadur Sheikh Fazl-i-Haq Piracha.

Khan Bahadur Sheikh Habibur Rahman, O.B.E.

The Honourable Mr. Shavax Lal, C.I.E., Secretary,
Legislative Department.

Sir C. M. Trivedi, C.S.I., C.I.E., O.B.E., I.C.S.,
Secretary, War Department.

Mian Muhammad Rafi, Bar.-at-Law, Secretary,
Legislative Assembly Department.

The Hon'ble Mr. E. Conran-Smith, C.S.I., C.I.E.,
I.C.S., Secretary to the Governor-General
(Public) and Reforms Commissioner.

Mr. Ram Chandra, C.I.E., M.B.E., I.C.S., Secretary,
Defence Department.

The Honourable Mr. R. N. Banerjee, C.I.E., I.C.S.,
Secretary, Department of Commonwealth
Relations.

Mr. B. C. A. Cook, O.B.E., I.C.S., Joint Secretary,
Finance Department.

Mr. S. R. Kaiwar, I.C.S., Deputy Secretary, Defence
Department.

Mr. P. C. Chaudhuri, Accountant General, Bengal.

*Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.

Mr. S. A. Vaneswar, Accountant General, Central Revenues.

Mr. Raunaq Lal, Deputy Accountant General, Central Revenues.

Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Secretary.

Members.

Witnesses.

*(Witness during consideration of the Auditor General's Report on 'Denial' Measures).

Legislative Department

107. *Grant No. 13.*—“*Council of State*”.—A supplementary grant of Rs. 43,000 had been obtained under sub-head “B—Allowances, Honoraria, etc.”. It was explained that this was required for an extra session of the Council which it was decided to hold after the budget had been passed.

108. With reference to sub-head “L(1)(i)—Contributions towards the expenses of the League of Nations Secretariat” in the Appropriation “External Affairs” which was responsible for an expenditure of Rs. 9,73,000, it was stated that expenditure on this account in the last prewar year was Rs. 10,78,000. The explanation for the expenditure being of the same order as before, inspite of the activities of the League of Nations having been reduced, was that a very large number of members of the League had either defaulted in their payments or withdrawn from membership with the result that the contributions of the members who still remained had proportionately increased.

109. In answer to a question as to why the Income-tax Appellate Tribunal (sub-head ‘C’ in Grant No. 3—“Taxes on income including Corporation Tax”) was under the administrative control of the Legislative Department, it was stated that this was done at the instance of the Legislature in order to ensure that the Tribunal was independent of the Central Board of Revenue.

War Department

110. *Grant No. 31.*—Administration of Justice.—There was an uncovered voted excess of Rs. 66,292 in this grant for which the sub-head “D—Expenditure connected with the trial of offences under the Criminal Law Amendment Ordinance, 1943” was responsible. It was stated that the omission to provide funds was due to an oversight which the Department very much regretted. The Committee agreed to recommend the regularisation of the excess by a vote of the Assembly.

Legislative Assembly Department

111. *Grant No. 14.*—“*Legislative Assembly and Legislative Assembly Department.*—The cause of the modification in sub-head A-3—“Allowances, Honoraria, etc.” was stated to be that the Hon’ble the President of the Legislative Assembly had curtailed his tours. It was explained that it used to be the custom for Presidents and Speakers of Provincial Legislatures to gather together and discuss matters of common interest with the President of the Legislative Assembly. The Presidents and Speakers’ Conference had been discontinued for some time and instead the President of the Legislative Assembly could tour the provinces at Government expense to discuss affairs with Provincial Presidents and Speakers. In addition, the President was entitled to tour his constituency at Government expense.

112. *In Grant No. 71.*—“*Miscellaneous*” sub-head ‘H’—“*Contributions*” there was an expenditure of Rs. 2,700 for which the Legislative Assembly Department was shown as being responsible. It was explained that this was the Indian Branch subscription to the Empire Parliamentary Association, United Kingdom Branch.

Secretariat of the Governor-General (Public)

113. In the Appropriation “Federal Public Services Commission” there was a modification under the head “D—Other Charges” the explanation for which was “unforeseen suspension of certain examinations”. It was explained that it was decided to suspend the competitive examinations for the Indian Civil Service and the Indian Police after the examinations held in January, 1943 and October 1942 respectively. The decision to do so was arrived at after the budget, had been framed.

Secretariat of the Governor-General (Reforms)

114. The Committee had no comments to make.

Memorandum on Denial and other Expenditure in Bengal

115. The Committee next devoted its attention to the memorandum (Appendix X) relating to the expenditure on the Denial Policy and other measures in Bengal prepared by the Auditor General in response to their request of the previous year. An invitation had been sent to the Government of Bengal asking them to send a representative, if they so desired, to represent their case before the Committee when this memorandum was taken up. The Government of Bengal had replied saying that they considered that the Auditor General's memorandum gave a fair picture of the facts of the case, that their point of view had been explained in detail to the Government of India and that they did not, therefore, consider it necessary to be represented at the meeting. The Committee expressed their regret at not having the opportunity of the Bengal Government's viewpoint being explained to them at first hand.

116. The expenditure on behalf of the Central Government in Bengal could be broadly divided into three categories—expenditure on Denial, on works and on refugees and evacuees. As far as the Denial measures were concerned, the view of the Defence Department was that, having regard to the very inadequate staff at the disposal of the Government of Bengal, the extremely short period of time within which action had to be taken and the necessity of making immediate compensation payments both in order to enable the villagers to maintain themselves and in order to prevent relations between the military authorities and the civil population getting even more strained than they already were, they could not regard the supervision of that Government as being so lax as to justify the Government of India repudiating their liability and that they were prepared to accept the debits raised against them. In regard to expenditure on works the view of the War Department was that, in the light of the circumstances of the time and in view of the extreme confusion which necessarily prevailed, there was not much more that the Bengal Government could do in the way of controlling expenditure on works than they actually did. The works constructed had been inspected by the Military authorities and the War Department were satisfied, by and large, that they had got value for the money spent. As regards expenditure on evacuees and refugees, the Committee did not wish to discuss the question in detail as the matter was *sub-judice*, there being a criminal case pending against the Chief Refugee Administrator.

117. The Committee accepted in general the Auditor General's view of the situation. They were relieved to discover that there was in fact somewhat greater excuse for the actions of the Bengal Government than they had been led last year to assume. They agreed that the orders issued by the Government of Bengal with the approval of the Government of India permitting a free exercise of the powers under Rule 27 of the Bengal Treasury Rules were necessary to meet the situation that had arisen but they were constrained to observe that there had been a flagrant abuse of the discretion vested in the District authorities under those orders. There was little doubt in their minds that very large sums of money drawn from the Treasuries under this Rule had never been spent for the objects for which they were drawn and they felt further that no justification of any kind could possibly be pleaded for the neglect of such elementary financial precautions as not taking receipts for money paid or of keeping records of the names and addresses of people to whom the money was disbursed. They recognised, however, that their criticism of the Bengal Government should, because of the very difficult circumstances in which that Government were placed, be tempered with leniency and they came to the ultimate conclusion that no useful object would be served by pursuing this matter further. They, therefore, recommended that the debits now held under objection on this account should be accepted as a valid charge against the Government of India without Audit insisting on too meticulous a fulfilment of normal audit requirements which in any case was now impossible.

Such recoveries as could be effected on account of the numerous instances of over-payments, frauds, embezzlements and the like would of course be credited to the Central Government.

Proceedings of the first meeting of the Military Accounts Committee held on Wednesday, the 8th August, 1945, at 10.30 A.M.

PRESENT

The Honourable Sir Archibald Rowlands, K.C.B.,
M.B.E., Finance Member.

Chairman.

Maulvi Mohammad Abdul Ghani.

Pandit Lakshmikanta Maitra.

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.

Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance Secretary.

Members.

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

Mr. Mohamad Ali, O.I.E., O.B.E., Financial Adviser,
War and Supply.

Mr. M. R. Coburn, C.S.I., C.I.E., O.B.E., Addi-
tional Financial Adviser, War and Supply.

Mr. A. Subrahmanyam, M.B.E., Deputy Financial
Adviser.

Major General H. E. Roome, C.I.E., M.C., Engineer-
in-Chief, General Headquarters.

Mr. A. H. Wilson, O.B.E., Military Accountant
General.

Mr. L. M. Ghatak, Additional Military Accountant
General.

Sir Kenneth Mitchell, C.I.E., Chief Controller of
Road Development and Transport, Department
of War Transport.

Mr. A. Qadir, Financial Adviser, Communications.

Witnesses.

Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.

Mr. S. C. Gupta, Director of Audit, War and Supply.

Mr. V. D. Dantiyagi, Additional Director of Audit, War and Supply.

At the commencement of the meeting the Chairman suggested that it would be advantageous if the Committee were to alter the usual procedure adopted in the examination of the documents before them and instead of perusing the Appropriation Accounts, the Audit Report and the Commercial Appendix from beginning to end, they were for the purposes of their examination to group together into certain well-defined categories the instances of irregularity which now were spread throughout the body of the Report. Such categories were broadly, Store Accounting, Works Expenditure, Pay and Allowances, and Expenditure on the Acquisition of Stores. Apart from these categories there were certain other matters which could not be so classified and these the Committee should look into separately. This procedure would not only save the time of the Committee but would serve to concentrate their attention upon matters of real importance by bringing them prominently to notice. The Chairman further suggested that in future years the Audit Report should not deal with irregularities according to the Branch of the War Department to which they related but that the Report should be so remodelled as to deal with irregularities according to type, the particular instances being dealt with under each head irrespective of the organisation in which they occurred. The Auditor General concurred in the suggestion and the Committee, after discussion,

also agreed on the distinct condition, however, that the remodelling of the Audit Report would in no way affect the purpose which it was designed to serve and that the Report would continue to supply the same material in the same detail and with the same meticulous care as it did at present.

2. The Committee then considered the matters dealt with in the Statement of Outstanding Recommendations and other matters dealt with in last year's report. With reference to the payment by the Government of India in the year 1942-43 to His Majesty's Government on account of the offer made by the former to acquire full ownership of all industrial assets created in this country at the expense of the latter on payment of half the cost (which is referred to in paragraph 3 of the Report of the Military Accounts Committee on the accounts of 1942-43), it was stated that the offer had not yet been accepted but that, as the matter was still under consideration, the debit had been allowed to stand.

3. *Outstanding Item No. 29.*—The Committee had asked for a full investigation into the facts of the case mentioned in paragraphs 7 and 8 of the Audit Report Defence Services 1944. A memorandum (Appendix XIV) was placed before the Committee the conclusions of which they accepted.

Outstanding Item No. 30.—A report (Appendix XV) on the state of the Stores Organisation and the methods adopted for the better custody and accounting of stores was placed before the Committee. With regard to the Stores Depot at Dehu it was stated that it was hoped to locate all the stocks in another three months and that the complete verification would thereafter take another six to nine months. Progress had been delayed by a fire last year. The Committee were of the view that improvement in Dehu was not as rapid as it might have been and that special efforts should be made for the improvement of the position at this Depot.

Outstanding Item No. 32.—The Committee took account of the Report (Appendix XVI) on the improvement made in the keeping of individual accounts of personnel on the war system of accounting. It was stated that the Mission of RAPC experts referred to in the Report was now working in Lucknow and it was intended to extend its activities to Ferozepore and Jubbulpore and that it was hoped that the improvements effected by this Mission in our system of accounts would help rapidly to wipe out the arrears. The main difficulties were the inadequacy of staff and inadequacy of accommodation. Steps were being taken to train the staff and a number of building projects had been sanctioned to house them. As the activities of the pay centres would continue for some considerable time after the war, the expenditure on the buildings would not be wasted. The Committee were of the view that it was most important that all the arrears, not only in the case of officers but also in the case of IORs, should be disposed of before general demobilisation started and desired that yet more intensive efforts should be employed to this end.

Outstanding Item No. 33.—The Committee took note of the Report (Appendix XVII) on the new procedure regarding centralisation of information at headquarters in respect of rates and costs of works and had no remarks to offer.

Outstanding Item No. 32.—The Committee took account of the Report Q. M. G. (Appendix XVIII) submitted to them that there was in actual fact no deliberate attempt at falsification of the accounts but that the irregularities and shortcomings in the matter of accounts were inevitable results of the tension that resulted from the invasion scare in April 1942.

Outstanding Item No. 37.—The Committee read the report (Appendix XIX) on the failure of certain formations to carry out stock verifications. With reference to the statement in the report that frequent changes in staff had militated against the continuity of stores administration, it was explained that, although orders had been issued to keep transfers at a minimum, it was not possible to ensure greater continuity owing to changes

in staff inevitably necessitated, by promotions, repatriation and the requirements of field service.

4. The War Secretary apologised to the Committee for the absence this year of the Commercial Appendix to the Appropriation Accounts of the Defence Services. He said that the preparation of this document had been held up owing to delay in the submission of production accounts of certain military farms, the delay being stated to be due to shortages of staff and the great increase during the last two years in the number of military farms. He had not accepted the explanation offered as adequate. Further investigation into the circumstances which led to this delay was being made and he assured the Committee that suitable disciplinary action would be taken if this was found to be necessary. He hoped, however, to be able to submit the Appendix to the Committee by the 24th of August. He also hoped that no recurrence of a lapse of this nature would occur.

The Committee desired it to be considered whether the accounts of the Canteen Services (India) should not be included in the Commercial Appendix in future years as canteen stores had now become a responsibility of Government and as the organisation was run on a commercial basis. If it was not found possible for any reason to follow this course, the Committee desired that these accounts should at any rate be presented to them in some form.

5. The Committee then passed on to a consideration of the Appropriation Accounts. With reference to the payment which had to be made for Canadian Motor Vehicles mentioned in paragraph 4, it was stated that the question of securing the benefits of the Mutual Aid Agreement retrospectively so as to obtain some abatement of this payment was still under consideration.

6. The Committee then considered the case of the air field in North West India reported in paragraph 13 which was abandoned as it was discovered during the course of construction that the site was unsuitable owing to the extreme softness of the soil and the impossibility of draining it satisfactorily. It was stated that the facts of the case were that it was decided in December 1941 to construct a Bomber air field at Baleli near Quetta and a satellite air field at Samungli a few miles away. A proper inspection team was not sent to select the site as such a procedure was not then in force but a single R. A. F. officer selected the site. In December 1942 a report was received that the site was unsuitable in the sense that it could be developed only at great cost but it was nevertheless decided that, as the aerodrome was required for strategic reasons, the extra cost involved should not prevent the construction of the air field. In June 1943, the strategic situation having undergone a change and there being no further menace from the North-West, it was decided to abandon Baleli and to develop Samungli as a Bomber Aerodrome, it having been eventually settled that a satellite aerodrome was not necessary. It was not known whether the aerodrome had even been occupied. The Committee considered the explanation given as unsatisfactory.

7. In explanation of the actuals for the year proving Rs. 61 crores higher than the modified Appropriation, it was stated that approximately Rs. 40 crores out of this was due to the adjustment made at the time of finally closing the accounts (December, 1945) on account of Canadian Motor Vehicles. This left an excess of Rs. 21 crores which, compared with the total amounts involved, was not an unreasonable deviation from the modified Appropriation.

8. With reference to item 10 in part I of Appendix 'A' (Statement of loss of cash, overpayments, etc.), the Committee enquired why no effort had been made to recover the overpayments. It was stated that the payments were made through a misunderstanding of orders and the officers had received them in good faith. The Committee were of the view that it was not enough justification to waive a recovery that the overpayment had been received in good faith, that an overpayment of money to a public servant should be regarded as a debt owed to Government and that all possible action should be taken to recover it with despatch.

9. With reference to item No. 7 in part II of Appendix 'A', the Committee desired to point out that infructuous expenditure was not really a loss and, though Audit should bring such expenditure to the notice of the Committee, it was not technically correct to include it in a statement of losses.

10. The Committee then went on to the Audit Report and devoted its attention first to matters relating to Store Accounting. With reference to paragraph 39 of the Audit Report in which it was stated *inter alia* that in 124 formations stock was not verified in the year 1943-44 and that in one of these formations no verification had been conducted since 1939, it was stated that, as the Committee were aware, the general causes for such a state of affairs were the rapid growth in the volume of stores, lack of staff, lack of space, etc., but that there had been gradual but general improvement. The Committee, while accepting the force of the various factors mentioned, felt that, for example, in the case in which no verification was conducted since 1939, which was a peace year, these explanations would not hold good. They were inclined to suspect that it was possible that part of the cause of this long-continued state of affairs was the lack of attention of the staff towards the discharge of duties the full importance of which they perhaps did not realise and to suggest that the insistence on stricter standards of diligence and their enforcement through disciplinary action might well result in more rapid improvement.

11. With reference to the comments of Audit in paragraphs 5 and 6 of the Report with regard to the unsatisfactory state of stores and other accounts in Parks, Depots and Garrisons and on the War Emergency Works procedure, the Engineer-in-Chief stated that the defects pointed out were due in the main to two reasons, firstly, as the Committee were already aware, to the lack of personnel and, secondly, to the attempts made till lately to carry out the complicated procedure appropriate to times of peace and not to times of war. The Committee while appreciating the serious nature of the difficulties with which the Engineer-in-Chief had to contend, considered that the reasons adduced by him were not sufficient to explain the lack of such elementary precautions as the taking of receipts from contractors for stores issued to them. They were of the opinion that the orders issued with regard to the procedure to be followed in accounting of stores and in sanctioning works was sufficient if carried out to prevent the kind of irregularity which had been brought to light in the Audit Report. They felt that the real difficulty was that these orders were not obeyed by the subordinate Engineering staff and suggested that some means should be found of enforcing more adequate discipline on them.

The Committee also observed that in the absence of complete and correct stores accounts in Parks, Garrisons etc., it would not be possible to ascertain the recoveries due from contractors, to compile contractors ledgers and the constructional accounts, nor to prepare the final Bills. They desired therefore to emphasise the immediate necessity of taking all possible steps to put right the stores accounts in the M. E. S.

12. The Committee then went on to consider matters concerned with Pay and Allowances. With reference to the statement in paragraph 33 that in one Depot the outstanding debtor balances at the end of August 1944 aggregated Rs. 40 lakhs, it was explained that this figure did not really represent the true position. It often quite unavoidably took a very considerable time for Part II orders affecting increases in pay and the like to reach accounts offices from operational areas though the personnel concerned began to draw advances of pay at the increased rate from the date of the promotion. It necessarily happened that till the receipt of orders enhancing the entitlements of such personnel, their accounts might show debtor balances, but it might well happen that individual debtor balances would be converted into creditor balances when the orders arrived. It was also the practice, if the accounts remained consistently overdrawn, for the C. M. A. to ask the Comamping Officer of the person concerned either to limit advances drawn or to reduce family allotments.

13. With reference to paragraph 34 in which it was stated that in some

cases travelling allowances were paid on "circumstantial evidence of journeys having been performed", the Committee were of the view that circumstantial evidence should not normally be accepted in matters of this kind. In the particular circumstances of the case under discussion, however, they did not object to the payments having been made.

14. With reference to the non-recovery of rent on residential buildings discussed in paragraph 16, it was stated that the real reason was the absence of Occupation Returns though Station Staff Officers had sufficient data from which to furnish such returns. A revised and simplified procedure in this matter had now been laid down which, on the one hand, simplified the recovery of the rent by reducing such recovery to a flat rate and, on the other, simplified the actual returns. It was not possible to ascertain the total loss to Government by non-recovery of rent but the Committee suggested that, in order to give them an idea of the total loss involved, a report should be made to them on the basis of the loss to Government in one station—say Meerut.

15. The Committee then discussed the Lorry Group Scheme [paragraphs 7(b) and 10]. The War Transport Department did not accept the statement that the charges for the lorries supplied were found to be much in excess of the rates allowed to the contractors or the rates which would have been paid by Government if contractors had made their own transport arrangements. It was possible, however, that work involving long leads, and therefore more profitable, was done by the contractors, the short-running being done by lorries under the Lorry Group Scheme thus enabling the contractors to pay less for their transport, but it was impossible to measure the extent of the reduction. War Transport Department however claimed that the Lorry Group Scheme had kept down the general level of rates for transport.

With reference to paragraph 10(2) which stated that the mileages (on which maintenance contractors were paid and the owners of vehicles were given a bonus) as certified by the officers engaged by the War Transport Department, were in excess of the mileages actually done, it was explained that this matter was under investigation by the police. Also it was admitted that the figures for the cost of new parts used in the repair of the vehicles at this aerodrome, which came to about Rs. 2,000 per vehicle, had only one explanation, namely, that there had been some dishonesty somewhere.

16. The Committee noted that the procedure adopted for determining the liabilities of His Majesty's Government and the Government of India under the financial agreement remained the same as before.

17. *Canteen Services (India)*.—It was explained that before the war the canteens were run by a Syndicate of contractors which was under an agreement with Government by which the latter had the right to take over the Syndicate in time of war. Government exercised this option in 1942 as it was found that the Contractors' Syndicate could not give efficient service because of lack of capital, of business resources and of the difficulty of getting goods from abroad through non-governmental channels. The Syndicate was now run on a commercial, but no-profit, basis using government capital which is lent to it at interest. A small profit was however being made and 50 per cent of it was being put into a reserve to meet terminal losses and costs of winding up. The total turnover per annum was about Rs. 20 crores and two to three months' stocks were held in hand. One term of the agreement with the Syнди-

cate was that the stock originally handed over would be handed back to the Syndicate though the value might have increased in the mean time. The stock taken over was valued at Rs. 24 lakhs and it had been decided that the difference between the values at the time of taking over and at the time of handing back should be debited to General Revenues.

The Committee accepted the principle that a part of the profit made should go to a reserve fund but were not satisfied that the allocation of 50 per cent of the profit was sufficient for this purpose. They desired that a detailed investigation should be made into the amount that would be required for meeting these losses and that a more scientific basis for allocation to reserve should be worked out. They further saw no justification for debiting to General Revenues the difference between the value of stocks taken over and handed back, which would have to be paid to the Syndicate. They considered that this should be a charge against the profit made by Canteen Services and desired that the orders on the subject should be reviewed. A report on the action taken would be welcomed by them next year.

Proceedings of the second meeting at the Military Accounts Committee held on Thursday, the 9th August, 1945, at 10.30 A.M..

PRESENT:

The Honourable Sir Archibald Rowlands, K.C.B.,
M.B.E., Finance Member,

Chairman.

Maulvi Mohammad Abdul Ghani.

Pandit Lakshmikanta Maitra.

Kunwar Hajee Ismaiel Ali Khan, C.I.E., O.B.E.,

Members.

Sir Cyril Jones, K.C.I.E., C.S.I., I.C.S., Finance
Secretary.

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

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

Lt General A. R. Godwin-Austen, C.B., O.B.E.,
M.C., Quarter Master General, General Head-
quarters.

Mr. Mohamad Ali, C.I.E., O.B.E., Financial
Adviser, War and Supply.

Mr. M. R. Coburn, C.S.I., C.I.E., O.B.E., Addi-
tional Financial Adviser, War and Supply.

Witnesses.

Mr. A. K. Chanda, O.B.E., Additional Financial
Adviser, Supply Finance.

Mr. A. Subrahmanyam, M.B.E., Deputy Financial
Adviser.

Mr. A. H. Wilson, O.B.E., Military Accountant
General.

Mr. L. M. Ghatak, Additional Military Accountant
General.

Mr. K. L. Panjabi, I.C.S., Joint Secretary, Food
Department.

Mr. R. L. Gupta, I.C.S., Joint Financial Adviser
(Food).

Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.

Mr. S. C. Gupta, Director of Audit, War and Supply.

Mr. V. D. Dantvagi, Additional Director of Audit, War and Supply.

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

Rai Bahadur Bindra Ban, Controller of Food Accounts.

Supply Department

18. With reference to outstanding items No. 24 and 25, the Committee took note of the two reports (Appendix XXI and Appendix XXII) on which it had no remarks to offer. They then went on to consider in conjunction with paragraph 63 of the Report the note (Appendix XXIII) on lease-lend accounts. The Committee were pleased to learn that the new system of lease-lend accounting, which had been established after considerable difficulty, had successfully stood the test of practice but regretted that its effectiveness had to some extent been vitiated by the failure of the executive and administrative authorities to observe some of the prescribed provisions. In particular, the Committee were disturbed by the fact that substantial recoveries were still due to be effected for stores consigned to private parties. It was stated that instructions had been issued to all controlling officers that future indents from habitual defaulters should not be accepted or a deposit of the full value or a bank guarantee should be taken. As a further safeguard against default, orders had recently been issued for the black-listing of defaulters. The Committee hoped that these instructions would be strictly followed.

19. The Committee then went on to consider the memorandum (Appendix XXIV) presented to it explaining the nature and scope of the activities of the Supply Department during the year 1943-44. It was stated that, owing to the reduction of military demands, the break-clause might have to be invoked in a number of contracts. Steps were in train to limit losses on cancellation to the minimum. The break clause period had been reduced generally from six months to three months; but, when the cycle of manufacture was short, the break clause period was even smaller. A special organisation had been set up to study the problems of large scale cancellation of contracts. The organisation reviewed all contracts and gave the necessary orders to all Directorates. Two Liaison Officers had been appointed, one with the D. G. M. P. and another with the D. G. S., to see that the officers of this organisation were carried out. Compensation is settled in negotiation with contractors taking into consideration, the value of raw materials procured for the execution of the contract or works in process. Where there is a civil demand for the stores on order, this factor is taken into account in determining compensation. Technical and costs officers are used, where necessary, in the settlement of claims for compensation. Steps were also being taken on the military side to ensure that plans were kept in readiness for the cancellation of orders immediately on the cessation of the war with Japan.

The Committee enquired what steps were being taken to help such productive capacity as was rendered surplus to military requirements to convert itself to meet the needs of the civil population. It was stated that the Supply Department acted in this matter in close liaison with the Industries and Civil Supplies Department and the Provincial Governments and that it was arranged that firms whose contracts with the Supply Department had terminated should continue to get the necessary priorities in transport and raw material so as to enable them to meet civil demands. In the engineering industry it has been arranged that the military demands would be replaced by the backlog of Government civil orders. The position with regard to such basic materials, as steel, timber, coal, cement, etc., was reviewed at regular intervals and quantities, increasing as war orders tapered off, were earmarked specifically for civil requirements.

20. The Committee then went on to consider Appendix 'C' to the Appropriation Accounts dealing with the Central Disposals Organisation. Although the total turnover during the year amounted to Rs. 207 lakhs as compared with Rs. 74 lakhs in the previous year, it was stated that the vast majority of articles dealt with were really salvage and not surplus stores in the proper sense of the term. No appreciable amount of stores had as yet been rendered surplus but

the War Department was now engaged on making an estimate as to when, what and how many stores were expected to become surplus. It had been decided that the disposal would be through the regular trade channels and would be so phased as to cause the least disturbance to the industrial and commercial life of the country.

21. In examining item 5 of the Statement showing details of items of *ex gratia* payments (Appendix 'D' to the Appropriation Accounts) in which an item of Rs. 5,11,259 paid on account of increased premia on War Risks (Goods) Insurance which a mill had to pay was included as an *ex gratia* payment, the point was raised that this should not be regarded as an *ex gratia* payment at all. It was suggested that the correct principle was that, if costs were increased or decreased by an Act of the Legislature, the contract price should be correspondingly varied. The Committee agreed that that was the correct principle and that in future a clause embodying this condition should be included as a standard condition of all contracts.

With reference to the point raised in paragraph 43 of the Audit Report the Committee approved the basic principle that in fixed price contracts *ex gratia* payments should be limited to the actual loss incurred by contractors as proved by documentary evidence as far as possible and that the unforeseen circumstances, element of profit in the original quoted prices should not be safeguarded. In cases, however, in which a tenderer had made too low a tender through a *bona fide* mistake, this limitation need not be enforced and the normal rule should be that *ex gratia* payments should be made up to the limit of the difference between the accepted tender and the next higher tender.

22. The Committee then went on to consider the Audit Report. With reference to paragraph 50 the point was raised why 100 per cent advance payments to contractors were still made on inspection and proof of despatch and why a percentage of dues could not be held up till consignee's receipts were received. It was stated that this matter had been examined by Government last year and a report had been made to the Committee. The system of 100 per cent advance payments was introduced owing to the long delays in receiving consignee's receipts which led to corresponding delays in payment so that contractors were left without sufficient funds to meet their obligations. It was found that even with a system of 90 per cent advance payments complaints were continuous and that contractors were putting up prices to take account of delay in payments. It was stated that on the Stores side advances were except in a few cases such as fabrication of steel not made in respect of expenditure incurred by contractors during the progress of manufacture though such advances were usual on the Works side. The Committee considered that, as the system of 100 per cent advance payments had obvious objections, the Department should consider once again, in view of the volume of contracts having been reduced, the desirability of reverting to a system of percentage advance payments. The Committee also desired the Department to consider whether it would not be beneficial to introduce a system of advances against manufacturing contracts in cases when the cycle of manufacture was long in the absence of which it was likely that contractors would recoup themselves for borrowed capital by charging prices higher than they would if Government provided part of the working capital in the form of advances.

23. The Committee then dealt with paragraphs 44 and 45 of the Audit Report which commented on cases in which certain firms had successfully resisted a detailed cost investigation. It was explained that it was not certain that costing would have been to the advantage of Government, that it was doubtful if technical cost-accounting staff was available for the purpose and that the demand for the articles in question was so great that it was considered advisable not to alienate the sympathies of the firm by insisting on cost investigation against its will. The Committee were of the opinion that, the Department having demanded cost investigation, it should be assumed that it had been decided after mature consideration that such investigation was desirable and

that staff was available to undertake it. They did not, further, consider the fear that the co-operation of the firm would be lost adequate justification for not insisting on compliance with a legitimate demand. They suggested for future guidance that if a firm refused to agree amicably to allow its books to be inspected, the ample powers which Government possessed under the Defence of India Rules should unhesitatingly be exercised.

24. The Committee then considered the case reported in paragraph 41 of the Audit Report. The facts were that an Indian company had been formed by the combine of a British and an American firm. The capital of the new venture was Rs. 27 lakhs and an amount of Rs. 30 lakhs was added on account of goodwill of the two parent companies. This goodwill was permitted to be included as a part of the capital employed in negotiating the profit margin to be allowed on Government orders. It was argued that, if account had not been taken of this goodwill, the new company would have had to make certain payments to the parent companies for the use of certain patents owned by the latter and that this would have meant an increase of costs which might have been greater than the price allowed on the basis of the inclusion of goodwill in the capital. The Department had, however, made no calculations in order to discover which method was the cheaper. The Committee were of the view that in assessing capital for purposes of calculation of profits share capital was entirely irrelevant and that the only kind of capital which should be taken into consideration was the value of the block assets and working capital. They considered that there was no justification whatever for including goodwill as an item of capital even in the case of an entirely new company which might actually have had to pay for goodwill and there was, therefore, even less justification for having allowed goodwill to be taken into account in the circumstances of the present case in which it was clear that the value attached to goodwill was purely artificial. They desired to emphasise that they held very decided views on this point and trusted that, if a similar occasion arose in future, full regard would be paid to these views.

25. With reference to the case reported in paragraph 40 of the Audit Report in which the prices for orders in 1944 (which had been reduced in comparison with previous years) were still expected to yield a profit of 11 per cent on the turnover and 88 per cent on the capital at charge, it was stated that the figure of 88 per cent was not quite correct as it had been calculated without deduction of the amounts payable to the holders of patents which should have been properly excluded in the compilation of profits. No estimate of the amounts payable to the patentees were however available. The Committee considered that the profits allowed were unconscionably high and that it was immaterial what charges had to be paid to the patentees for, if these latter had not agreed by negotiation to limit their charges to a reasonable figure, it was always open to the Supply Department to use the powers it possessed under the Defence of India Rules to utilise patents without compensation. The Committee felt that a somewhat more frequent use of these rules would have proved in the past and might prove in the future beneficial to the interests of the State.

26. With reference to paragraph 73, which commented on the delay in writing up block accounts of capital assets (such as balancing plants and equipment) paid for by Government but kept in the custody of private firms employed on Government work, it was explained that whenever such an issue was made, acknowledgments were always received by the Ordnance Factories Directorate but that it had not been found possible to write up the records and keep them up-to-date. The Committee considered that, in view of the diminution in government orders and the consequent cancellation of contracts, it was very important that complete, up-to-date and easily accessible records should be maintained of the equipment lent to contractors, as otherwise there

was considerable danger either of the equipment not being recovered at all or of it being used for considerable periods free of charge by the contractors.

Food Department

27. Incidental to a discussion on paragraph 18 of the Audit Report the Director of Audit stated that it took six months for the Department concerned to accept as correct the terms of this paragraph. The Audit Report contained only statements of fact and it should be possible for the Department, to whom paragraphs of the Report were sent for acceptance, either to accept them or to give their version of the facts within a much shorter period. There was a tendency among departments to introduce explanations of irregularities and a description of the steps taken to prevent their recurrence which was out of place and this tendency gave rise to a considerable amount of unnecessary correspondence before the final form of the paragraph was settled. The Committee agreed that delays of this kind were undesirable and should be avoided and suggested that no more than a period of six weeks should be allowed to the Departments concerned to accept or to modify the form of the paragraphs sent to them for acceptance. If they were unable to do so within the prescribed time, Audit would be justified in treating its own draft as final. The Committee also hoped that it would be possible for the Financial Adviser to finish his review of the Appropriation Accounts by January so as to enable the Audit Report and all other connected documents to be published in time.

28. With reference to paragraph 76 which stated *inter alia* that in certain contracts warranty periods were prescribed making the contractors liable for any deterioration of food stuffs during those periods but that no safeguards had been provided to ensure recovery from the contractors in case it became necessary to do so, it was stated that orders had been very recently passed to the effect that the security of contractors should not be returned immediately on the completion of the contract but should be withheld for the period of warranty.

29. With reference to the case in which considerable losses were incurred in connection with the scheme for the supply of briquetted nuts and raisins, it was stated that the normal procedure was that before it was decided to introduce any ration a report was called for from the medical authorities about its nutritional value and general suitability. The second step was that samples of the intended ration were taken and examined by the Food Inspection Organisation before any contract was entered into. Also a warranty was taken from the contractors regarding the quality of the ration. In this particular case, however, everything was done in so great a hurry that the regular procedure was not followed so that neither were the medical authorities consulted nor was a warranty taken. The samples provided had all proved to be satisfactory and very popular and it was only the subsequent supplies which had had to be rejected. The Committee considered this a most unfortunate case but accepted Government's findings that responsibility for the loss could not be placed on any individual officer.

Proceedings of the third meeting of the Military Accounts Committee held on Friday, the 31st August 1945, at 1 P. M. (in Committee Room No. 53, Council House).

PRESENT:

The Honourable Sir Archibald Rowlands, K.C.B.,
M.B.E., Finance Member,
Maulvi Mohammad Abdul Ghani,
Pandit Lakshmikanta Maitra,
Kunwar Hajee Ismael Ali Khan, C.I.E., O.B.E.
Sir Cyril Jones K.C.I.E., C.S.I., I.C.S., Finance
Secretary.

Chairman.

Members.

Sir C. M. Trivedi, C.S.I., C.I.E., O.B.E., Secretary,
War Department.
Mr. Mohammad Ali, C.I.E., O.B.E., Financial
Adviser, War and Supply.
Mr. M. R. Coburn, C.S.I., C.I.E., O.B.E., Addi-
tional Financial Adviser, War and Supply.
Mr. A. Subrahmanyam, M.B.E., Deputy Financial
Adviser.
Mr. A. H. Wilson, O.B.E., Military Accountant
General.
Mr. L. M. Ghatak, Additional Military Accountant
General.
Brigadier G. L. Lillies, Director of Farms.
Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.
Mr. S. C. Gupta, Director of Audit, War and Supply.

Witnesses.

30. The Committee reviewed the Commercial Appendix to the Appropriation Accounts of the Defence Services for the year 1943-44 and the Audit Report thereon. With reference to paragraph 5 of the Financial Adviser's Review, which stated that the Okara Farm had been operated as a separate concern up till the 31st August, 1943 after which date it was merged into the Military Farms Organisation of the Northern circle, it was stated that the reason was that prior to this date the Farm was run as an ordinary agricultural farm but later on it became a dairy farm like the others for the production of milk on a large scale. With reference to the remark in paragraph 8 of the Review that the net loss of Rs. 30 lakhs shown by the Farms was not a loss in the commercial sense, it was pointed out that what was meant was that all of this amount was not a loss. About one-fifth of the issues were made on payment and the commercial loss could therefore be assumed to be about Rs. 6 lakhs. It was further explained that the figure for loss was inflated because of the practice followed regarding depreciation. Two-thirds of the value of live-stock was written-off within the first nine months and the entire cost of the buildings was written-off over three years. This practice obviously tended to increase the debit side of the profit and loss account during a period of rapid expansion such as the year under review.

31. The Committee were of the view that during the year under review the issue prices of the produce of the Farms had been fixed at a figure lower than was justified by the costs of production and trusted that this error would be rectified. They were fortified in this view by a comparison of the rates at which the produce of these farms was sold with the price charged by private firms for produce of comparable quality in places like Lahore, Calcutta and Deini. The Committee also desired an examination to be made of the rates of depreciation as they were inclined to the view that these might possibly be too large. The effect of depreciation at too rapid a rate was not only to increase losses in periods of expansion but also, by reducing the book value of capital assets below their true value, to reduce artificially the costs of production in later years. As the policy of the farms was not to make a profit the result of this would be to allow the future consumer to benefit at the cost of the State. They suggested, therefore, that if investigation revealed that capital assets had been depreciated in the accounts more rapidly than was justified a revaluation should be made and the capital accounts written up to their true value.

32. The Committee observed that the only trading account of military farms which was furnished in the Appendix was a consolidated account of all

farms. As the number of farms had greatly increased, they desired that separate trading accounts for farms by Commands or Circles should be furnished in future in order to enable them to see which set of farms was being run at a profit and which at a loss. This would enable them to exercise better control.

33. The Committee then took into consideration a note (Appendix XX) presented by the Military Finance Department as required by the Committee in paragraph 14 of these proceedings. - They had no remarks to offer thereon.

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

Serial No.	Year of report	Paragraph of the report or proceedings	Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
1	1942-43	19-R. 20-P.	Railway Department.	That a full report on the facts of the case relating to the reordering of the Dufferin Bridge should be submitted to the Committee.	A report was submitted to the Committee (Appendix IV).
2	1942-43	9-P.	Railway Department.	That Profit and Loss Accounts of the grainshops should be worked out and suitably exhibited in the Appropriation Accounts.	Action was taken and the profit and loss accounts were exhibited in the Appropriation Accounts for 1943-44. From 1944-45, they will be exhibited in greater detail in a form which has been approved by the Director of Audit.
3	1942-43	18-P.	Railway Department.	That the Railway Department should reconsider their stores policy in the light of the Committee's remarks and submit a report of the results of this reconsideration.	A report was submitted to the Committee. (Appendix V).
4	1942-43	22-P.	Railway Department.	That in the list showing important items of unexpected credits in respect of various grants of the Appropriation Accounts which had not been brought to the notice of the Railway Standing Finance Committee another column be introduced to show the extent to which unanticipated credits had been used to meet excesses over grants.	A report was submitted to the Committee. (Appendix VI); it was also explained that the concurrence of Audit had been obtained in respect of the temporary form (Annexure H) embodied in the Appropriation Accounts of Railways Part II—Detailed Appropriation Accounts.
5	1942-43	18-R. 18-P. 29-P. 35-P. 51-P.	Railway, Finance and Posts and Telegraphs Departments.	That Departments should review their stocks position and stores policy in the light of the Committee's observations on the subject and reduce stocks if they found them excessive.	RAILWAY DEPARTMENT The comments of the Public Accounts Committee have been brought to the notice of Railway Administrations with a view to a constant review of the balances.

Serial No.	Year of report	Paragraphs of the report or proceedings	Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	6	6

FINANCE DEPARTMENT

Noted. The Mint Masters and the Master, Security Printing, have been apprised of the comments of the Public Accounts Committee.

POSTS AND TELEGRAPHS DEPARTMENT

Necessary action has been taken.

RAILWAY DEPARTMENT

A memorandum (Appendix VII) was submitted to the Committee; orders referred to in the Memorandum have been issued.

SUPPLY DEPARTMENT

Action on the recommendation is covered by general orders on the subject issued by the department letter No. M 17 (10)-44, dated the 30th October 1944. No further action was considered necessary.

WAR DEPARTMENT

Noted.

RAILWAY DEPARTMENT

Existing orders already contain this condition. Railways have been reminded of this condition.

FINANCE DEPARTMENT

Noted.

That save in the most exceptional circumstances no work of any kind should be commenced without the prior execution of contract documents; and that if in any case it should become necessary to follow this exceptional course, the prior concurrence of the financial authorities must be obtained before the work is started, no matter how urgent the execution of the work may be.

- 19-R.
- 20-P. Military
- 7-B. Military
- 16-P. Military
- 26-P. Military

6 1942-43

That the convention whereby recovery of irregular payments were ordinarily limited to those made within a period of 12 months of the detection of the overpayment should be limited strictly to cases where overpayment had been accepted bona fide and in good faith.

Railway Department and Finance Department.

25-P.

7 1942-43

- 7A 1942-43 . . . 5-R.
26-P. . . Finance Department . . . That supplementary demands should be prevented, as far as possible, by not permitting Departments to incur expenditure for which provision does not exist in the budget unless it is really urgent and cannot wait for inclusion in the normal course in the budget of the next year. . . . Noted.
- 8 1942-43 . . . 35-P. . . Finance Department . . . Done. Necessary orders have been issued to the Mint Master, Calcutta for submission of accounts to audit in time.
- 9 1942-43 . . . 35-P. . . Finance Department . . . Suitable orders have been issued to the Mint Masters, to ensure verification of Mint Stores. The question is under consideration.
- 10 1942-43 . . . 23-P.
65-P. . . Central Board of Revenue. . . That the Central Board of Revenue should examine in consultation with other Departments the question of enacting Legislation on the lines of the United Kingdom Registration of Business Names Act, 1916. . . . Two memoranda were submitted to Committee (Appendices XII and XIII).
- 11 1942-43 . . . 46-P.
57-P. . . Posts and Telegraphs Department. . . That the General review of principles on which allocations to the Renewals Reserve Fund of the Indian Posts and Telegraphs Department should be based should be postponed to 1946 and that at the same time as this review the Departmental rules of allocation of works expenditure should also be reviewed. . . . Noted.
- 12 1942-43 . . . 52-P. . . Posts and Telegraphs Department. . . That in regard to Grant No. 10, the Posts and Telegraphs Department should adopt a procedure whereby the total of the demands under this head received from various circles would be subjected to a lump cut. . . .
- 13 1942-43 . . . 7-R, 48-P.,
91-P. . . Auditor General . . . That a running account up to date of the debits and credits separately under every head should be appended to the Appropriation Accounts of the Appropriation "Capital outlay of schemes connected with the War."
- A running account of the several Schemes showing the progressive figures of expenditure and recoveries has been appended below the Appropriation Account "Capital Outlay on Schemes connected with the War" in the Appropriation Accounts for 1943-44. In addition, summarised personal ledger accounts of various schemes showing deposits and withdrawals and closing balances at the end of the year have also been appended.

Serial No.	Year of report	Paragraph of the report or proceedings	Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
	2	3	4	5	6
14	1942-43	64-P	Auditor General	That the Auditor General should place before the Committee a report on the arrangements he had been able to come to with His Majesty's Government in the matter of acceptance of their share of the expenditure incurred by the Government of India under the appropriation 'Expenditure on Evacuees from War Zones and dependents of persons detained there'.	A report was submitted to the Committee (Appendix IX).
15	1942-43	10-R. 89-P.	Auditor General	That the Auditor General should report to the Committee on the arrangements he has found it possible to make with regard to the proper accounting and audit of the expenditure relating to the grants made to the Provinces for expenditure on War Publicity.	The National War Front has ceased to exist. The Field Publicity Organization which has taken its place is organised in such a way that the entire expenditure falls into line with other departmental expenditure and is thus subjected to the normal processes of financial control, accounting, audit and inspection.
16	1942-43	11-R. 102-P.	Auditor General	That the Auditor General should present to the Committee a report with regard to the state of accounts of the money spent on denial measures and also with regard to the entire Central expenditure in Bengal which is now held in suspense.	A report was submitted to the Committee. (Appendix X).
17	1942-43	42-P	Auditor General	That the Auditor General should investigate the question whether the fact that receipts and recoveries on Capital Account from the War Department which were shown as a deduct item in Grant No. 78-Delhi Capital Outlay would interfere with the correct figure of the Capital Outlay on New Delhi being shown in the running account, with the object of ensuring that the correct figure of the actual Capital Outlay on the new capital should easily be discoverable from the accounts.	The running account of the Capital Outlay on New Delhi shows only the expenditure incurred from Civil Estimates with recoveries from other Departments when made. To show the correct figure of actual Outlay on New Delhi, an arrangement has been made to show separately the recoveries from the Defence (now War) Estimates of expenditure initially charged to the Capital Head "78—Initial expenditure on New

Capital at Delhi." As regards the expenditure debitable to the departmental estimates (i.e., Railway, Posts and Telegraphs and War estimates) or the expenditure accounted for under the revenue account under "Civil Works" which is not included in the running account, arrangements will also be made, if possible, to furnish the departmental figures in a footnote below the running account.

All Departments concerned have agreed to the proposal to adjust the recoveries as revenue receipts instead of as a reduction of expenditure. At the instance of the Auditor General, the Department of Education, Health and Lands have issued necessary orders.

Under Auditor General's orders (conveyed in his Circular letter No. 31-Sup./7-44, dated the 24th January 1944), the Accountants General furnish annotated quarterly reports (beginning with the quarter ending 31st December 1943) on the main suspense items. On receipt these are scrutinised and action taken when necessary to ensure against delays in the clearance of balances in respect of individual items.

The following two actions were proposed:—

(i) One related to the location of the Office of the Registrar of Joint Stock Companies, Bengal.

(ii) and the other concerned the collation of materials by the Registrars of Joint Stock Companies for the use of the Industries and Civil Supplies Department and the Income-tax authorities with a view to detecting cases of undue profiteering and preventing evasion of income-tax.

18 1942-43 . . . 58-P. . . Auditor General . . . That the Auditor General in consultation with Government should investigate further the matter relating to the accounting of the receipts from the sale of maps of the Survey of India and submit a report to the Committee.

19 1942-46 . . . 8-R. 22-P., Military. . . Auditor General . . . That steps should be taken to see that sums outstanding in suspense on the books of accounts offices should be cleared off as rapidly as possible.

20 1942-43 . . . 75-P. . . Commerce Department . . . That the Commerce Department should consider the suggestion that the Registrars of Joint Stock Companies should study with greater attention with the assistance of extra staff if necessary, the details of the companies which they were called upon to register and collate the information given in the balance sheets of various companies.

Serial No.	Year of report	Paragraph of the report or proceedings	Department concerned	Recommendations or suggestions	Action taken or proposed to be taken.
1	2	3	4	5	6
					<p>2. As regards (i) it has been decided in consultation with the Bengal Government to shift to Calcutta that portion of the Office of the Registrar, Joint Stock Companies, Bengal, which is at Suri. The removal will be effected as soon as accommodation is available in Calcutta.</p> <p>In regard to (ii) the Industries and Civil Supplies Department and the Central Board of Revenue have intimated that the proposed collation of materials will not be useful to them and is not required. So far as the Income-tax authorities are concerned, the practice is for the staff to visit the offices of the Registrar whenever necessary and to collect necessary information from their records. It is not therefore proposed to pursue the matter further.</p> <p>The Census Commissioner had already been supplied with a copy of the publication on primitive tribes. Home Department have seen it and are satisfied that Government have received good value for money spent.</p> <p>Orders have been issued for the write-off of all assets of the Commercial Departments in the Andaman except three launches which were at present on loan to the Naval Authorities.</p>
					<p>21 1942-43 . . . 82-P . . . Home Department . . . That a copy of the monograph on primitive tribes in the United Provinces published by the Lucknow University be sent for with a view to seeing whether Government had got value for the money contributed by them for its publication.</p>
					<p>22 1942-43 . . . 86-P . . . Home Department, Finance Department, . . . That the Capital assets as also all the outstanding balances now shown in the Accounts relating to the Andamans and Nicobar Islands should be written off without exception.</p>

- 23 1942-43 . . . 98-P . . . War Transport Department. That a report should be submitted explaining how exactly allocation to the Provinces from the Central Road Fund was made and how the intervention of the Defence Department into the working of the fund had affected its accounts.
- 24 1942-43 . . . 16-R Military
29-P Military . . . Supply Department . . . That a full report be submitted to the Committee regarding the facts of the case reported in paragraph 58 of the Audit Report, Defence Services 1944, and the reasons for giving so early a date which it was quite evident was unreal; also that the greatest care should be exercised to see that unnecessarily early dates are not given by indenting Departments for the completion of orders for goods.
- 25 1942-43 . . . 28-P Military . . . Supply Department . . . That full details of how the situation arose and what action was eventually taken regarding the lack of method revealed by the case reported in paragraph 56 of the Audit Report, Defence Services, 1944 be submitted to the Committee.
- 26 1942-43 . . . 8-R. Military
10-P Military . . . Military Finance Department. That the Finance Department (Military) should refuse except on the strongest possible justification, all applications for extension of time in regard to completion of stock taking in the Arsenal and Ordnance Depots and that if any applications are to be granted, this should be done after investigation by a touring team and not without prior consultation with the Military Accountant General and Auditor.
- 27 1942-43 . . . 5-R. Military
6-P Military . . . War Department . . . That the Auditor General should invariably be consulted prior to the issue of orders relaxing normal works procedure and involving decentralisation of financial authority; also that in matters of this kind his consent and advice should be taken before arriving at any final decision.
- A memorandum was submitted to the Committee. (Appendix XI).
- A report (Appendix XXI) was submitted to the Military Accounts Committee. The point that unnecessarily early dates for the completion of orders for goods should not be given by the Indenting Departments is covered by instructions issued by the Supply Department over two years ago. That Department's office memorandum No. S. 11-43 (601)/II, dated the 28th May 1945, consolidates the various orders issued regarding delivery dates, urgency of supply etc.
- A note (Appendix XXII) was submitted to the Military Accounts Committee.
- Noted.
- Noted.

Serial No.	Year of report	Paragraph of the report or proceedings	Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
28	1942-43	6-R. Military 13-P. Military	War Department	That General Headquarters should tighten its control over subordinate authorities and should bring home to them the seriousness of disregarding orders by taking disciplinary action wherever such action may be necessary.	Noted.
29	1942-43	9-R. Military 12-P. Military	War Department	That a full investigation be made into the facts of the cases mentioned in paragraphs 7 and 8 of the Audit Report, Defence Services, 1944, with a view to the taking of disciplinary action if found necessary, and that general orders be issued aiming at the prevention of a repetition of such irregularities.	A report (Appendix XIV) was submitted to the Military Accounts Committee.
30	1942-4	9-R. Military 12-P. Military	War Department	That a report be submitted to the Committee reviewing as a whole the state of the stores organisation and methods adopted for the better custody and accounting of stores.	Attention was invited to paragraph 10 of the General Review of the Appropriation Accounts, Defence Services 1943-44 where the action taken in pursuance of the recommendation of the Public Accounts Committee has been indicated. A copy of the latest Report on Ordnance Depot Administration was also submitted (Appendix XV).
31	1942-43	10-R. Military 17-P. Military	War Department	That the War Department should impress on all its higher subordinate authorities the importance of strictly following the instructions issued in regard to local purchases of stores.	Noted.
32	1942-43	12-R. Military 23-P. Military	War Department	That a report be made to the Committee regarding the improvement made in the keeping of individual running ledger accounts of pay and allowances of officers and personnel on the war system of accounting.	A report was submitted to the Military Accounts Committee (Appendix XVI).
33	1942-43	1-P. Military	War Department	That a report should be laid before the Committee showing whether the new procedure regarding centralisation of information at headquarters in respect of rates and costs of works executed throughout the country was having the desired effect.	A report was submitted to the Military Accounts Committee. (Appendix XVII.)

- 34 1942-43 . . . 11-P Military War Department . . . That if necessary, the touring teams should be strengthened; and that in any case, the inspection reports made by these touring teams should be shown to audit; also that touring teams should consult the local Controller of Military Accounts when carrying their inspections.
- 35 1942-43 . . . 15-P Military War Department . . . That where great construction programmes are embarked upon requiring the employment of a large number of accounting staff, prior consultation with the Auditor General should invariably be the rule.
- 36 1942-43 . . . 18-P Military War Department . . . That a full report be submitted to the Committee regarding the facts as well as action taken on the case reported in the first sub-paragraph of paragraph 19 of the Audit Report, Defence Services, 1944.
- 37 1942-43 . . . 21-P Military War Department . . . That an explanation for the failure to verify stocks during 1942-43 be submitted to the Committee together with a report as to whether stock verification in all the units concerned had now been done.
- Noted. Necessary action has been taken to strengthen the touring teams and to show their inspection reports to Audit. The teams have also been instructed to consult the Controllers of Military Accounts concerned while carrying out inspections.
- Noted.
- A report was submitted to the Military Accounts Committee. (Appendix XVIII).
- A report was submitted to the Military Accounts Committee. (Appendix XIX).

ITEMS POSTPONED FOR CONSIDERATION AFTER THE WAR

- 1 1941,42 . . . 45-P . . . Education, Health and Lands. . . That the question of exempting the Indian Museum buildings from the Municipal tax should be pursued after the War.
- 2 1937-38 . . . 9-R & 29-P Finance Department . . . That their recommendation that the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt there should not be separate provision for the amortisation of Railway debt should be pursued after the War.
- 3 1935-36 . . . 12-R & 111-P Department of War . . . That the question of handing over the port of Vizagapatam to the Bengal Nagpur Railway should be postponed till the end of the War.
- 1936-37 . . . 8-R & 41-P Transport.
- 1937-38 . . . 10-R & 48-P
- 1938-39 . . . 54-P
- 1939-30 . . . 29-P
- 1940-41 . . . 48-P

Serial No.	Year of report	Paragraph of the report or proceedings	Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
4	1929-30 1934-35 1935-36 1936-37 1937-38 1938-39 1939-40	114-P 27-P 78-P 60-P 72-P 72-P 50-P	External Affairs Department.	That a decision on the question of incidence of Persian Gulf expenditure should be postponed till the end of War.	
5	1941-42 1942-43	21-R., 22-P 2-P	Railway Department.	That the investigation of the question as to the correct principle according to which collieries should charge for coal supplied by them both to the Railways owning them and to Foreign Railways should remain outstanding till the termination of War.	
6	1936-37 1937-38 1938-39 1939-40	4-R & 15-P 6-P 5-P 3-P Military	Defence Services	That the question of simplification of headings in the Defence Budget should be taken up at the end of the War when the Defence Budget is revised.	

STATEMENT COMPARING EXPENDITURE WITH GRANTS FOR 1943-44

No. and Name of Grant or Appropriation	Grant or Appropriation Rs.	Expendi- ture Rs.	Expenditure compared with Grant or Appro- priation.	
			Less than granted. Rs.	More than granted. Rs.
PART I.—CIVIL.				
A.—EXPENDITURE MET FROM REVENUE.				
1. Customs				
<i>Non-voted</i> . . .	13,63,881	13,49,368	14,513	--
Voted . . .	79,39,000	76,48,987	2,90,013	--
2. Central Excise Duties				
<i>Non-voted</i> . . .	85,86,299	85,37,971	48,328	..
Voted . . .	42,98,000	43,21,961	..	23,961
3. Taxes on Income including Cor- poration Tax				
<i>Non-voted</i> . . .	1,57,715	1,56,858	857	--
Voted . . .	96,98,000	96,35,071	62,929	--
4. Salt				
<i>Non-voted</i> . . .	45,96,029	45,53,052	42,977	--
Voted . . .	86,85,000	83,76,650	3,08,350	..
5. Opium				
<i>Non-voted</i> . . .	75,000	74,945	55	..
Voted . . .	99,70,000	80,98,983	18,71,017	..
6. Provincial Excise				
<i>Non-voted</i> . . .	48,020	48,019	1	..
Voted . . .	2,84,000	2,35,611	48,389	..
7. Stamps				
<i>Non-voted</i> . . .	3,29,500	3,20,072	9,428	..
Voted . . .	50,53,000	46,82,935	3,70,065	..
8. Forest				
<i>Non-voted</i> . . .	2,70,343	2,65,275	5,068	--
Voted . . .	9,09,000	8,32,748	76,252	--
9. Irrigation (including Working Expenses), Navigation, Em- bankment and Drainage Works				
<i>Non-voted</i> . . .	10,14,423	10,17,039	..	2,616
Voted . . .	3,31,000	3,23,899	7,101	--
11. Interest on Debt and other obligations and reduction or Avoidance of Debt				
<i>Non-voted</i> . . .	10,45,25,000	11,18,86,397	..	73,61,397
Voted . . .	91,99,000	90,34,116	1,64,884	--
12. Executive Council				
<i>Non-voted</i> . . .	8,38,880	8,33,279	5,601	--
Voted . . .	2,36,000	1,81,316	54,684	..
13. Council of State . . .	1,58,000	1,55,875	2,125	--
14. Legislative Assembly and Legis- lative Assembly Department				
<i>Non-voted</i> . . .	53,550	53,194	356	--
Voted . . .	8,12,000	7,58,020	53,980	--
15. Home Department				
<i>Non-voted</i> . . .	31,16,546	30,68,027	48,519	--
Voted . . .	6,55,000	6,43,468	11,532	--
16. Civil Defence Department				
<i>Non-voted</i> . . .	1,04,450	1,04,411	39	--
Voted . . .	4,35,000	1,98,053	2,36,947	--
17. Department of Information and Broadcasting				
<i>Non-voted</i> . . .	1,26,500	1,33,125	..	6,625
Voted . . .	16,24,000	15,91,448	32,552	--
18. Legislative Department				
<i>Non-voted</i> . . .	1,93,500	1,93,118	382	--
Voted . . .	4,78,000	4,58,874	19,126	--

No. and Name of Grant or Appropriation	Grant or Appropriation	Expenditure	Expenditure compared with Grant or Appropriation.	
			Loss than granted	More than granted
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE MET FROM REVENUE—contd.				
19. Department of Education, Health and Lands				
<i>Non-voted</i>	1,88,000	1,86,533	1,467	..
Voted	8,43,000	8,06,869	36,131	..
20. Department of Indians Overseas				
<i>Non-voted</i>	84,700	85,235	..	535
Voted	2,22,000	2,19,535	2,465	..
21. Finance Department				
<i>Non-voted</i>	30,39,105	30,44,270	..	5,165
Voted	7,85,000	8,00,607	..	15,607
22. Commerce Department				
<i>Non-voted</i>	4,80,488	4,83,428	..	2,940
Voted	15,27,000	15,30,362	..	3,362
22.-A. Department of Industries and Civil Supplies				
<i>Non-voted</i>	1,80,062	1,74,571	6,491	..
Voted	5,76,000	5,36,968	39,032	..
23. Department of Labour				
<i>Non-voted</i>	3,49,800	3,39,764	10,036	..
Voted	12,57,000	12,56,258	742	..
24. Department of Posts and Air				
<i>Non-voted</i>	1,07,442	1,02,928	4,514	..
Voted	1,55,000	1,40,927	14,073	..
25. War Transport Department				
<i>Non-voted</i>	2,23,880	2,31,577	..	7,697
Voted	5,33,000	5,30,818	2,182	..
26. Food Department				
<i>Non-voted</i>	4,98,800	5,08,740	..	9,940
Voted	21,93,000	20,60,844	1,32,156	..
27. Central Board of Revenue				
<i>Non-voted</i>	1,95,200	1,89,055	6,145	..
Voted	8,76,000	8,78,459	..	2,459
28. India Office and High Commissioner's Establishment charges				
<i>Non-voted</i>	21,76,000	21,58,144	17,856	..
Voted	21,24,000	20,79,238	44,762	..
29. Payments to other Governments, Departments, etc., on account of the administration of Agency Subjects and management of Treasuries	1,06,000	96,057	9,943	..
30. Audit				
<i>Non-voted</i>	6,61,600	6,50,164	11,436	..
Voted	97,66,000	96,85,273	80,727	..
31. Administration of Justice				
<i>Non-voted</i>	3,44,950	3,68,946	..	23,996
Voted	70,000	1,36,292	..	66,292
32. Jails and Convict Settlements				
<i>Non-voted</i>	26,407	23,155	3,252	..
Voted	3,03,000	3,14,568	..	11,568
33. Police	2,24,41,000	2,24,21,599	19,401	..
34. Ports and Pilotage				
<i>Non-voted</i>	8,24,621	8,52,084	..	27,463
Voted	32,70,000	33,27,477	..	57,477
35. Lighthouses and Lightships				
<i>Non-voted</i>	10,000	10,076	..	76
Voted	8,24,000	8,29,969	..	5,969

No. and Name of Grant or Appropriation	Grant or Appropriation	Expendi- ture	Expenditure compared with Grant or Appro- priation.	
			Rs.	Rs.
			Less than granted Rs.	More than granted Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE MET FROM REVENUE—contd.				
36. Survey of India				
<i>Non-voted</i> . . .	5,93,400	5,74,269	19,131	..
Voted . . .	16,55,000	—30,70,445	47,25,445	..
37. Botanical Survey				
<i>Non-voted</i> . . .	17,261	17,256	5	..
Voted . . .	74,000	78,768	..	4,768
38. Zoological Survey				
<i>Non-voted</i> . . .	35,000	34,997	3	..
Voted . . .	1,99,000	1,94,706	4,294	..
39. Geological Survey				
<i>Non-voted</i> . . .	2,07,200	2,03,595	3,605	..
Voted . . .	41,11,000	31,82,775	9,28,225	..
40. Mines				
<i>Non-voted</i> . . .	1,09,522	1,08,150	1,372	..
Voted . . .	1,86,000	1,85,426	574	..
41. Archaeology				
<i>Non-voted</i> . . .	47,234	46,827	407	..
Voted . . .	11,71,000	10,93,692	77,308	..
42. Meteorology				
<i>Non-voted</i> . . .	70,000	69,666	334	..
Voted . . .	26,24,000	26,65,874	..	41,874
43. Other Scientific Departments	5,32,000	3,58,195	1,73,805	..
44. Education				
<i>Non-voted</i> . . .	..	..	..	..
Voted . . .	12,22,000	10,31,640	1,90,360	..
45. Medical Services				
<i>Non-voted</i> . . .	3,48,830	3,35,311	13,519	..
Voted . . .	15,15,000	14,77,656	37,344	..
46. Public Health				
<i>Non-voted</i> . . .	1,75,530	1,74,415	1,115	..
Voted . . .	15,16,000	14,97,844	18,156	..
47. Agriculture				
<i>Non-voted</i> . . .	1,01,08,750	1,01,26,318	..	17,568
Voted . . .	88,70,000	86,17,037	2,52,963	..
48. Imperial Council of Agricultural Research				
<i>Non-voted</i> . . .	12,64,940	12,63,640	1,300	..
Voted . . .	12,27,000	12,24,563	2,437	..
49. Agricultural Marketing				
<i>Non-voted</i> . . .	31,240	31,720	..	480
Voted . . .	4,43,000	4,15,461	27,539	..
50. Imperial Institute of Sugar Technology	1,000	..	1,000	..
51. Civil Veterinary Services				
<i>Non-voted</i> . . .	27,000	26,719	281	..
Voted . . .	11,03,000	10,83,490	19,510	..
52. Industries				
<i>Non-voted</i> . . .	..	..	..	..
Voted . . .	9,66,000	9,57,591	8,409	..
53. Scientific and Industrial Re- search				
<i>Non-voted</i> . . .	..	..	..	..
Voted . . .	13,49,000	13,45,444	3,556	..
54. Aviation	1,04,48,000	65,98,468	38,49,532	..
55. Capital Outlay on Civil Avia- tion met from Revenue				
<i>Non-voted</i> . . .	..	..	..	..
Voted . . .	1,000	..	1,000	..

No. and Name of Grant or Appropriation.	Grant or Appropriation. Rs.	Expenditure. Rs.	Expenditure compared with Grant or Appropriation.	
			Less than granted. Rs.	More than granted. Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE MET FROM REVENUE—contd.				
56. Broadcasting				
<i>Non-voted</i> . . .	13,000	12,905	95	..
Voted . . .	59,64,000	58,04,639	1,59,361	..
57. Capital Outlay on Broadcasting met from Revenue . . .	1,000	..	1,000	..
58. Emigration—Internal . . .	18,000	18,114	..	114
59. Emigration—External				
<i>Non-voted</i> . . .	95,328	1,04,091	..	8,763
Voted . . .	2,60,000	2,58,717	1,283	..
60. Commercial Intelligence and Statistics				
<i>Non-voted</i> . . .	68,000	76,268	..	8,268
Voted . . .	9,08,000	8,62,628	45,372	..
61. Census				
<i>Non-voted</i> . . .	2,516	2,281	235	..
Voted . . .	5,000	5,205	..	205
62. Joint Stock Companies . . .	2,04,000	2,02,132	1,868	..
63. Imperial Dairy Department . . .	3,90,000	3,84,501	5,499	..
64. Miscellaneous Departments				
<i>Non-voted</i> . . .	26,420	24,874	1,546	..
Voted . . .	26,16,000	10,58,018	15,57,982	..
65. Currency				
<i>Non-voted</i> . . .	1,49,400	2,59,745	..	1,10,345
Voted . . .	97,17,000	91,43,110	5,73,890	..
66. Mint				
<i>Non-voted</i> . . .	1,09,113	1,08,036	1,077	..
Voted . . .	1,37,24,000	1,31,30,499	5,93,501	..
67. Civil Works				
<i>Non-voted</i> . . .	30,13,000	30,44,454	..	31,454
Voted . . .	83,84,000	—88,91,818	1,72,78,818	..
68. Central Road Fund				
<i>Non-voted</i> . . .	..	92,00,000	78,00,000	..
Voted . . .	1,70,00,000	..	..	..
69. Superannuation Allowances and Pensions				
<i>Non-voted</i> . . .	1,47,43,600	1,41,95,661	5,47,939	..
Voted . . .	1,20,44,000	1,17,52,142	2,91,858	..
70. Stationery and Printing				
<i>Non-voted</i> . . .	81,803	82,005	..	202
Voted . . .	4,46,72,000	2,18,60,234	2,28,11,766	..
71. Miscellaneous				
<i>Non-voted</i> . . .	1,92,293	1,94,936	..	2,643
Voted . . .	60,70,000	34,67,341	26,02,659	..
71-A. Grants-in-Aid to Provincial Governments				
<i>Non-voted</i> . . .	2,75,00,000	2,75,00,000	..	..
Voted . . .	3,00,00,000	3,00,00,000	..	..
72. Miscellaneous Adjustments between the Central and Provincial Governments . . .	1,06,000	92,775	13,225	..
73. Civil Defence				
<i>Non-voted</i> . . .	46,000	6,31,713	..	5,85,713
Voted . . .	5,13,99,000	5,05,15,715	8,83,285	..
74. Delhi				
<i>Non-voted</i> . . .	2,52,521	2,55,131	..	2,610
Voted . . .	95,00,000	74,29,217	20,70,783	..

Expenditure compared
with Grant or Approp-
riation.

No. and Name of Grant or Appropriation.	Grant or Appropriation. Rs.	Expenditure. Rs.	Expenditure compared with Grant or Approp- riation.	
			Less than granted. Rs.	More than granted. Rs.
PART I.—CIVIL—contd.				
A.—EXPENDITURE MET FROM REVENUE—contd.				
75. Ajmer-Merwara				
<i>Non-voted</i>	2,27,320	2,31,683	..	4,453
Voted	31,06,000	27,25,623	3,80,377	..
76. Panth Piploda	16,000	15,043	957	..
<i>Staff, Household and Allowances of the Governor-General</i>	19,36,273	18,35,665	1,00,608	..
<i>Secretariat of the Governor-General</i>	2,66,711	2,68,654	..	1,943
<i>Federal Public Service Commission</i>	4,09,592	4,23,859	..	14,267
<i>War Department</i>	8,16,200	8,01,609	14,591	..
<i>Defence Department</i>	6,98,642	7,07,296	..	8,654
<i>National Defence Council</i>	97,240	97,096	144	..
<i>Ecclesiastical</i>	6,36,063	6,85,734	..	49,671
<i>Payments to Crown Representative</i>	1,38,01,458	1,33,81,143	4,20,315	..
<i>Tribal Areas</i>	2,87,56,392	2,83,47,181	4,09,211	..
<i>External Affairs</i>	1,14,47,403	1,12,95,006	1,52,397	..
<i>Baluchistan</i>	82,89,298	81,00,811	1,88,487	..
<i>Department of Supply</i>	3,36,04,200	3,26,46,158	9,58,042	..
<i>Miscellaneous Expenditure connected with the War</i>	22,33,05,758	22,19,80,859	13,24,899	..
Total—Expenditure met from Re- venue	88,23,64,052	81,51,09,712	7,57,83,480	85,29,140
Total				
{ <i>Non-voted</i>	51,84,12,052	52,23,10,557	43,96,979	82,95,484
{ Voted	36,39,52,000	29,27,99,155	7,13,86,501	2,33,656
B.—EXPENDITURE CHARGED TO CAPITAL.				
79. Delhi Capital Outlay	19,48,000	—27,262	19,75,262	..
80. Commuted Value of Pensions				
<i>Non-voted</i>	—20,69,700	—18,41,481	..	2,28,219
Voted	1,000	—21,67,133	21,68,133	..
<i>Capital Outlay on Schemes connected with the war</i>	16,41,26,943	14,84,76,702	1,56,50,241	..
Total Expenditure charged to Capital	16,40,03,243	14,44,40,826	1,97,93,636	2,28,219
Total				
{ <i>Non-voted</i>	16,20,57,243	14,66,35,221	1,56,50,241	2,28,219
{ Voted	19,49,000	—21,94,395	41,43,395	
C.—DISBURSEMENTS OF LOANS AND ADVANCES.				
Interest-free Advances	4,64,50,000	7,19,16,133	..	2,54,66,133

No. and Name of Grant or Appropriation.	Grant or Appropriation. Rs.	Expenditure. Rs.	Expenditure as compared with Grant or Appropriation.	
			Less than granted. Rs.	More than granted. Rs.
PART I.—CIVIL—concl'd.				
C.—DISBURSEMENT OF LOANS AND ADVANCES—concl'd.				
82. Loans and Advances bearing interest <i>Advances to Crown Representative for Loans to Indian States and Notabilities</i>	14,86,93,000	14,80,98,503	5,94,497	..
	4,72,950	4,87,198	..	14,248
Total—Disbursements of Loans and Advances	19,56,15,950	22,05,01,834	5,94,497	2,54,80,381
Total { <i>Non-voted</i>	4,72,950	4,87,198	..	14,248
{ <i>Voted</i>	19,51,43,000	22,00,14,636	5,94,497	2,54,66,133
Total—Civil	1,24,19,86,245	1,18,00,52,372	9,61,71,613	3,42,37,740
Total { <i>Non-voted</i>	68,09,42,245	66,94,32,976	2,00,47,220	85,37,951
{ <i>Voted</i>	56,10,44,000	51,06,19,396	7,61,24,393	2,56,99,789
PART II.—POSTS AND TELE- GRAPHY.				
A.—EXPENDITURE MET FROM REVENUE.				
10. Indian Posts and Telegraphs Department				
<i>Non-voted</i>	1,09,61,600	1,09,14,939	46,661	..
<i>Voted</i>	14,83,36,000	15,05,86,786	..	22,50,786
B.—EXPENDITURE CHARGED TO CAPITAL.				
7. Capital Outlay on Indian Posts and Telegraphs Department (outside the Revenue Account)				
<i>Voted</i>	3,10,08,000	2,19,66,816	90,41,184	..
8. Stores and Workshops—(outside the Revenue Account)				
<i>Voted</i>	1,03,12,000	1,86,25,633	..	83,13,633
Total—Expenditure charged to Capital (Voted)	4,13,20,000	4,05,92,449	90,41,184	83,13,633
Total—Posts and Telegraphs	20,06,17,600	20,20,94,174	90,87,845	1,05,64,419
Total { <i>Non-voted</i>	1,09,61,600	1,09,14,939	46,661	..
{ <i>Voted</i>	18,96,56,000	19,11,79,235	90,41,184	1,05,64,419
PART III.—RAILWAYS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Revenue—Railway Board				
<i>Non-voted</i>	5,98,000	5,81,683	16,327	..
<i>Voted</i>	13,26,900	13,09,736	17,164	..
2. Revenue—Audit				
<i>Non-voted</i>	1,72,000	1,73,763	..	1,763
<i>Voted</i>	14,16,000	13,67,938	48,062	..

No. and name of Grant or Appropriation	Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted Rs.	More than granted Rs.
	Rs.	Rs.		
PART III.—RAILWAYS—contd.				
A.—EXPENDITURE CHARGED TO REVENUE—concl'd.				
3. Revenue Miscellaneous Expenditure				
<i>Non-voted</i>	15,61,000	14,48,821	1,12,179	..
Voted	14,83,000	11,24,232	3,58,768	..
5. Revenue—Payments to Indian States and Companies	2,67,35,000	2,80,27,217	..	12,92,217
6-A. Revenue—Working Expenses—Maintenance of Structural Works				
<i>Non-voted</i>	13,77,000	13,64,445	12,555	..
Voted	12,68,66,000	12,18,23,380	50,42,620	..
6-B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power				
<i>Non-voted</i>	8,22,000	8,00,540	21,460	..
Voted	27,76,92,000	27,91,58,729	..	14,66,729
6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock				
<i>Non-voted</i>	3,02,000	2,90,865	11,135	..
Voted	7,45,15,000	7,43,06,692	2,08,308	..
6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours :				
<i>Non-voted</i>	20,000	20,427	..	427
Voted	40,59,000	40,09,718	49,282	..
6-E. Revenue—Working Expenses—Expenses of Traffic Department				
<i>Non-voted</i>	9,54,000	9,61,290	..	7,290
Voted	13,87,30,000	14,16,93,033	..	29,63,033
6-F. Revenue—Working Expenses—Expenses of General Departments				
<i>Non-voted</i>	16,35,000	16,39,226	..	4,226
Voted	5,18,08,000	5,30,72,807	..	12,64,807
6-G. Revenue—Working Expenses—Miscellaneous Expenses				
<i>Non-voted</i>	13,43,000	11,83,487	1,59,513	..
Voted	17,93,14,000	17,93,36,180	..	22,180
6-H. Revenue—Working Expenses—Expenses of Electrical Department				
<i>Non-voted</i>	2,13,000	2,00,726	12,274	..
Voted	4,02,32,000	4,10,98,220	..	8,66,220
7. Revenue—Appropriation to Depreciation Reserve Fund	16,87,32,000	16,87,31,947	53	..
8. Revenue—Interest Charges				
<i>Non-voted</i>	28,92,36,000	28,51,23,975	41,12,025	..
Voted	1,89,000	2,07,508	..	18,508
10. Revenue—Appropriation to Reserve	11,49,66,000	13,20,07,042	..	1,70,41,042
Total—Railway Expenditure Charged to Revenue	1,50,62,96,900	1,52,10,63,617	1,01,81,725	2,49,48,442
Total	29,82,33,000	29,37,89,238	44,57,468	13,706
{ <i>Non-voted</i>	29,82,33,000	29,37,89,238	44,57,468	13,706
{ Voted	1,20,80,63,900	1,22,72,74,379	57,24,257	2,49,34,736

Name of Grant or Appropriation.	Grant or Appropriation.		Expenditure as compared with Grant or Appropriation.	
	Rs.	Ra.	Less than granted. Rs.	More than granted. Rs.
B.—EXPENDITURE CHARGED TO CAPITAL.				
11. Capital—New Construction	1,000	—1,12,588	1,13,588	..
12. Open Line Works				
<i>Non-voted</i>	1,37,000	72,139	64,861	..
Voted	14,83,58,000	8,85,93,371	6,47,64,629	..
Discharge of Debentures				
<i>Non-voted</i>	39,97,000	35,11,298	4,35,702	..
Total—Railway Expenditure Charged to Capital.	15,24,93,000	8,70,64,220	6,54,28,780	..
Total { <i>Non-voted</i>	41,34,000	35,83,437	5,50,563	..
Voted	14,83,59,000	8,34,80,783	6,48,78,217	..
C.—EXPENDITURE CHARGED TO —				
P.—DEPOSITS AND ADVANCES				
Depreciation Reserve Fund—				
Voted	11,20,21,000	6,64,62,295	4,37,58,705	..
Total—Railways	1,76,90,10,900	1,67,45,90,132	11,93,60,210	2,49,48,442
Total { <i>Non-voted</i>	30,23,67,000	29,73,72,675	50,08,031	13,706
Voted	1,46,66,43,900	1,37,72,17,457	11,43,61,179	2,49,34,736
PART IV.—DEFENCE SERVICES.				
A.—EXPENDITURE CHARGED TO REVENUE.				
58. Defence Services—Effective— <i>Non-voted</i>	2,98,52,63,000	3,59,20,32,000	..	60,67,69,000
59. Defence Services— <i>Non-effective—Non-voted</i>	8,66,12,000	8,80,50,000	..	12,38,000
Total—Defence Services Charged to Revenue	3,07,18,75,000	3,68,00,82,000	..	60,80,07,000
B.—EXPENDITURE CHARGED TO CAPITAL.				
86. Defence Capital Expenditure	38,20,00,000	37,45,80,000	84,20,000	..
Total—Defence Services—(Non-voted)	3,45,43,75,000	4,05,46,62,000	84,20,000	60,80,07,000
Grand Total	5,66,64,89,745	7,11,13,98,678	23,30,48,668	67,77,57,601
Total { <i>Non-voted</i>	4,44,91,45,845	5,03,23,82,590(a)	3,35,21,912	61,65,58,657
Voted	2,21,73,43,900	2,07,90,16,088(b)	19,95,26,756	6,11,98,944

* The

(a) This amount is less than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1943-44 by Rs. 4 which is due to rounding.

(b) This amount is more than that given in Statement No. 3 of Part A of the Finance Accounts of the Central Government for 1943-44 by Rs. 17,76,090, which is composed of (i) Rs. 10,76,981 and (ii) Rs. 6,99,109. (i) is due to the fact that credits to Capital for the value of assets sold and abandoned in the Posts and Telegraphs Department have not been taken into account in the Appropriation Accounts of that Department as the demand was for the gross Capital expenditure and (ii) represents credits to Capital in respect of original cost of plant recovered in the case of Telephone Districts.

APPENDIX III

Summary of Approximate Financial Results of Indian State Railways in 1944-45

The latest approximate figures of revenue and expenditure of State Railways for 1944-45 show the following results:—

Gross Traffic receipts amounted to 214.69 crores (210.32 for State-owned lines and 4.37 for worked lines) or 29.26 crores more than in the previous year and 39 lakhs more than the revised estimate.

Ordinary working expenses (excluding depreciation) amounted to 124.80 crores or 34.70 crores more than in the previous year and 3.76 crores less than the revised estimate. The amount set apart for depreciation was 17.01 crores or 14 lakhs more than in the previous year. The payment to worked lines amounted to 1.92 crores or 5 lakhs more than in the previous year.

Net traffic receipts amounted to 70.96 crores or 5.63 crores less than in 1943-44 and 4.15 crores more than the revised estimate.

Miscellaneous transactions resulted in a net receipt of 3.25 crores or 47 lakhs more than in the previous year and 24 lakhs more than the revised estimate.

The net revenue before meeting interest charges was 47.21 crores or 5.16 crores less than in 1943-44 and 4.39 crores more than the revised estimate.

The total interest charges amounted to 27.69 crores or 84 lakhs less than in the previous year and 12 lakhs less than the revised estimate.

There was a surplus of 46.52 crores against 50.84 crores in 1943-44 and against the revised estimate of 42.01 crores. Out of this, 32 crores will be paid to general revenues and 14.52 crores will be transferred to the Railway Reserve Fund.

Against an appropriation of 17.01 crores to the depreciation reserve fund, there was a withdrawal of 10.07 crores from the Fund. As a result of the termination of the contracts of the Bengal Nagpur, the Madras and Southern Mahratta and the South Indian Railway Companies during the year, a sum of Rs. 1.08 crores representing the balance in their renewal reserve fund for permanent-way and rolling stock, was transferred to the depreciation reserve fund. Thus, the net increase in the balance at the end of the year was 8.02 crores, raising it to 100.32 crores.

Against the appropriation of 14.52 crores to the Railway Reserve Fund, there was a withdrawal of 1.78 crores to cover arrears of depreciation on Rolling Stock treated as replaced during the year. The net accretion to the fund during the year was 12.74 crores and the balance therein at the end of the year was 35.29 crores. Out of this, 74 lakhs represented investments in Branch line shares, and 16 lakhs loans to Branch line Companies.

The Capital expenditure during the year was 22.63 crores as detailed below:—

Purchase of the M. & S. M., S. I. and B. N. Railways.	12.02 crores.
Purchase of Guzerat Railways and Dhond Baramati Railway.	67 lakhs.
Instalment of the purchase price of R. & K. Railway.	11 lakhs.
Increase in suspense balances owing to increase in the stocks in Grain shops and the rise of prices.	4.66 crores.
Works involving structural improvements	5.18 crores.
Total	22.63 crores

Against this expenditure there were the following credits:—

Write back on account of dismantled lines and abandoned assets.	53 lakhs.
Write-off to revenue of the cost of military sidings.	2.88 crores.
Write-off of half of the cost of structural works undertaken after 1942-43 to meet urgent war requirements.	1.62 crores.
Total	5.03 crores.

The net Capital expenditure was, therefore, 17.6 crores. The last two writes-off were the result of the decisions taken at the time of the last Budget to avoid excessive debits to Capital, which were explained fully in the Explanatory Memorandum and the Budget speeches.

The purchase of the M. & S. M., S. I. and B. N. Railways, although it has increased the Government Capital-at-charge, by 12.02 crores, has not affected the figure of total Capital-at-charge because there has been a corresponding reduction in the Capital contributed by Companies. The net increase in the Capital-at-charge was therefore only 5.58 crores.

The ratio of ordinary working expenses to gross traffic receipts was 58.13 per cent. against 48.59 per cent. in the previous year.

The ratio of the total working expenses, including contribution to the Depreciation Reserve Fund, was 66.05 per cent. against 57.69 per cent. in the previous year.

The ratio of net revenue to the Capital-at-charge was 9.44 per cent. against 10.17 per cent. in the previous year.

The following statement compares the results of the working for the year 1944-45 with the revised estimates for this year and the actuals for the previous year.

(In crores.)

	1943-44 Actuals	Revised Estimates	1944-45 Latest App. Actuals
1. Gross Traffic Receipts	185.43	214.30	214.69
2. Ordinary Operating Expenses	90.10	128.56	124.80
3. Depreciation	16.87	17.01	17.01
4. Payments to worked Lines	1.87	1.92	1.92
5. Net Traffic Receipts	76.59	66.81	70.96
6. Net Miscellaneous Receipts	2.78	3.01	3.25
7. Interest	28.53	27.81	27.69
8. Surplus	50.84	42.01	46.52
9. Share of General Revenues	37.64	32.00	32.00

APPENDIX IV

Memorandum regarding expenditure incurred in 1941-42 and 1942-43 on the work of re-girdering of the Dufferin Bridge before execution of the agreement for the work

The re-girdering of the Dufferin Bridge was sanctioned in August 1939 at an estimated cost of 83 lakhs, of which 25½ lakhs is to be borne by the U. P. Government. Tenders for the fabrication and supply of steel work for which the material was to be obtained from Messrs. The Tata Iron and Steel Co. Ltd., were invited in May 1940. Only one tender was received, which was submitted by Messrs. Braithwaite Burn & Jessop Construction Co. Ltd., in November 1940. Certain investigations were made in the Board's office to ascertain whether the terms were reasonable and in February 1941 the tender was accepted by the Railway Board and the General Manager, E. I. Railway asked to draw up an agreement with the firm. The E. I. Railway then intimated the acceptance of the tender and requested the Firm to commence the work, pending the execution of the formal agreement. The tender however, had expired a few days before this was done and the firm wanted to reconsider its quotation. Except for two or three minor points agreement was reached on the terms through correspondence early in 1941-42. The outstanding points were finally disposed of by September 1942. The agreement was drafted and after examination by the Law Officer and the Financial Adviser and Chief Accounts Officer as well as by the Firm, the final draft was agreed upon in December 1943. It has since been executed after scrutiny by the Board.

In July 1941 the firm reported that on account of 'higher priority' allotted to war orders, the fabrication on this work was held up although the raw material had been received. In August 1941 the Firm represented that according to the stipulation in the tender for 'on-account' payments 90 per cent. of the value of the raw material paid by the firm to the suppliers, namely, Messrs. The Tata Iron and Steel Co. Ltd., should be made to the firm. The Board agreed to 'on-account' payment being made, originally up to 75 per cent., but later on up to 90 per cent. of the tonnage certified by the Indian Stores Department as lying on account of this work in the firm's yard. The raw material thus paid for was supplied to the firm by Tatas at rates fixed by the Government. The quantity was certified by actual inspection. Further, a certificate was taken from the firm that the steel was held in custody for the Governor General in Council. Later on, an Indemnity Bond was also taken from the Firm in respect of this material. So far as these payments are concerned, the Government was thus fully protected, the liability was definite and the payment was made according to the condition in the tender which had been accepted by this department.

Due, however, to heavy war commitments the fabrication of the steel was delayed until a Committee which was appointed to examine the existing bridge submitted their report. It was then decided that the firm would take up the work towards the end of 1944 when they were expected to be sufficiently free from their war commitments. The delay in the execution of the scheme is due to shortage of fabricating capacity which necessitated the postponement.

ment of less essential schemes in favour of those required urgently for military operations. From the above it will be seen that the expenditure incurred was not on an indeterminate liability which could become the subject matter of dispute and litigation between the Railway and the contracting firm.

The completion of the contract documents should not have been spread over such an unusually long period. No really satisfactory explanation can be given for the delays that took place in settling very minor points with the firm, after May, 1941 when the terms had been finalised practically in all respects or later on in preparing the final draft or in getting it printed. It appears that in view of the work being held up owing to its being assigned low priority for fabrication purposes no urgency was felt for completing the documents and in the midst of other pressing and more immediate pre-occupations the Railway offices also gave it very low priority.

APPENDIX V

Memorandum regarding Stores Balances of Railways

Para. 18 of the Proceedings and Para. 18 of the Report of the Public Accounts Committee on the Accounts of 1942-43.

The Public Accounts Committee at their meeting held on the 15th August 1944, commented upon the fact that the Stores Balances of Railways had advanced from Rs. 10.08 crores in 1938-39 to Rs. 15.28 crores at the end of 1942-43 and expressed themselves as being of the opinion that, in view of the stage which the war had then reached, the Railway Department might reconsider its Stores policy.

2. For several years prior to the war, Railways had been consistently reducing their stores balances to the minimum workable limits and the war caught them with stocks lowered to a standard compatible only with the most favourable peace time conditions and only such small reserves as they had commenced to build up under the Board's scheme for the laying in of a small special reserve of vital stores against the contingency of the entry of Italy into the war and the consequent closure of the Mediterranean route.

3. In 1938-39 railway stores were cheaply, speedily and easily obtainable and railway stocks had probably attained their lowest practical and safe working level at Rs. 1,008 lakhs. Until the entry of Italy into the war in 1940 little or nothing had been done substantially to increase the stock limits of imported stores and in respect of indigenous stores supplies were still fairly freely obtainable (although prices had risen) and the need for taking any special measures had not been seriously felt. By 1941-42, however, the virulence of the submarine campaign and the German land successes together with the entry of Japan into the war had emphasised the urgent necessity for providing adequately for a very difficult future.

4. Until this time, the end of 1941, the Board, with the exception of enjoining economy and requiring each railway to build up and maintain a reserve stock of six months requirements of vital imported stores, had not enunciated any special war time stores policy. It was then felt, however, that definite measures had to be taken to secure the future to the full extent that might be considered reasonable.

5. The Board, therefore, on a recommendation of the Indian Railway Conference Association accepted towards the end of 1941 that:

(a) for as long as the war goes on there is the continued possibility of it lasting yet another two years and

(b) it is certain that railways will have at least two years of difficult conditions to face after the war ends,

and on this basis the following policy was defined at the end of 1941:

(I) that so long as the war lasts there is full justification for continuously attempting to secure for at least two years ahead the requirements of:

(i) Imported Stores,

(ii) Stores which take a long time to obtain.

(iii) Stores difficult or likely to become difficult to obtain.

(II) that under wartime conditions a railway's stores balance cannot be considered unreasonable if it represents a stores position limited to providing security for two years ahead in respect of items (i), (ii) and (iii) of (I) above and with regard to other stores for the economic periods determinable according to the conditions applicable to each.

6. The Military situation in 1942 fully supported this policy and towards the end of that year, the Military and Naval successes of Japan in close proximity of India emphasised the immediate necessity for increasing stocks of all vital stores up to these limits as nearly as practicable and for dispersing these at suitable centres throughout each railway system.

7. The low levels of stocks prior to the enunciation of the new policy and subsequent adverse supply conditions however, have, in most cases, prevented the attainment of the security target aimed at by that policy so much so that shortages of various items from time to time occasion anxiety.

8. For the procurement of their needs Railways have mainly to rely upon the Supply Department and stocks are so regulated as to provide at the time of ordering only adequate cover for consumption requirements over the period which must elapse between the placing of the order and the eventual receipt of the materials.

9. The progress of the rise in Stores Balances since the beginning of the war may be seen from the figures below :—

Year	Stores Balances	Remarks
	Crores.	
1938-39	10.08	A very low balance only possible under the most favourable price and supply conditions.
1939-40	11.24	
1940-41	12.49	Supply conditions deteriorating and prices rising.
1941-42	12.9	
1942-43	15.28	
1943-44	21.29	The increase over the balance of 1942-43 is accounted for to the extent of Rs. 2.65 crores on account of the holdings in connection with the Grain Shop.

10. In fact the principal factor responsible for the increase has been the steadily steepening rise in prices. A study of the prices and purchases shows that the general rise in the prices of railway stores over those current in 1938 is in the region of the percentages given below :—

Year	1939	1940	1941	1942	1943	1944
Percentage increase over 1938 prices.	3%	23%	39%	64%	71%	86%

The full effect of increase in prices is not felt immediately in the book values of the stores concerned on account of the system of averaging the price at which stocks are held after each fresh purchase. This system in a rising market accentuates the difference between market rates and the rates at which stocks are held in favour of the latter.

11. Other factors operating to lesser and greatly varying degrees are :

(a) Increase in certain stocks.

(i) More intensive railway operation and the handling of increased traffic, additional Railway and War production work in Workshops.

(ii) The conservation of stocks by the exercise of strict economy in issues where substitutes are suitable and available, the falls in consumption owing to relaxations in condemning standards and the adoption of part, in place of wholesale, renewals as well as the greater utilization of scrap and of reconditioned materials.

(iii) Bunching in the arrival of stores variously delayed against properly spaced orders and in certain cases the necessity to accept the purchase of larger quantities than immediately required to suit Supply Department arrangements or the need for the economic use of transport.

(iv) The retention in stock of incomplete stores owing to delays in the receipt of components, e.g., rails waiting for fastenings and/or sleepers, carriage and wagon frames awaiting wheels and axles, etc.

(v) The return of stores to stock owing to the postponement, alterations to or abandonment of the work for which they were ordered, the holding of stocks of certain materials returned from dismantled lines, etc.,

and

(b) The formation and maintenance of new stocks of materials previously readily and immediately available as required from the vendors either against rate and running contracts, or from stocks normally held by them, e.g., certain tool and other special steels, lubricants, tools, chemicals, bearing metals, etc., etc.

12. Although the war in Europe is now over, the war against Japan continues and has yet to attain its climax. So far, the supply situation has not evinced any appreciable easement and, as the claims of devastated territories both in the East and West have to be taken into account, the future development of the supply situation cannot yet be accurately assessed.

13. Nevertheless in accordance with the particular recommendations of the Public Accounts Committee all railways have been asked to review their stores stock positions and recommitment arrangements to ensure that stocks are not being accumulated beyond the limits necessitated by the present supply position in each case. Where unduly high stocks have been unavoidably

accumulated instructions have been issued to arrange transfer to other railways whose stocks of the items concerned are low.

All railways have given the assurance that the matter of their Stores Balances is being kept constantly under review and is receiving the most careful attention with the object of effecting reduction wherever practicable.

APPENDIX VI

Memorandum on annexure 'H' to the Appropriation Accounts of Railways in India—Part II—Detailed Appropriation Accounts

In paragraph 22 of the proceedings of their Report on the Appropriation Accounts for 1942-43, the Public Accounts Committee suggested that it would improve the utility of Annexure H to the Appropriation Accounts of Railways in India—Part II—which contained items of unexpected credits in respect of the various grants of the Appropriation Accounts not brought to the notice of the Standing Finance Committee for Railways, if another column were introduced in it to show the extent to which the unanticipated credits had been used to meet excesses over the grants.

In accordance with this suggestion, an additional column has been inserted in Annexure 'H' to the Appropriation Accounts of Railways in India for 1943-44—Part II—Detailed Appropriation Accounts, showing the extent to which the unanticipated credits were utilised during the year to meet excesses over the grants.

The D.R.A., who was consulted in the matter, recommends that the existing form of this Annexure may be revised in order that the information required by the Committee may be furnished in a clearer form. He has accordingly suggested the adoption of the following form and desires that it may be placed before the Public Accounts Committee for their approval and given effect to form the Appropriation Accounts for 1944-45. The Railway Board have agreed to the adoption of the revised form subject to the Committee's approval.

ANNEXURE H

Particulars of unanticipated credits adjusted under the several grants for _____ which have not been brought to the notice of the Standing Finance Committee for Railways.

(Figures in thousands).

Name of grant	Total unanticipated credits	Extent to which the amounts in column 2 were utilised to avoid or reduce the excess over grant	Important items comprised in column 3		
			(a) Amount	(b) Railway	(c) Particulars
1	2	3			

APPENDIX VII

Memorandum regarding execution of contract documents before commencement of any work

The Public Accounts Committee have recommended (a) that save in the most exceptional circumstances no work of any kind should be commenced without the prior execution of contract documents, and (b) that if in any case it should become necessary to follow this exceptional course, the prior concurrence of the financial authorities must be obtained before the work is started no matter how urgent the execution of the work may be.

2. Para. 455 in Chapter IV of the State Railway Stores Codes reads as follows :—

Para. 455-S.—No contractor should be ordinarily permitted to commence work or supply until the contract has been signed by the parties competent to do so. In cases of urgency, a simple form of short term provisional contract embodying only the essential minima of manuscript entries should be entered into, to be supplemented or superseded by the main contract when ready. The intention of this provision is that the conditions, specifications, etc., with sufficient items and rates to carry on with, should be agreed upon at once and the remainder embodied in the subsequent main contract.

3. It is proposed to redraft para. 455-S., as follows and to include a similar provision in the Engineering Code :—

(i) No contractor should be permitted to commence work or supply materials until the relevant contract has been signed by the parties competent to do so.

(ii) Exceptions to this rule are permissible only in cases of extreme urgency such as works or supplies necessary to safeguard life or property or to repair damage to the track caused by flood, accident or other unforeseen contingency, so as to restore and maintain through communication. Even in such cases if circumstances permit, some form of written contract or at least an agreed statement of rates to be paid should be prepared before commencement of works or supply, the intention being that the conditions, specifications, etc., with sufficient items and rates to carry on with, should be agreed upon beforehand.

(iii) In other exceptional but less emergent cases, in which the commencement of work or supply cannot be postponed till the preparation and sanction of the contract documents, prior consultation with the Financial Adviser shall be necessary.

(iv) In all cases of departure from rule (i) above, the completion and execution of the main contract, should be proceeded with expeditiously.

4. It may be noted that railways have, from time to time, to contend with emergency conditions with which other departments are not faced and the rule has, therefore, to be worded so as to afford freedom for the immediate and effective action by the nearest responsible official of whatever grade at the time of accident, fire, flood, landslide, cyclone or such other fortuitous calamity or act of God. At such times it is of the utmost importance that immediate effective positive action should be taken by the first responsible official on the spot for the safety of the travelling public and/or other concerned persons and railway employees, for rescue work, for the provision of food, drink, medicines, drugs and treatment where they are necessitated and for the earliest possible restoration of through communications.

APPENDIX VIII

Memorandum regarding increase in the amount paid under compensation claims

Annexure 'A' shows the total number of claims dealt with by the principal railways, the value of claims paid by them and the proportion which such payments bear to the gross earnings, during the years 1941-42, 1942-43 and 1943-44.

2. The contributory causes for the abnormal rise in the number of claims and the Railways' claims bill are :—

- (i) Operational difficulties due to the war.
- (ii) Heavy increase in traffic.
- (iii) Heavy inflation in commodity prices.
- (iv) Losses in transit due to,—
 - (a) thefts and pilferage, and
 - (b) misdespatch and misdelivery.
- (v) Congestion in goods and parcels sheds.

3. The phenomenal rise in the number and amount of claims paid by railways has been for some time, a matter of considerable concern to the Railway Board who after personal discussion with the General Managers of railways issued instructions from time to time impressing on them the necessity of :—

- (i) strengthening their claims settling organisations,
- (ii) improving their Watch and Ward arrangements,
- (iii) adopting preventive measures to reduce the number of claims,
- (iv) initiating periodical discussions with the police officials so as to review from time to time the measures in force for the safeguarding of the Railways' property and goods in transit; and intensifying protective measures where these are found to be inadequate.

Annexure 'B' shows the increase in the Watch and Ward staff effected on the Indian Government Railways since 1938-39. Despite the considerable strengthening of Watch and Ward staff and various other measures taken to prevent losses of consignments the position remains serious.

Railway Administrations in tackling this difficult problem have been severely handicapped by the following factors :—

(1) Necessity for moving large quantities of traffic to certain areas before commercial organisations for receipt and delivery could be set up. This had special reference to all ancillary works connected with the construction of Military bases and depots.

(2) Famine and food shortage conditions resulting in looting and 'bleeding' of wagons, which the utmost endeavours of railways were unable to cope with.

(3) The high rise in commodity prices resulting in temptation to robbery which was facilitated by blackout conditions.

(4) More extensive use of open stock due to shortage of covered wagons which facilitated thefts and pilferage.

(5) Disturbance and breaches over some Railways.

(6) Inevitable dilution of staff with untrained or partially trained personnel.

4. The matter was discussed with the General Managers at their last meeting with the Board on the 18th June 1945 when analysis of the payments made on various counts, revealed that there had been a tremendous rise in the payments made on account of claims in respect of goods lost and stolen. The Railway administrations have, therefore, again been asked to review their Watch and Ward organisations and other preventive measures and to carry out such strengthening as they consider practicable. The large proportion of the payments made is due to misdespatch of packages and a concerted drive to reduce misdespatches is being undertaken in consultation with the Indian Railway Conference Association. The success of the measures is largely dependent on the proper marking of packages and some of the measures which have been suggested in this connection are :—

(a) Press publicity to the effect that goods, luggage, or parcels not properly addressed will not be accepted for despatch.

(b) Provision by railways of facilities at large booking centres for adequate and efficient marking of packages at a nominal fee.

The War Department have also agreed to co-operate fully by ensuring that old markings on packages are obliterated and Military consignments are correctly marked and addressed.

5. It will be appreciated that Railways are at present working under serious handicaps due to the War conditions. The position is, however, constantly under review by Railway Board and the Railways and everything possible will be done to improve the position.

ANNEXURE 'A'

Statement showing (i) the total number of claims dealt with, (ii) net amount paid in compensation and (iii) percentage of net amount paid to gross earnings on all Indian Government Railways from the year 1941-42 to 1943-44.

	Total No. of claims dealt with				Net amount paid in compensation				Percentage of net amount paid to gross earnings			
	1941-42	1942-43	1943-44	1941-42	1942-43	1943-44	1941-42	1942-43	1943-44	1941-42	1942-43	1943-44
Railways												
B. & A.	12,996	14,065	28,814	Rs. 1,14,581	Rs. 1,21,605	Rs. 5,95,817	0.14	0.14	0.14	0.14	0.14	0.46
B. N.	11,680	17,629	28,368	1,08,630	2,20,205	4,72,533	0.09	0.15	0.15	0.09	0.15	0.35
B., B. & C. I.	19,287	20,478	25,480	79,221	85,824	3,99,792	0.07	0.07	0.07	0.07	0.07	0.30
E. I. P.	17,175	26,127	41,649	1,15,465	1,97,930	15,16,837	0.06	0.08	0.08	0.06	0.08	0.57
G. I. P.	15,954	21,679	38,371	1,49,450	4,26,050	8,84,273	0.09	0.19	0.19	0.09	0.19	0.39
M. & S. M.	8,305	12,504	20,992	41,644	45,142	2,33,126	0.06	0.06	0.06	0.06	0.06	0.30
N. W.	20,894	38,173	64,763	1,40,950	3,00,832	9,55,696	0.07	0.15	0.15	0.07	0.15	0.29
O. & T.	5,537	8,308	12,795	33,811	45,794	7,13,351	0.09	0.08	0.08	0.09	0.08	2.00
S. I.	7,172	14,337	16,651	45,128	91,742	2,17,675	0.10	0.17	0.17	0.10	0.17	0.37

ANNEXURE 'B'

Statement showing the number of total staff (Watch and Ward Department) on 31st March each year of Class I Railways, (excluding Bikaner State Jodhpur, Mysore and N. S. Railways).

Year	B. & A.				O. & T.				S. I.		
	A. B.	E. B.	N. W.	B., B. & C. I.	E. I.	G. I. P.	M. & S. M.	N. W.		B. & N. W.	R. & K.
1938-39	89	1,202	1,237	(a)	2,400	1,135	1,093	2,828	617	174	Figures not available
1939-40	117	1,216	1,225	1,980	2,421	1,129	1,117	2,851	633	791	Do.
1940-41	388	1,187	1,341	1,971	2,449	1,098	1,140	2,871	660	810	Do.
1941-42		1,575	1,443	2,121	2,412	1,362	1,162	2,964	734	845	Do.
1942-43		1,659	2,197	2,664	3,896	2,217	1,241	3,322		923	Do.
1943-44		2,024	2,995	2,483	4,743	2,318	1,334	3,590		941	Do.
Percentage increase in 1943-44 over 1938-39.		57	142	(b) 25	98	104	22	27		31	Do.

(a) Reliable figures not available.

(b) percentage worked out with 1939-40 figure as the basis.

APPENDIX IX.

Report regarding the adjustment of expenditure in connection with the reception and maintenance of evacuees, with reference to paragraph 64 of the Report of the Public Accounts Committee on the accounts for 1942-43.

Up to the end of 1942-43 the debits raised against the Secretary of State in his Remittance Account and rejected by him for want of particulars amounted to about 9½ lakhs. This figure later rose to almost 24 lakhs. Of this total a sum of almost 3½ lakhs has now been finally written back as not debit-able to the Secretary of State and in respect of a sum of over 20 lakhs, full particulars of the charges with vouchers have been supplied to him. His acceptance of debit for this sum is awaited. Items totalling over Rs. 43,000 are under investigation in India.

Apart from the amounts discussed above in connection with the Secretary of State's Remittance Account there is also a balance under 'Suspense' awaiting allocation. At the end of 1942-43 it was 15½ lakhs and at the end of 1943-44, 10.6 lakhs. At present it is 19.7 lakhs of which 5 lakhs relates to the United Provinces, 12.8 lakhs to Bombay and 1.9 lakhs to Madras. In the two latter Provinces the Accounts Officers are still collecting from disbursing officers the information necessary for allocation of the sums in question. The allocation of the Rs. 5 lakhs in the United Provinces is under discussion between that Government and the Government of India in the Department of Commonwealth Relations.

In view of the progress made towards settlement of the outstandings in the Remittance Account with the Secretary of State, it has not been considered necessary to suggest a reference to His Majesty's Government with a view to any special arrangements for the adjustment of the expenditure under reference.

APPENDIX X.

Memorandum relating to the expenditure on the "Denial Policy" and other similar measures in Bengal.

In para. 11 of the Report on the Accounts of 1942-43 the Public Accounts Committee desired that the Auditor General should "investigate fully into the facts of the situation and present to them a report with regard to the entire Central expenditure in Bengal which is now held in suspense".

2. In his remarks summarised in para. 102 of the Proceedings the then Auditor General drew attention *inter alia* to certain types of departure from that financial orthodoxy which it is the business of the Auditor General to uphold and the necessity for adherence to which the Public Accounts Committee has frequently stressed. Such orthodoxy demands that, before money is withdrawn from a Treasury, there must be an adequate sanction, general or special, defining the precise purpose of the expenditure and naming the recipient; that the recipient of the money should produce evidence that he has so spent it and legal quittances from everyone who has had a share of it; and that he should satisfy all the general or special orders of the Accountant General about the classifying and recording in his initial accounts of each constituent item of the total withdrawn; otherwise the item, or the whole transaction, is inadmissible in Audit.

3. While strongly deprecating the neglect of elementary financial precautions, the Auditor General however indicated and the Committee realised, that complete orthodoxy could not reasonably be expected in the circumstances then obtaining in the Eastern and Coastal Districts of Bengal. The Defence Authorities were struggling against time to put through various measures to meet apparently imminent invasion. These measures were of three kinds: (1) the removal of all means of transport and surplus food stuffs (mainly rice) that could help the invaders; (2) the evacuation in their own interest, and that of operational freedom, of the civilian residents in the areas of probable hostilities; and (3) the acquisition of buildings and lands to house the Forces and the construction of Defence works, with reference to the changing strategic situation. Besides these Defence measures proper, there were two other problems that concerned chiefly the Civil Government, one, the maintenance of morale and the mitigation of hardship, due to the sudden deprivation of their homes and lands, among these displaced residents of the frontier Districts; and, the other, the disposal of the refugees who were then moving in from Burma. The execution of these measures fell mainly on the Civil Executive Officers of the threatened Districts.

4. The Central Government had agreed in late 1941 in connection with the provision of funds in an emergent situation, which involved the interruption of communications, that Collectors should use their special powers to authorise payments from the Treasury without complying with the provisions of the rules, and in early 1942 the Bengal Government, in pursuance of the spirit of this decision, instructed Collectors that in circumstances of urgency where they were unable to obtain previous orders of Government they should freely use rule 27 of the Treasury Rules Bengal (reproduced as Appendix A to this memorandum). When, however, the particular measures outlined in paragraph 3 above had to be carried out, it is doubtful if the inadequacy of the Provincial organisation and establishments for their execution in the orthodox way, was realised. (The adequacy of the organisation generally for the purposes of efficient administration has subsequently been the subject of comment by the Bengal Famine Enquiry Commission and the Bengal Administration Enquiry Committee). The result was that the tasks themselves were accomplished sooner or later at the expense, in greater or less degree, of normal safeguards making for economy in execution, safe custody of Government property, regularity in the recording of receipts and payments, and proper account-keeping of stocks.

5. The impact of these measures—Defence and Civil—undoubtedly varied much in intensity from time to time and place to place; and it is now impracticable for the Auditor General to assess whether the relaxations of the normal financial and accounting safeguards were reasonable at any particular time or place. That the District Officers did not always use their discretion wisely in making these withdrawals and that some of them failed to record payments, collect receipts and obtain authorities from the Defence Forces for works undertaken on their behalf are regrettable facts illustrated elsewhere in this Report and in various passages in the Audit Report for the year 1943-44 of the Director of Audit, War and Supply. Both Governments had doubtless assumed that in administering these emergent withdrawals the District Officers would not neglect at least the elementary financial precautions; but it appears that in certain Districts little or no attempt was made to maintain proper account records. For example, in the District where the largest expenditure occurred, the District staff did not maintain during the first three or four months either a cash book for recording receipts and disbursements, or a stock book showing the receipts and issues of stock, or muster rolls showing the payments to daily labourers. The fact was that District Officers had to implement these measures without detailed instructions beforehand. Although heavy withdrawals under Bengal Treasury Rule 27 began about April 1942, instructions for the proper accounting of the withdrawals were not issued by Government till May. Similarly, requisitions of land and property and the evacuation of civilian residents were being effected from February 1942, but tentative instructions about the procedure for assessment and compensation were issued only in April, to be followed by slightly more detailed instructions in June and by comprehensive instructions in August, 1942. Thus the District Officers were left to improvise arrangements during the most crucial period and the faulty systems they then evolved tended to linger after the better systems were prescribed. On the side of formal accounting, too, early defects in procedure led to much subsequent confusion. Full details of the purposes for which moneys had been withdrawn were not sent promptly to the Accountant General, nor were vouchers in support of these payments so clearly classified that the Accountant General could always connect them with the District Officers' original sanctions. At the Accountant General's instance, the Bengal Government issued instructions for the guidance of District Officers in May 1942. These were followed, after a test examination of the initial accounts, of certain sub-divisions by elaborate instructions in August 1942. By that time however enormous expenditure had already been incurred and the pressure of work on the District staffs was so great that they found it impracticable to construct the detailed accounts *ab initio* and submit them to the Accountant General. These reconstructed accounts in detail were received in instalments by the Accountant General from about the middle of 1943-44, but many of them were incomplete.

6. The total expenditure incurred on the removal of means of transport, including boats, cycles and motor vehicles was about Re. 1 crore and 15 lakhs in 1942-43 and about Rs 13 lakhs in 1943-44. The amounts held under objection were Rs. 1 crore and 13 lakhs at the end of March 1943, Rs. 64 lakhs at the end of March 1944 and Rs. 31 lakhs at the end of March 1945, out of which Rs. 23 lakhs related to the year 1942-43. The defects noticed in connection with the working of these measures have been briefly described in Appendix B to this memorandum.

7. The transactions arising out of the removal of rice and paddy from the frontier Districts actually resulted in a small gain to Government. An account of this scheme indicating *inter alia* the defects disclosed in its operation will be found in Appendix C to this memorandum.

8. The evacuation of civilian residents, the acquisition of their lands and buildings and the compensation paid them for the loss of their means of livelihood, involved withdrawals from the Treasury of Rs. 2 crores and 62 lakhs in 1942-43 and Rs. 1 crore and 87 lakhs in 1943-44. The amounts held under objection at the end of 1942-43 were Rs. 2 crores and 42 lakhs, at the end of 1943-44 Rs. 4 crores and 24 lakhs, and at the end of 1944-45 Rs. 4 crores and 6 lakhs. These large sums are held under objection mainly for want of written requisitions from competent Defence Authorities, the necessary details such as the names of the projects, the nature and period of compensation and the absence of payees' receipts. Most of these audit requirements are probably now impossible of fulfilment. Paragraph 8 of the 1945 Audit Report of the Director of Audit, War and Supply, gives instances of major irregularities under this head.

9. The execution of military works, *e.g.*, the preparation of airfield sites, was undertaken in the threatened Districts on behalf of the Defence Authorities by the District Officers working through the agency of District Engineers, etc. In many instances written requests from officers of the Defence Services were not obtained, and even where they were, Audit has been unable oftener than not to verify that the works executed were within the financial powers of the Military Officers who ordered their execution. Rs. 47.36 lakhs drawn in 1942-43 and Rs. 30.000 similarly drawn in 1943-44 were still substantially under objection at the end of March 1945 mainly for want of proof acceptable to the Military Accounts Officers of proper authorisation. Instances of irregularities under this head also will be found in paragraph 8 of the Director's Report mentioned above.

10. The Government of Bengal were entrusted with the disposal of the refugees from Burma who were moving through the frontier Eastern Districts of Bengal while these Defence measures were under execution. These operations broadly fell into three categories, (1) relief by District Officers; (2) relief administered directly by the Government of Bengal; and (3) relief administered by the Burma Refugee Organisation in camps set up by the Central Government. To expedite relief to these refugees and to the dependants in India of British subjects detained in enemy occupied territories, the Central Government delegated

powers to all Provincial Governments, etc., to administer the scheme and also desired that as wide a delegation of powers as possible might be made to District Officers. In consequence District Officers in Bengal were initially made responsible for the relief measures subject to such limitations as were prescribed by the Provincial Government. These measures were mostly financed in Bengal from funds drawn from the treasuries in lump in accordance with the provisions of Treasury Rule 27. In the initial stages the transactions were classified under 'Suspense'; but when it was found that the major portion of this expenditure would be debitable to Indian revenues, the entire sums drawn by District Officers on this account were adjusted under the head "64-Miscellaneous expenditure connected with the war 1939". The detailed accounts of these transactions up to the end of 1943-44 have now been received and the necessary adjustments effected. The expenditure incurred by District Officers amounted to Rs. 38,67,000 in 1942-43 and Rs. 25,38,000 in 1943-44, out of which Rs. 24,94,000 represent advances granted to refugees for maintaining themselves and their families until they became self-supporting. The balance mainly represents expenses on the feeding, medical treatment and transport of refugees. Advances in respect of such expenses were usually given against individual undertakings to repay, but Provincial Governments were authorised to dispense with this requirement when arrangements had to be made for the speedy dispersal of the refugees. Payees' receipts and detailed accounts were not available in all cases, and as a result about Rs. 3 lakhs could not be finally admitted in Audit.

As regards the relief operations mentioned in category (2) above, these were financed by moneys drawn in lump by the Deputy Secretary, Government of Bengal, Home Department and kept in a Personal Ledger Account in his name. Sums of Rs. 5,80,000 and Rs. 8 lakhs were drawn in 1942-43 and 1943-44 respectively. Detailed statements for these amounts have since been received and the appropriate adjustments made.

As to category (3), an I.C.S. Officer of the Bengal Cadre was appointed by the Central Government in November, 1942, with extensive financial powers, as Chief Refugee Administrator and placed in charge of these operations. The expenditure thereon was met from lump sums drawn on abstract bills kept under 'Suspense' in the initial stage, the 'Suspense' head being cleared on receipt of detailed accounts from the Chief Refugee Administrator. The submission of these accounts was delayed in the initial stages. Rs. 36 lakhs were drawn in 1942-43 and Rs. 142 lakhs in 1943-44, and the entire sum has since been removed from 'suspense' and adjusted to the final head of account. This does not however mean that financial irregularities disclosed in examination of the accounts have been finally settled. It is a matter of public knowledge that the Chief Refugee Administrator and some of the officers working under him were arrested by the police for alleged misappropriation of Government funds, and that legal proceedings were instituted. The matter is still *sub-judice*.

APPENDIX A.

Copy of Bengal Treasury Rule 27.

"A Collector may, in circumstances of urgency, by an order in writing authorize and require a Treasury Officer to make a payment not being a payment of pension, without complying with the provisions of these rules. In any such case the Collector shall at once forward a copy of his order and a statement of the circumstances requiring it, and the treasury Officer shall at once report the payment, to the Accountant General".

APPENDIX B.

Denial of means of transport.

The Denial measures relating to the means of transport including boats, cycles, motor vehicles and elephants were applied in May, 1942, in eight Districts of Bengal. The owners of the means of transport were paid compensation at certain prescribed rates. Compensation was also paid to persons other than owners, who were adversely affected by the Denial measures.

(i) Boats.

2. The accounts maintained for boats at the Reception Centres in the districts were generally very unsatisfactory. In some centres, no assessment register was maintained, in others no stock register of boats and boat equipment in proper form could be found; and in others, details necessary for assessing compensation were wanting. There was often nothing to show that such registers as existed had been checked by any responsible Government officer. In some cases the thumb impressions which were produced to prove that the payments were made to the entitled persons were unauthenticated. In certain cases compensation was paid for boats said to be sunk in transit to the Reception Centres; and in some centres no arrangements were made for the physical verification of the boats acquired. Moreover, thousands of boats brought to the Reception Centres were not maintained in serviceable condition. The Bengal Government stated that it was not practicable to do so, but the Bengal Famine Enquiry Commission questioned the inevitability of this conclusion.

As regards the disposal of boats, many were said to have been made over to the military authorities, officers of the Civil Supplies Department of the Province and others, but acknowledgments were frequently wanting. The sale proceeds of auctions fell far short of the compensation paid for the boats; but the total loss cannot yet be ascertained because complete accounts from all the Reception Centres have not yet been received, nor the cost of certain deliveries made to the Defence and other Departments adjusted.

(ii) *Cycles.*

Similar comments apply also to cycles. The basis of assessment for cycles differed widely in different districts. Many were broken up and used for repairing others; many simply disappeared.

(iii) *Motor vehicles.*

The arrangements made for the custody of motor vehicles were also unsatisfactory; many deteriorated so much that they had to be sold as scrap.

(iv) *Elephant concentration.*

Government ordered all elephants to be concentrated in a safe place. Of the 148 taken over, 29 died and 1 disappeared, and compensation ranging from Rs. 200 to Rs. 1,800 per elephant had to be paid by Government. The total expenditure on elephant concentration, about Rs. 2,41,000, was admitted in audit before the end of the year 1944-45.

APPENDIX C.

Denial of rice and paddy.

1. The Rice Denial Scheme in Bengal was first initiated early in 1942 as a defence measure of vital urgency. The main object of the scheme was to purchase and remove within one month all surplus rice and paddy from the coastal districts of Bengal to inland towns. As the scheme could not be completed in time and there were severe transport difficulties, it was extended beyond its scheduled period. It had to be extended also on account of the general deterioration in Bengal of the food situation which to a considerable extent replaced the threat of invasion as the reason for the scheme's continuance. The result was that grain already moved inland, where it was intended to be sold, and also grain which had been purchased but not yet transported, had to be moved to different areas for sale under Government control as and when shortages became apparent. All these operations were carried out through five agents appointed by the Government of Bengal, which launched the scheme and was at first administratively responsible for it, although from the beginning finance was found by the Central Government. From the 26th May 1942, the Central Government was both financially and administratively responsible and had a Special Officer in charge of the scheme on its behalf.

2. The agent appointed by the Bengal Government worked on a commission basis and agreements were entered into with each of them. As they were not prepared to work on their own capital, they were advanced lump sums. The total sum advanced was Rs. 75.9 lakhs, of which a little more than one half was paid at the instance of the Special Officer. The two principal agents received Rs. 30 lakhs and Rs. 27 lakhs respectively. The Rice Denial operations were terminated towards the end of December 1942 by sales partly to the Government of Bengal and partly to private parties. The scheme resulted in a net profit to the Government of India of about Rs. 1,55,200.

3. In the actual working of the scheme, however, three principal defects were observed:—

(1) Large sums of money, amounting to several lakhs at a time, remained in the hands of the agents for months together and were not kept apart from their own private money.

(2) Although the agreements with the Agents stipulated that each month's accounts were to be submitted to Government within 14 days of the end of the month, very considerable delays took place;

(3) Shortages in excess of the limit of 3 per cent. prescribed under the terms of the agreement were reported to and accepted by the Government of India.

(1) The accumulations of Government funds occurred mainly for two reasons. Under the terms of the agreements, the agents were entitled to 50 per cent. of their commission in July 1942. This was based on the assumption that the scheme would be completed within the period of one month but, as already explained, it had to be extended until the end of 1942. No commission was paid to the agents until the termination of the scheme.

(2) An unfortunate omission in the agreements entered into, with the agents was that there was no provision for the form in which agents would tender their accounts. When, in July 1942, the Accountant General was able to suggest, in consultation with the Special Officer a suitable form of accounts, most of the purchases had been completed and accounts compiled. The trade agents were unwilling to recast their accounts to meet the approval of the Accountant General, and, it is to be conceded, in the circumstances, such recasting would have been extremely difficult in many cases and might not have been of much value.

(3) Clause 19 of the agreement with the trade agents provided as follows:—

"At the time of final adjustment of accounts, allowance for shortage in weight due to loss of water contents, action of rats, vermin and other likely risks shall be made but the allowance shall in no case exceed 3 per cent. of the quantity said to have been purchased".

Four out of the five trade agents reported shortages exceeding 3 per cent. Before the Government of India agreed to a higher percentage of shortage, the position was examined at length in consultation with the Solicitor to the Government of India, who pointed out that the contracts with the agents were for a definite period and as this period had been exceeded on account of repeated extensions from time to time, the agents could not be legally bound by the terms of their agreements. Secondly, because of changes in policy and public requirements, stocks were moved from centres where it was originally intended to store them to other places, so that a new factor had entered into the situation. After a certain amount of private negotiation with the agents, the Government of India agreed to raise the maximum limit to be allowed for shortages. Of the five agents, in the case of one the actual shortages were within the limit of 3 per cent. In two cases, the maximum limit allowed was 3.5 per

cent. for rice and 4.5 per cent. for paddy. In two other cases, in which extensive transport by country craft was involved, the maximum limit for paddy was raised to 5 per cent. Unfortunately, owing to the conditions of emergency under which the scheme was operated, physical verification of stocks to ascertain the shortages which had actually occurred could not be carried out, but the Government of India were satisfied that in view of these conditions the rates of allowance for shortage finally agreed upon were not unreasonable in the aggregate.

APPENDIX XI

Memorandum showing how exactly the funds were normally allotted to the Provinces and how the intervention of the Defence Deptt. into the Working of the Fund had affected the accounts of the Central Road Fund.

While examining the Appropriation Accounts for 1942-43 relating to the Central Road Fund, the Public Accounts Committee observed that the forms in which the Road Fund transactions had been exhibited were not sufficiently explanatory and desired that the Department should submit to them next year a full explanatory report, showing how exactly the funds were normally allotted to the Provinces and how the intervention of the Defence Department into the working of the Fund had affected its accounts.

2. The question of amplification of the forms has been considered by the Government of India and revised forms have been drawn up for incorporation in the Appropriation Accounts in future. It is also proposed to prefix an explanatory note to the Road Fund accounts to make the latter easy to follow.

3. It has not been possible to introduce the revised forms in the Appropriation Accounts for 1943-44. The information required by the P. A. C. is, therefore, furnished in the accompanying report. The accounts for 1943-44 drawn up in the revised forms are also attached for the information of the Committee.

Under the Resolution on road development adopted by the Central Legislature, an extra duty of Customs and of Excise of not less than two annas per gallon is to be levied on 'motor spirit' and the proceeds thereof applied for the purposes of road development. The rate of this extra duty was 2 annas per gallon from the 1st March 1929 to the 28th February 1931 and since the 1st March 1931 it has been 2 annas and 6 pies per gallon.

2. From the proceeds of such extra duty a sum proportionate to the taxed motor spirit used in aviation is deducted and credited to the Civil Aviation Fund. The balance of the proceeds is credited to the Central Road Fund.

3. The receipts in the Central Road Fund are administered by the Government of India with the advice of the Standing Committee for Roads. The amount credited to the Fund is allocated as follows:—

(a) A portion equal to 15 per cent. is retained by the Governor General in Council as a Central Reserve. It is applied first to defray the cost of administering the Central Road Fund and thereafter upon such schemes for research and intelligence and upon such special enquiries connected with roads and upon such special grants-in-aid for such objects connected with roads as the Governor General in Council may approve.

[In selecting schemes for grants from the Central Reserve consideration is given to the importance of the scheme from the all-India point of view and also to the position of the applicant with regard to its ordinary Road Fund allocations.]

(b) Out of the remainder 85 per cent., the following allocations are made:—

(i) a portion for expenditure in each Governor's Province;

(ii) a portion for expenditure elsewhere in British India, namely the Chief Commissioners' Provinces; and

(iii) a portion for expenditure in Indian States and Administered Areas:

as near as may be in the ratio which the consumption of taxed motor spirit (other than motor spirit used in aviation) in each area for which an allocation is made bears to the total consumption in India of taxed motor spirit (other than motor spirit used in aviation), during the calendar year ending during the financial year concerned. The figures of consumption of motor spirit in the various areas in India are furnished to the Government of India by the Oil Companies.

4. The amount credited to the Central Reserve and the allocations to the various administrations are based on the actual amount of revenue creditable to the Road Fund, which is known after the close of the financial year concerned, and not on the basis of the amount of *ad hoc* block grant transferred to the Fund during the year. The difference between the amount of *ad hoc* block grant transferred to the Fund and that creditable to the Fund on the basis of actuals is adjusted in subsequent years.

5. The Road Fund allocations during a year relate to the revenue in the Fund in respect of the preceding year. In addition 'on account' allocations in respect of the anticipated revenue for the first six months of the year in which such allocations are made are also credited to the Road Fund allocation accounts of the Governors' and Chief Commissioners' Provinces. In other words, the allocation made in a particular year is in settlement of the final allocation in respect of actual revenue for the preceding year, plus an 'on account' allocation in respect of the anticipated revenue for the first six months of the year in question.

6. Thus the allocation to a province during 1943-44 would be 'Final allocation in respect of the revenue for 1942-43 minus 'on account' allocation already made at the previous distribution in respect of the anticipated revenue for the first six months of 1943-44 plus 'on

account' allocation in respect of the anticipated revenue for the first six months of 1943-44'.

7. For the administrations under categories b(ii) and b(iii) of para. 3 above, a lump sum allocation is to be made on the basis of consumption of motor spirit. The distribution of the amounts so allocated among the various units in those two categories is a matter for the discretion of the Central Government. This distribution, however, is also made on the basis of consumption of motor spirit. These amounts are straight away placed at the disposal of the Administrations concerned.

8. The allocations to the Governors' Provinces are retained by the Governor General in Council until they are actually required for expenditure. The existing procedure in this regard is to give quarterly advances of 90 per cent. of the estimated expenditure during each quarter and to adjust the advances against actual expenditure at the end of each quarter. If, during the last quarter, any Provincial Government find that the expenditure in that quarter is likely to outstrip the allotment therefor, an accurate estimate of the expenditure in the last quarter is furnished to the Government of India and then arrangements are made to effect the necessary adjustment to cover in full the final estimated expenditure in the accounts of the year concerned. This procedure was adopted with a view to avoid accumulation of large unspent balances with the Provincial Governments.

9. Thus the allotments to the Provincial Governments from their Road Fund allocations during a year are made according to the estimated expenditure during that year. Such allotments do not represent the actual Road Fund allocations of the Provinces in that year which are calculated in accordance with the procedure explained in paras. 3 and 5 above.

10. The procedure regarding payments from the Central Reserve is slightly different from that of allotments from the Road Fund allocations. After the Central Government have satisfied themselves about the suitability of any specified project for being financed from the Central Reserve, the Provincial Government are informed that the Centre is prepared to meet from the Central Reserve the whole or a stated percentage of the estimated cost of that project. The Provincial Government then sanction the detailed estimate for the work in question and the particulars thereof are communicated by the Central Government to the Audit Officers with the intimation that a contribution would be made from the Central Reserve towards the expenditure against that estimate either at cent per cent or a smaller percentage as the case may be. Actual payments are made by the Accountant General Central Revenues to the Provincial Governments on the basis of monthly audited expenditure on the work as communicated to him by the Audit Officer of the Provincial Government concerned, subject to the limit of the prescribed percentage of the sanctioned estimate.

11. The use of the Road Fund is governed by the Resolution on road development adopted by both Chambers of the Central Legislature and all proposals for expenditure from the Central Reserve and all other proposals for expenditure from the Road Fund allocations in British India are referred by the Governor General in Council to the Standing Committee for Roads before he approves of them.

12. With the advent of war, it was proposed to draw upon the Road Fund allocations and Central Reserve to meet the expanding needs of the Army for strategic roads and the Standing Committee for Roads supported this proposal. The Committee also agreed that for administrative and accounting convenience the cost of the Multan—Rohri—Quetta Road project which was to be financed from the Central Civil Budget, should in the first instance be met from the Central Road Fund Reserve and later on recouped from the Central Revenues. The receipts in the Road Fund have been augmented to the extent of expenditure incurred on this project and such augmentations have been credited to the Central Reserve.

13. As in the case of the Multan—Rohri—Quetta Road project, it was found administratively convenient to finance strategic road works, which were to be carried out by the ordinary Civil Administrations and the cost of which was beyond the resources of the Road Fund, through the procedure and accounts established for the Road Fund Reserve. Such schemes are wholly or partly financed from the Defence Estimates. The cost of such schemes is in the first instance met from the Road Fund Reserve and simultaneously recouped from the Defence Estimates.

14. Unlike in the case of the Multan—Rohri—Quetta Road project, the transactions relating to the schemes financed from the Defence Estimates are accounted for only in statements II and III in the Appropriation Accounts which exhibit subventions from the Central Road Fund to the Provinces etc. As the recoveries from the Defence Estimates are made simultaneously, they do not affect the position of the Central Road Fund as a whole and are not accounted for in Statement I in the Appropriation Accounts which exhibits receipts in the Road Fund and disbursements therefrom. In the revised forms which are proposed to be incorporated in the Appropriation Accounts with effect from next year, it is proposed to show separately the expenditure incurred on schemes financed from the Defence Estimates and the recoupments from those Estimates to the Central Road Fund.

15. So far as the question of allocation of cost of works of strategic importance between the Road Fund allocations, the Central Reserve and the Defence Estimates is concerned, this allocation is determined on the merits of the schemes in consultation with the Administra-

tions concerned and the War Department. The present policy of the Central Government in regard to the construction and maintenance of strategic roads is explained in this Department's letters No. S 2, dated the 23rd November 1944 (copies enclosed).

16. As regards the amounts allotted during 1942-43 to Bombay from the Ordinary Road Fund Allocations [Rs. 54.04 lakhs] and to Sind from the Central Reserve [Rs. 42.09 lakhs] the position is explained below.

17. There were a number of road works of military importance in Bombay sanctioned for being financed from the Provincial Road Fund allocations. The Bombay Government were asked to expedite execution of those works and it was decided to place 'advance' allocations at their disposal, if necessary. The sum of Rs. 54,04,212 allotted to Bombay during 1942-43 was thus made up of:—

	Rs.
Unallotted balance in the Provincial allocation account with the Central Government in respect of the revenue allocated to end of 1941-42.	21,36,212
Allocation to the Provincial Government made during 1942-43 (i.e. Revenue during 1942-43).	25,30,029
Advance allocation made during 1942-43 which would be adjusted against future allocations.	7,37,971
Total	54,04,212

18. The grant of Rs. 42,09,485 from the Central Reserve to Sind during 1942-43 was also for the execution of certain works of military importance in Sind. The cost of some of these works was to be recouped from the Defence Estimates. Against the total expenditure of Rs. 42,09,485 the amount recouped from the Defence Estimates during that year amounted to Rs. 34,06,798 as explained in footnote (b) under Table III on page 222 of the Appropriation Accounts for 1942-43.

19. The 'nil' allotment from the Road Fund allocations to Sind during 1942-43 was due to the fact that the Government of Sind did not apply for any allotment from the Provincial Road Fund allocations during that year. The expenditure against the Road Fund allocations was met from the unspent balance with the Provincial Government at the beginning of the year. The Road Fund allocation to Sind during 1942-43 was Rs. 3,59,326 which was allotted to the Provincial Government during 1943-44.

LETTER NO. S. 2, DATED THE 23RD NOVEMBER 1944, FROM D. R. RUTNAM, ESQUIRE, O.B.E., I.C.S., JOINT SECRETARY TO THE GOVERNMENT OF INDIA, WAR TRANSPORT DEPARTMENT TO (I) ALL PROVINCIAL GOVERNMENTS. (II) THE CHIEF COMMISSIONER, AJMER-MERWARA. THE CHIEF COMMISSIONER, DELHI.

SUBJECT:—Policy governing road construction and maintenance for strategic reasons.

SIR,

I am directed to refer to the correspondence resting with the Government of India, Department of Posts and Air, letter No. S. 2, dated 13th January 1944 (copy enclosed), regarding Government of India's policy in the matter of financial assistance from the Centre towards the improvement and maintenance of roads of military importance.

2. It has been brought to the notice of the Government of India that in many cases considerable delays have occurred in the execution of strategic road works, because of the time taken in reaching a settlement between the Government of India and the Provincial Governments in respect of the apportionment of the costs of the works. Since it is impracticable that work on strategic roads should be commenced as soon as a decision to proceed with them has been taken, the Government of India have come to the conclusion that a different basis of apportionment of costs is required to ensure that there should be no such delays as have occurred in the past.

3. Strategic road works may for the purposes of this letter be classified as (a) improvement of selected roads to a standard higher than that prevailing before improvement was undertaken, and (b) maintenance to a specified standard of roads used extensively by military traffic. After careful consideration, the Government of India propose to adopt the following formula regarding the apportionment of the costs of these works as are sanctioned on or after the 1st December 1944, as between them and the Provincial Governments:

(i) For *improvement* works. Each individual work will require the prior approval of the Government of India and will thereafter be treated as a military project in all respects. The Provincial Government should consider in each case whether the cost should be met fully or in part from the Provincial allocation of the Road Fund. If the Provincial Government are not prepared to contribute any sum, the Centre will bear the entire cost.

When the improvement work has been completed, it will be considered whether the Provincial Government will be required to make a lump sum contribution equivalent to the estimated saving, if any, in maintenance expenditure as a result of the improvement, but no claim will be made by the Central Government except in respect of projects likely to result in substantial savings of maintenance costs.

(ii) For *maintenance*, the Provincial Governments to bear expenditure up to twice the

average maintenance cost during the last three pre-war years, viz., 1936-39, 1937-38 and 1936-37, the balance being provided by the Government of India. The increase of 100 per cent. over the pre-war average expenditure is intended to cover the increased cost of labour and material.

4. I am to add that, for the purpose of applying the above formula the General Headquarters (India), will compile an exhaustive list of strategic and other roads subjected to heavy military traffic and the above formula for financial assistance would be applied in respect of the improvement and maintenance of roads included in this list only. A copy of this list will be forwarded to you as soon as it is received.

5. I am to explain that the proposed agreement will in no way affect a special agreement, if any, already existing between the Government of India and the Provincial Government in respect of construction and maintenance of strategic roads.

6. The Government of India consider that the above proposals take full cognizance of the difficulties of Provincial Governments, in financing road works of military importance and are conceived generously with a view to helping them as much as possible in improving and maintaining their roads up to the standard required by the Army. I am to express the hope that the Provincial Governments will find no difficulty in accepting them in entirety and will intimate their acceptance to this Department at a very early date. The Government of India will meanwhile proceed on the assumption that the foregoing proposals will have effect from the 1st December 1944.

D. R. RUTNAM,

Joint Secretary to the Government of India.

Copy forwarded to War Department.

LETTER No. S. 2, DATED THE 23RD NOVEMBER 1944, FROM D. R. RUTNAM, ESQUIRE, O.B.E., I.C.S., JOINT SECRETARY TO THE GOVERNMENT OF INDIA, WAR TRANSPORT DEPARTMENT TO 1. THE HON'BLE THE RESIDENT IN MYSORE. 2. THE HON'BLE THE RESIDENT AT HYDERABAD. 3. THE HON'BLE THE RESIDENT FOR CENTRAL INDIA. 4. THE HON'BLE THE RESIDENT FOR RAJPUTANA. 5. THE HON'BLE THE RESIDENT FOR THE PUNJAB STATES. 6. THE RESIDENT FOR THE EASTERN STATES. 7. THE RESIDENT FOR THE MADRAS STATES. 8. THE RESIDENT AT GWALIOR AND FOR THE STATES OF RAMPUR AND BENARES. 9. THE HON'BLE THE RESIDENT AT BARODA AND FOR THE STATES OF WESTERN INDIA AND GUJRAT, BARODA/RAJKOT. 10. THE RESIDENT IN KASHMIR, AND 11. THE RESIDENT FOR KOLHAPUR AND THE DECCAN STATES.

SUBJECT :—*Policy covering strategic road construction and maintenance*

Sir,

I am directed to refer to *(the endorsement below) the Government of India, Department of Posts and Air, letter No. ^{†S.2A}/_{‡2B}, dated the 18th September 1943, regarding Government of India's policy in respect of financial assistance from the Centre towards the improvement and maintenance of roads of military importance.

2. The Government of India have since reconsidered the policy and now propose to specify the extent of contribution from the Centre for the strategic road works. In this Department's letter No. S. 2, dated 23rd November 1944, (copy enclosed) the proposals have been conveyed to the Provincial Governments for their concurrence and the Government of India propose to enter into a similar agreement with the Indian States.

3. I am to request that, if you see no objection the contents of the enclosed letter may kindly be conveyed to the State(s) with which you are concerned and through which strategic roads run in suitable terms and their agreement to the proposals intimated to this Department at a very early date.

(This letter is being issued with the authority of the Crown Representative).

D. R. RUTNAM,

Joint Secretary to the Government of India.

Copy forwarded to War Department.

Copy together with a copy of this Department's letter No. S.2, dated 23rd November 1944 to Provinces, forwarded to the Political Department.

D. R. RUTNAM,

Joint Secretary to the Government of India.

* To (9)—(11) only.

† To (1) only.

‡ To (2)—(11) only.

1. *Central Road Fund.*
(Main Fund.)

	To end of 1942-43 Rs.	During 1943-44 Rs.	Total Rs.
A. RECEIPTS.			
<i>Appropriation to the Fund—</i>			
1. (a) On the basis of additional duty on "motor spirit"	18,01,56,328	69,00,000	18,70,56,328
(b) On account of contribution in connec- tion with the Multan-Rohri-Quetta Road project	60,00,000	23,00,000	83,00,000
Total	18,61,56,328	92,00,000	19,53,56,328

	Total end of 1942-43 Rs.	During 1943-44 Rs.	Total Rs.
A. RECEIPTS— contd.			
2. Direct Receipts—			
(a) Voluntary contribution from Burma and Assam oil companies during 1929-30	9,38,876	..	9,38,876
(b) Contribution from general revenues during 1934-35	40,00,000	..	40,00,000
(c) Other miscellaneous recoveries and contributions	8,142	457	8,599
(d) Contributions from Defence Estimates to set off the effects of refund of Customs duty on motor spirit consumed by Defence Services	..	78,00,000	78,00,000
(e) Contribution from Defence Estimates for strategic works—			
(i) Original works and improvements	1,28,31,225	65,48,314	1,93,79,539
(ii) Maintenance	..	16,10,000	16,10,000
Total	20,39,34,571	2,51,58,771	22,90,93,342
B. ALLOCATION OF RECEIPTS.			
1. Credits to the Central Road Fund Reserve—			
(a) in respect of additional duty on motor spirit	2,24,97,580	10,35,000	2,35,32,580
(b) in respect of refund from Defence Estimates <i>vide</i> 2 (d) above	..	11,70,000	11,70,000
(c) on account of contribution in connection with the Multan-Rohri-Quetta Road project	60,00,000	23,00,000	83,00,000
(d) other Direct Receipts <i>vide</i> items (a), (b), (c) and (e) above	1,77,78,243	81,58,771	2,59,37,014
Total	4,62,75,823	1,26,63,771	5,89,39,594
2. Allocation for expenditure in Governors' Provinces	12,44,89,209	..	12,44,89,209
3. Allocation for expenditure elsewhere in British India <i>i.e.</i> , Chief-Commissioner's Provinces	44,34,167	..	44,34,167
4. Allocation for expenditure in Indian States and Administered Areas	1,98,56,341	..	1,98,56,341
5. Unallocated balance explained below	88,79,031	1,24,95,000	2,13,74,031
<p>This sum of Rs. 2,13,74,031 consists of (i) unallocated balance on account of intimation of exact amount creditable to the Road Fund having been received after the close of the year (200,91,788) and (ii) the difference between amounts of <i>ad hoc</i> transfers and revenue actually creditable to the Fund on the basis of actuals (12,82,243).</p>			
C. ACTUAL DISBURSEMENTS.			
1. Expenditure from Central Road Fund Reserve—			
(a) in Governors' Provinces	2,44,12,459	9,80,313	2,53,92,772
(b) elsewhere in British India, <i>i.e.</i> , Chief Commissioners' Provinces	46,15,977	3,769	46,19,746
(c) in Indian States and Administered Areas	65,78,852	3,25,015	69,03,867
(d) for Consulting Engineer to the Government of India (Roads) and his staff	14,34,279	1,49,121	15,83,400
(e) for Indian Roads Congress	86,698	4,000	90,698
D. EXPENDITURE ON STRATEGIC ROADS AS PER 2(e) ABOVE—			
2. Payment from Road Fund allocations—			
(a) to Governors' Provinces	11,45,86,725	49,44,795	11,95,31,520
(b) to Chief Commissioners' Provinces	44,34,167	..	44,34,167
(c) to Indian States and Administered Areas	1,80,85,746	14,08,071	1,94,91,817
Total	17,42,34,903	78,13,084	18,20,47,987
Balance	1,68,68,443	91,87,373	2,60,55,816

II. Subventions from the Central Road Fund allocations

Name of administration	2	3	4	5	6		7	8	9	10	11	12	Remarks
					Balance of allocations held by the Central Govt. on 1-4-1943	Allocations credited during 1943-44							
Governors' Provinces													
Madras	70,92,723	..	70,92,723	9,786	12,40,000	..	12,49,786	11,89,328	58,52,723	60,458			
Bombay	-7,37,971	..	-7,37,971	9,75,579	..	5,77,000	15,52,579	-7,70,575	-13,14,971	7,82,004			
Bengal	20,07,453	..	20,07,453	6,85,155	4,20,000	..	11,05,155	9,63,455	15,87,453	1,41,700			
U.P.	6,44,740	..	6,44,740	-21,084	6,44,740	..	12,29,656	12,55,393	-6,06,000	-25,737			
Punjab	-16,76,764	..	-16,76,764	2,59,063*	..	4,77,000	7,36,063	6,00,285	-21,53,764	1,35,778*			
Bihar	18,61,666	..	18,61,666	..	2,01,000	..	2,01,300	2,00,863	16,60,666	137			
C.P. & Berar	1,23,992	..	1,23,992	27,136	1,23,992	1,02,700	2,53,828	2,44,802	-1,02,700	9,226			
Assam	1,02,646	..	1,02,646	1,406	80,300	..	81,706	79,480	22,346	2,246			
N. W. F. P.	-2,82,813	..	-2,82,813	21,746	..	1,12,797	1,34,493	1,05,206	-3,95,550	29,277			
Orissa	4,07,480	..	4,07,480	10,491	10,491	10,408	4,07,480	83			
Sind	3,59,326	..	3,59,326	..	3,59,326	..	3,59,326	1,46,500	..	2,12,826			
	99,02,478	..	99,02,478	19,69,278	30,69,358	18,75,437	69,14,073	55,66,075	49,57,683	13,47,998			
Chief Commissioners' Provinces													
Delhi	6,76,763	6,76,763	25,348	..	6,51,415			
Baluchistan	3,67,518	3,67,518	1,586	..	3,65,932*			
Ajmer-Merwara	80,152†	80,152	6,950	..	73,202†			
Coorg	45,724	45,724	11,017	..	34,707			
	11,70,157	11,70,157	44,901	..	11,25,256			

* Difference between these figures and the corresponding figures in Table II of the Appropriation Accounts due to the inclusion in the latter of balances the Road Fund Reserve.
 † Difference between these figures and the corresponding figures in Table III the Appropriation Accounts due to the inclusion in the latter of the balance in respect of Rajputana.

Indian States and Administered Areas.

Indian States	17,70,595†	..	17,70,595	Information	14,06,071@	..	Information not available	3,64,524‡	Information not available.
Administered Areas . . . . .	..	..	..	not available.	..	..	3,07,794	..	2,53,250
				3,07,794					

†Balance of amounts allocated to states but not paid on the date mentioned.

@Amount paid to the States out of allocations during the year.

111. Subventions from the Central Road Fund Reserve including grants from Defence Estimates for strategic roads passing through the Central Road Fund Reserve

Name of Administration	Grants during 1943-44			Total [Col. 2+Col. 3+Col. 4]	Total Expenditure during 1943-44 from the Road Fund Reserve	Balance on 31-3-44 Col. 5—Col. 6	Grants from the Reserve to be recouped from the Defence Estimates	Recou-ments during 1943-44	Balance to be recouped (Col. 8—Col. 9.)	Remarks	
	Balance on 1-4-1943	From Road Fund Reserve	From Road Fund Reserve to be recouped from the Defence Estimates								
	1	2	3	4	5	6	7	8	9	10	11
Governors' Provinces											
Madras	16,06,005	16,06,005	16,06,005	..	16,06,005	16,06,830	125	
Bombay	13,08,096	13,08,096	13,08,096	..	13,08,096	15,23,678*	..	
Bengal	17,344	15,109	15,109	..	17,344	17,344	..	
U. P.	39,300	4,84,688	4,84,688	..	4,45,388	53,876	3,91,512	
Punjab	..	6,952	..	4,76,430	15,65,134	16,22,306	..	10,81,752	11,65,085†	..	
Bihar	2,177	38,409	38,409	..	36,232	38,409	..	-2,127†
C. P. & Berar	4,206	—4,206	—4,206	..	..	..	..	..
Assam	434	2,50,711	2,50,711	..	2,50,277	2,45,907	4,370	
N. W. F. P.	..	2,628	..	1,01,565	1,04,193	1,04,193	..	..	314*	..	
Orissa	64,298	21,14,960	21,14,960	..	20,50,662	22,39,723*	..	
Sind
	9,580	6,77,763	67,95,756	74,83,099	74,40,271	42,828	67,95,756	68,90,216	3,96,097		

Chief Commissioners' Provinces

Delhi	..	..	..	..	..	..	..	..	..	..	..
Baluchistan	..	..	..	1,588	2,05,378	2,09,307	—2,343	2,05,378	2,05,378	..	..
Ajmer-Merwara	..	..	..	..	..	..	..	..	..	..	..
Coorg	..	..	..	2,183	2,183	2,183	..	..	..	..	..
	..	..	3,769	2,05,378	2,09,147	2,11,490	—2,343	2,05,378	2,05,378	..	..

Indian States and Administered Areas

Indian States	3,96,292	5,17,420	9,13,712	9,13,712	..	5,17,420	4,46,420	71,000
Administered Areas	57,207	4,87,816	5,45,023	5,45,023	..	4,87,816	6,16,300*	..
							<u>10,62,720</u>	<u>71,000</u>

*Excess recoupment during 1943-44 due to recovery of arrears not recouped during 1942-43.

†Excess recoupment made during 1943-44 to adjusted in 1944-45.

Summary of expenditure on road works of military importance upto 1943-44.

Province or Administration	Already Sanctioned		Upto 1942-43		Sanctioned during 1943-44		Total		Special con-tribution to reserve	Sanctioned
	Allocated	Reserve Proper	Special con-tribution to reserve	Allocation	Reserve Proper	Special con-tribution to reserve	Allocation, Proper reserve	Reserve Proper		
	Rs. lakhs	Rs. lakhs	Rs. lakhs	Rs. lakhs	Rs. lakhs	Rs. lakhs	Rs. lakhs	Rs. lakhs	Rs. lakhs	Rs. lakhs
Madras	9.93	..	0.33	2.49	..	12.42	..	16.33	..	16.33
Bombay	49.23	..	23.31	0.22	..	49.44	..	23.75	..	23.75
Bengal	3.89	..	0.97	..	..	3.89	..	0.97	..	0.97
United Provinces	8.71	2.21	7.80	3.33	..	12.04	..	17.85	2.21	17.85
Punjab	25.03	14.24	50.38	0.29	15.64	25.31	29.88	76.34	29.88	76.34
Bihar	2.95	..	..	..	..	2.95	..	..	..	..
C. P. & Berar	0.22	..	..	..	..	0.22	..	..	..	..
Assam	0.89	..	..	..	..	0.89	..	..	..	..
Orissa	0.86	0.93	0.22	0.02	..	0.88	0.93	0.22	0.93	0.22
Sind	..	2.00	45.07	0.15	..	0.15	2.00	79.73	2.00	79.73
Delhi	..	..	..	..	..	..	..	..	..	..
Beluchistan	1.48	..	11.85	..	..	1.48	..	11.85	..	11.85
Coorg	0.39	..	..	0.23	..	0.62	..	..	..	..
Ajmer-Merwara	0.07	..	..	..	..	0.07	..	..	..	..
Indian States	..	1.20	19.04	..	..	2.74	1.20	21.78	1.20	21.78
Administered Areas	0.34	3.04	6.57	..	..	0.34	3.04	6.57	3.04	6.57
Grand Total	103.97	23.62	165.44	6.73	15.64	110.70	39.26	255.39	39.26	255.39

Expenditure on Myltan-Rohri-Quetta Road financed by Special contribution made to Reserve from ordinary General Revenues.

	Amount approved		Total
	upto 1942-43 Rs. lakhe	During 1943-44 Rs. lakhs	Rs. lakhs
Punjab	4.42	..	4.42
Bahawalpur	20.61	..	20.61
Sind	24.90	0.50	25.49
Baluchistan	31.06	..	31.06
M. T. Park Rohri N. W. R.	0.17	..	0.17
	81.25	0.50	81.75

APPENDIX XII

Memorandum regarding general review of adequacy of the Renewal Reserve Fund of the Posts and Telegraphs Department and a lump sum contribution to the fund of Rs. 50 lakhs during 1945-46.

In paragraph 46 of the Report on the accounts of the Posts and Telegraphs Department for 1942-43, the Public Accounts Committee noted with approval that a lump sum contribution of Rs. 1,00 lakhs from the revenues of the Posts and Telegraphs Department for 1944-45 to the Renewals Reserve Fund was intended to be made. In 1942-43 a sum of Rs. 150 lakhs was paid for the first time as a special contribution to strengthen the Renewals Reserve Fund.

2. It was decided to postpone the general review of the adequacy of the Fund till the end of 1944-45 when it was expected that the assets of the Telephone Companies would be completely taken over and the Telecommunications Development Scheme would be completed.

3. About half of the Telecommunications Development Scheme was completed by the end of 1944-45 and the bulk of the other half is expected to be completed by the end of 1945-46, leaving a small portion to be carried out in 1946-47. The question of the incorporation of the Capital accounts of the Telephone Districts is under examination in consultation with the audit authorities. Further, the department has undertaken another large scheme for the development of Telecommunications on Indian Railways. This scheme is likely to be completed by the end of 1945-46. The general review may, therefore, be suitably postponed till the end of 1946-47 when it should be possible to work out a satisfactory basis.

4. It will be observed from the attached tabular statement that the withdrawal during 1945-46 is expected to exceed the normal contribution to the fund for that year. It has, therefore, been decided by the Government of India that, pending the general review, another lump sum contribution of Rs. 50 lakhs should be made to the fund out of the revenues of the department for 1945-46. This will raise the balance at the end of the year from 15.35 per cent. to 17.30 per cent. of the Capital at charge and practically bring it to the level for 1944-45.

Statement showing position of Renewal Reserve Fund

Year	Opening balance of R. R. Fund	Contribu- tion from Revenue	With- drawal from the Fund	Closing balance at the end of the year	Capital at charge in respect of fixed assets	Propor- tion which closing balance bears to capital at charge
1	2	3	4	5	6	7
						Per cent.
1936-37	3,03,79	25,00	21,88	3,06,91	17,62,71	17.41
1937-38	2,83,30*	23,13	15,30	2,91,13	16,71,88†	17.41
1838-39	1,89,13‡	23,13	16,36	1,95,90	17,07,03	11.47
1939-40	1,95,90	23,05	20,89	1,98,06	17,36,06	11.41
1940-41	1,98,06	23,05	26,40	1,94,71	17,59,24	11.06
1941-42	1,94,71	25,00	27,13	1,92,58	17,73,04	10.86
1942-43	1,92,58	1,75,00	39,84	3,27,74	19,06,18	17.19
1943-44	3,27,74	25,00	29,25	3,23,49	19,59,56	16.51
1944-45 upto March 1945						
Final accounts	3,23,49	1,25,00	46,89	4,01,60	22,75,82	17.65
1945-46 (B. E.)	4,01,60	25,00	31,54	3,95,06	25,73,17	15.35
		75,00		4,45,06		17.30

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

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

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

NOTE.—The above figures are exclusive of those relating to the Telephone Districts. These will be taken into consideration when the final review is carried out. Complete figures in this behalf are not available at this stage.

APPENDIX XIII

Memorandum regarding review of basis of apportionment of cost of petty works between Working Expenses and Renewals Reserve Fund in the Posts and Telegraphs Department

In para. 57 of the Report on the accounts of the Posts & Telegraphs Department for the year 1942-43, the Public Accounts Committee desired that the existing basis of the apportionment of cost of petty works between Working Expenses and Renewals Reserve Fund should be reviewed. As a result of the increase since 1940, in the monetary limit (from Rs. 200 to Rs. 2,500) upto which works of capital nature have to be debited to Working Expenses, the expenditure on petty works falling within the revised limit, which was previously charged to capital, is now booked to Working Expenses. The basis of apportionment of the cost of petty works adopted in 1936 is that 25 per cent. of the cost of such works is charged to Renewal Reserve Fund. As a result of the raising of the limit of such works to Rs. 2,500, there is an extra debit to the extent of about Rs. 2 lakhs a year to the Renewal Reserve Fund.

2. As stated in the memorandum in reference to para. 46 of the Committee's report on the accounts of the Posts & Telegraphs Department for 1942-43, the general review of the adequacy of the Renewal Reserve Fund cannot be undertaken until the Telecommunications Development Scheme works are completed by the end of 1946-47. The review regarding apportionment of expenditure on petty works in the Posts & Telegraphs Department between renewal Reserve Fund and Working Expenses can also be suitably undertaken at the same time.

APPENDIX XIV

Report on alleged falsification of accounts

1. Paragraphs 7 and 8 of the Audit Report, Defence Services, 1944, refer to the unsatisfactory state of the store accounts in certain ordnance depots and point out certain irregularities.

The Military Accounts Committee has stated, in calling for an investigation of these irregularities, that the facts given in the Audit Report afford *prima facie* evidence of deliberate falsification of accounts.

2. The Brigadiers, Indian Army Ordnance Corps responsible for the administration of the depots concerned were therefore instructed to order an investigation and to report the results; they were informed that deliberate falsification of accounts had been alleged.

3. (a) The investigation at two of the depots showed that the irregularities were discovered during Local Audit, and that action was taken, at the time, to avoid a repetition of the errors; in both cases, further investigation into past errors was suspended, under a G. H. Q. authority dated 15th December 1943, because it was desired to examine, in consultation with the Military Finance Department, the extent to which the investigation of past errors (in all depots) might be dispensed with on the ground that it interfered, to little profit, with current work.

(b) The reports on investigation carried out on all three depots have this in common, *viz.*, that they ascribe the irregularities to the large percentage of untrained and inexperienced staff whose errors arose from ignorance of correct procedure and not from any intent to defraud—that is to say from that class of errors which the Military Accounts Committee is prepared to condone *vide* para. 9 of its report. No disciplinary action has been taken in connection with the irregularities except to discharge certain clerks found guilty of "scoring" out the errors in one depot.

4. (a) In the case of two depots the irregularities are ascribed wholly to the common factors referred to in para. 3(b) above.

(b) The following is a brief summary of other causes as regards the third depot.

The threatened invasion of Southern India necessitated the evacuation of large stocks to depots located further inland; this considerable movement of stock led inevitably to the subordination of normal accounting procedure to the urgent need for physical clearance. A test check of ledgers showed 18 instances in which the number of packages originally shown in the ledgers as having been received was later altered to accord with the corresponding number actually issued to overseas formations. In considering the evidence produced during investigation, Brigadier, Indian Army Ordnance Corps, Southern Army formed the opinion that there was no evidence of any deliberate attempt to defraud by falsification of accounts.

Summary

Although local investigation into the reported irregularities in all the depots to be conducted with the probability of fraud in mind, not only was there a complete lack of evidence to support the suspicion of fraud, but the Local Audit Officers themselves had no knowledge that accusations of this nature had been made.

It seems clear from a study of the detailed reports on which the preceding remarks have been based, that there is no evidence of any deliberate attempt at falsification of accounts.

APPENDIX XV

General Report on Ordnance Depot Administration

Improved methods of accounting, stock-taking, storage and depot procedure, have been introduced, based mainly on the latest U.K. system and as a consequence a very considerable improvement under these headings has been effected.

2. *Accounting.*—The introduction of an independent ledger-checking staff ensures that postings are up-to-date and accurately recorded. New types of account cards on the Visible Index system are under preparation and will increase accounting efficiency. An improved ledger posting position in 1944 is indicated by the fact that the average number of outstanding items for the last quarter at any one time was 6,299 as against 18,051 for the last quarter of 1943. The necessity for correct accounting is being constantly impressed on the Depot staff by means of circulars and letters and by touring and inspecting officers.

3. *Stock-taking.*—(a) Depot stock-taking prior to 1943 was one of the many duties of group officers. Special officers are now detailed for this purpose and their sole duties consist of continual check of physical balances in the store-houses, subsequent reconciliation with account card balances and investigation of discrepancies. Verifications have as a consequence been more thorough. In large depots, stock-taking has been instituted on a yearly basis as it was found that more frequent checks could only be effected at the expense of accuracy, but when practicable, more frequent checks of quick-moving items are carried out. In smaller depots the main stock-taking is still carried out half yearly.

(b) As has occurred in all theatres, stock-taking has proved a very difficult task but even so only eleven Depots were behind schedule in 1944 and of those ten were over 90 per cent. complete. (Please see (c) below as regards the 11th Depot). As stock-taking officers and their staff acquire greater experience, stock-taking in depots will, it is expected, become progressively more accurate in future.

(c) Stock-taking at Central Ordnance Depot, Dehu was not completed by the date fixed for the drawing of the "Red line" (30th June 1944) and even to date it has not been completed. Due to many difficulties such as an entire rearrangement of stores both inside sheds and outside, to enable existing sheds to be refloored and new sheds to be constructed, stock-taking had to be temporarily abandoned and no forecast can yet be given by when it may be completed. A special committee was appointed to examine the position independently at the Depot and to report on:

- (i) the possibility of stock-taking at present,
- (ii) the date by which it could be completed,
- (iii) what assistance is required to carry out (i) and (ii).

Copy of the Report Their report has since been submitted and is under consideration. placed below.

4. *Storehouses.*—Very considerable progress has been made in the endeavour to lay out storehouses on the principles adopted in the more up-to-date U. K. establishments. A uniform system has been introduced and the exact locations of all stores held are to be recorded, although entire completion is delayed through lack of a sufficient number of storehouses and equipment. To facilitate stock-taking, standard methods of stacking are now used, but the paucity of high grade labour and adequate supervisory staff have been the limiting factors in achieving complete success in this direction.

5. *Standard Depot Procedure.*—All depots of India Command have adopted U. K. Depot procedure and this has speeded up the issue of stores and increased the efficiency of documentation.

6. *General.*—An all-India tightening up of depot administration over the past year, the constant training of personnel based on experience in India and deputations to the U. K. have had a marked effect on efficiency and although rapid expansions have occurred with a consequent thinning down of experienced and trained personnel, it can confidently be anticipated that the standard of efficiency now reached will be maintained and improved upon.

Ordnance Depot Administration

Para. 3(C) of the Report stated that a special committee had been appointed to examine the position at the C.O.D. Dehu and to report on—

- (i) the possibility of stock-taking at present,
- (ii) the date by which it could be completed,
- (iii) what assistance would be required to carry out (i) & (ii).

2. The examination by the committee was carried out and the report was dated 31st March 1945.

(a) The Committee was of the opinion that stock-taking in the three of the 6 sub-depots could proceed normally and instructions have been issued to this effect.

(b) As regards the remaining three sub-depots the location of stocks was incomplete and the committee recommended that stock-taking should not proceed until the commandant was satisfied that all stocks had been located.

(c) The reasons for the failure to accomplish correct location of stocks were:

- (i) Extreme shortage and indifferent quality of labour and the weakness of the supervising grade which prevented the accurate sorting and stacking of cases which were difficult to identify.
- (ii) The shortage of accommodation, accentuated by the necessity for re-flooring eleven store-houses each of 30,000 sq. ft. and in consequence the double handling of cases which had to be removed and placed in the open.
- (iii) Insufficient handling gear.
- (iv) Indifferent lighting of the depot by day and lack of lighting by night.
- (v) The receipt of large quantities of stores before the depot was properly completed with covered storage space, roads, railways and racking.

3. In view of the foregoing, the Committee was not in a position to advise a date when the stock-taking could reasonably be expected to be completed.

4. The committee recommended the following assistance for the C.O.D., Dehu:—

- (a) Additional accommodation.
- (b) Extra Decauville railway.
- (c) The early completion of the re-flooring of certain sheds, and of the electrification scheme.
- (d) The posting of certain additional specialist staff.
- (e) The provision of adequate labour.

5. The following action has already been taken on the recommendations set out in para. 4.

(a) Arrangements have been made for the supply of Nissen hutting to the extent of 55,000 sq. ft. of storage accommodation. The possibility of further provision is under examination.

(b) Additional Decauville railway is being supplied.

(c) The re-flooring and electrification are being accelerated.

(d) Certain Specialist staff has been posted.

(e) Additional labour has been posted and efforts are being made to increase recruitment in southern India for importation to Dehu. Action has been taken to ensure early provision of trained supervisory staff.

APPENDIX XVI

Report on the improvement made in the keeping of the individual accounts of personnel on the war system of accounting

A great deal of attention has been and is being paid to this matter by both the financial and administrative authorities who fully realise the vital importance of bringing these accounts into a satisfactory state before heavy releases and general demobilisation of Defence personnel occur. A number of the measures taken to this end have already been reported to the Committee and many additional ones have recently been instituted as a result of the intensified investigation of the problem.

On the accounting side revised I.R.L.A. forms are being introduced with a view to simplifying and systematising the posting work, and various measures of re-organisation and changes in procedure designed to tighten up control over, and generally to speed up and improve, the work of maintaining these accounts, have also been put into force. In addition the supervisory staff in the accounts offices concerned has been strengthened. On the administrative side the work of notifying promotions, reductions in rank, leave, and other occurrences affecting the pay of personnel has been centralised at Jhansi and courses for the instruction of officers in the work of Record Offices have been started. Clear instructions have also been issued for the guidance of all concerned in regard to the procedure for notifying happenings affecting the emoluments of personnel, the method of dealing with the pay books of other ranks, and other matters relating to the maintenance of the soldier's pay accounts.

2. These measures have already resulted in a marked improvement in the state of the accounts and a substantial reduction in the magnitude of the arrears of work. In the case of officers' accounts the Military Accountant General has reported that they are now in a satisfactory state and that in consequence there has been a welcome diminution in the number of complaints from officers regarding their personal accounts.

As regards 'other ranks' while the reports received from the Military Accountant General indicate that great progress has been made during recent months in the clearance of arrears, the condition of some of the offices still causes anxiety, mainly because further improvement is seriously hampered by inadequacy of staff; this in its turn being attributable to difficulties in the way of providing office and residential accommodation. Special attention is being given to this matter and the highest priority has been given to the works projects put forward to remove these deficiencies.

3. Recently at the request of the Government of India His Majesty's Government agreed to send out a Mission consisting of a number of expert R.A.P.C. Officers and other ranks to conduct experiments with a view to improving the state of these accounts in the Corps and Departmental Field Pay Offices. This Advisory Mission has been entrusted since the beginning of May with the running of one of the bigger offices in India in accordance with the R.A.P.C. system and methods, the object being to extend these operations to other similar offices should they prove successful. While it is too early at present to pronounce judgment on the result of these activities there is reason to believe that the application of the system and methods of control advocated by the Mission to some at least of the larger pay offices will have a beneficial effect in speeding up the disposal of arrears and bringing the accounts at an early date into an up-to-date and satisfactory condition. In any case the loan of a body of experts for work of this nature cannot but have a stimulating and educative effect and the action of H.M.'s Government in sparing their services at a time when their own needs are so pressing is fully appreciated.

APPENDIX XVII

Centralization of information at Headquarters in respect of rates and cost of works executed throughout the country

At their meeting on the 9th August 1944 the Military Accounts Committee desired to be furnished with a report showing the action taken by the engineering authorities at G.H.Q. to collect information in respect of rates and costs of works executed throughout the country, with a view to exercising a watch and general control over such costs. The present normal contract procedure is for contractors to base their tenders for any particular work on the cost of such work computed according to the standard war schedule of rates. The tenders quote percentage increases or decreases, as the case may be, against that cost.

2. Monthly reports are now received in the E-in-C's office at G.H.Q. showing the average percentage variations from the war schedule of rates at which contracts have been let in each area and these are carefully collated and studied with a view to investigating any abnormal variations, either from time to time or as between different stations, in these percentages.

3. The E-in-C is satisfied that contract rates are now generally reasonable. The only area where prices appear to run consistently higher than they should, is Mhow, which appears to be due to the fact that this station covers a large and comparatively inaccessible part of Central India, where it is difficult to get contractors to go and compete for relatively small contracts and where transport costs also run high.

4. A consolidated statement giving the percentages reported for this purpose during each of the months of 1944-45 will be shown to the Committee if required at their meeting.

APPENDIX XVIII

Report on alleged Falsification of Accounts

The first sub-paragraph of para. 19 of the Audit Report 1944 dealt with the unsatisfactory state of accounts at the Station Supply Depot, Madras. This matter has been investigated and the results summarised below.

2. Early in the summer of 1942, there was a very serious threat of invasion in Madras and there was a general evacuation of the city on a large scale. The Station Supply Depot at Madras was already short of staff and labour and with the invasion scare the situation grew more acute, and general confusion was the result. A change over from the peace to the war system of accounts was also ordered at the time and in these circumstances it was practically impossible for the Officer Commanding to keep proper or correct accounts during the period.

3. The accounts were subsequently reconstructed from such records and data as were available and an audit of these accounts was carried out in August 1943. The objections raised as a result of this audit related mainly to vouchers which were either missing or which were probably not prepared at all. It has in fact been represented by the local authorities that the accounts as subsequently prepared could not possibly be considered as giving anything even approximating to a true indication of the state of affairs as they were in the Depot in 1942.

4. The fact that the issues on 31st May 1942 were far heavier than the average of the previous issues was not due to the fact that these transactions represented issues to consuming units on the date. As a matter of fact, the Station Supply Depot was temporarily closed down on the 31st May 1942 and the duty of obtaining supplies and issuing them to units, etc., in the Madras area was taken over by the newly-formed Supply Section as from the 1st of June 1942. What would appear to be large issues on the 31st of May 1942 were really transfers of working balances from the Station Supply Depot to the new Supply Section.

5. In the circumstances, the Q.M.G. is satisfied that there was no deliberate attempt at falsification of the accounts, but that the irregularities and short-comings in the matter of accounts were the inevitable result of the confusion that resulted from the invasion scare in April 1942.

APPENDIX XIX

Failure of certain formations to carry out stock verification

Investigations have been made and explanations obtained in all but a few cases for the failure to carry out stock verification. The exceptions are cases where owing to lapse of time, absence of records and changes in personnel, no reliable information is now available.

2. Generally speaking, the explanation lies in the unprecedented conditions obtaining during the period under review, viz.—

(a) heavy expansion of the services necessitating formation of units which were called upon to function at short notice with staffs and establishments in some cases inadequate in numbers and in most cases lacking in experience of accounts requirements;

(b) the threat to India from the East which necessitated a complete change in strategy and administrative planning, and imposed a tremendous strain on supplying units and formations, in which category fall the majority of the formations which are the subject of this report;

(c) frequent changes in staffs which militated against the continuity of unit and stores administration; and

(d) in the case of M.E.S. formations, a system of stock accounting (since revised) which did not permit of easy verification by the staff then available.

It may be mentioned that in some of the cases under reference stock was actually verified, but the results were not presented in a form which satisfied the auditor.

3. The above is a general explanation. A few of the cases are dealt with in greater detail.

(a) During the period in question, one large maintenance unit was the only established one of its kind and had to arrange for the distribution of equipment to five such units newly formed in connection with the rapid expansion of the whole organisation of the service concerned. This was done in most difficult circumstances, at a time when the central organisation itself was only just forming. The personnel of the unit could not cope with the paper work.

To remedy matters, a physical check of all stores held by the unit was undertaken in mid-1943 and the stocks revealed as a result of this stock taking were taken as "commencing balance".

The difficulties with which the unit had been faced were recognized by Government and regularizing orders issued.

(b) An embodied A.F.I. unit had suffered from frequent change of Adjutants, it was understaffed and in the prevailing circumstances all efforts had to be concentrated on raising the standard of efficiency required by the unit's role. There are no records to show that stock verification took place prior to 1943-44 as the present staff only took over in 1943. The verification for 1943-44 was carried out and that for 1944-45 was in hand on the date of report,

(c) Investigations showed that the station stores of a certain station had not been checked from the time it first became a military station during the war—doubtless due to inexperience of the officers concerned. A station board was convened which brought to light minor deficiencies. These were written off and new ledgers prepared since when stores have been checked regularly.

4. It has been ascertained that verification has been carried out or is in hand by all the units/formations in question except one, now outside the India Command, in regard to which information is not available.

APPENDIX XX.

Memorandum regarding amount involved in respect of the failure to recover rent for residential buildings mentioned in para. 16 of the Audit Report, Defence Services, 1945.

With reference to para. 16 of the Audit Report, Defence Services, 1945, the Military Accounts Committee at its meeting on the 8th August 1945, expressed a desire to have some idea of the amount involved in respect of the failure to recover rent for residential buildings mentioned in that paragraph. Since the collection of complete data on the subject would be a very troublesome and heavy task, the Committee asked that particulars relating to a reasonably representative station—e.g., Meerut—should be furnished to them.

The Military Accountant General has now reported that the total number of such rent bills issued in the Meerut Division up to and for the month of October 1944 that are still shown as outstanding is 218 and their aggregate amount Rs. 39,013. This amount represents about 25 per cent. of the annual rent recoverable in Meerut for residential accommodation. It is explained however that some of these bills although shown as outstanding may have been settled, the authorities concerned having omitted to notify the fact. The Military Accountant General is taking urgent action to have all bills reported as outstanding investigated on the spot by a special staff so that the outstandings may be cleared as soon as possible. With the introduction of the new procedure from the 1st November 1944, recovery of rent for residential accommodation is effected more-or less automatically by disbursing officers on receipt of occupation returns from Officers Commanding units and no large outstandings of this nature are likely to accrue after this date.

APPENDIX XXI.

Report required by para. 15 of the Report and 29 of the Proceedings of the Military Accounts Committee on the Appropriation Accounts of the Defence Services for the year 1942-43.

In paragraph 29 of the proceedings of their meeting held on 10th August 1944, the M.A.C. asked for a full report on the case mentioned in para. 58 of the Audit Report 1944.

2. In August 1942 the Q.M.G. placed an indent for 23,812 tons of sugar to be supplied during the period of January to June 1943. Later on, for operational reasons, he desired delivery in December, 1942, of a part of his requirements amounting to 885 tons, the dates on which he sent the revised advices being—

- (i) 16-17th October for 745 tons; and
- (ii) 23rd November for 140 tons.

As sugar is a controlled commodity, the allocation had to be obtained from the Sugar Controller who could not find the required sugar at once. Allocations were received on the 28th November and the 4th December in respect of (i) and (ii) respectively and supply orders followed about a week after in each case. The Q.M.G.'s despatch instructions can normally be issued only after the receipt of the supply orders as till then he does not know the source of supply and the quantity available from each source; and detailed arrangements for inspection, provision of wagons, and routing of consignments to suitable depots naturally take time. There was some error in the issue of supply orders which caused a few days' delay in the issue of Q.M.G.'s despatch instructions but even without this delay it is doubtful whether delivery could have been effected before the end of December. Except for this minor delay, the arrangements followed the normal course and clearance was made in January 1943.

3. The Q.M.G. expected that he would receive the supply orders in time to permit of delivery being arranged by the due dates and the raising of sugar price which, incidentally, was announced only on the 1st January 1943, was a pure accident which he could not

anticipate. It has also to be remembered that this was but a fraction of the indent which was normally due for compliance after December 1942 and in respect of which the enhanced price could not have been avoided.

4. The case does not reveal any defect in the procedure. The indenting authorities are strictly enjoined not to demand delivery earlier than is absolutely essential or is practical. These injunctions have been reiterated recently.

APPENDIX XXII.

Memorandum regarding lack of method revealed by the case reported in paragraph 56 of the Audit Report, Defence Services, 1944.

In para. 28 of the proceedings of the Military Accounts Committee on the accounts of 1942-43, the Committee desired to have full details of the case mentioned in para. 56 of the Audit Report 1944, and the action taken to clear the arrears.

2. The work in connection with payment for purchase of timber through the Provincial Governments and Indian States was transferred in October 1941, from the Controllers of Military Accounts to the Chief Controller of Supply Accounts, New Delhi, the local audit of timber depots remaining with the M.A.D. This order did not contemplate the transfer of work in connection with the pricing and adjustment of the Issue Vouchers for timber issued from the Timber Depots to other Government Departments including Defence and Private parties, etc. With the introduction of this change the accounts adjustments were to be carried out by two different agencies, i.e., by Controllers of Military Accounts in respect of timber issued from timber Depots and the C.C.S.A. in cases of issues from trade. But the procedure gave rise to certain complications and practical difficulties. It was, therefore, considered necessary that one accounts officer should be made responsible for carrying out all financial adjustments and orders were accordingly issued transferring the work of adjustment of all issue vouchers to the C.C.S.A. with effect from 1st July 1942. Under these orders the Controllers of Military Accounts were made responsible for pricing and adjusting all issues made upto 30th June 1942, except in cases where the necessary information and documents were already in the possession of the C.C.S.A. Thus the time-lag between the transfer of the payment work and of the adjustment work to the C.C.S.A. and the complications created by the two offices having been made responsible for the accounts adjustment led to accumulation of arrears in the adjustment of issue vouchers.

3. After the transfer of the work, difficulties were experienced by the C.C.S.A. in adjusting the Issue Vouchers. According to the procedure in force, the Local Audit Officers who were under the Controllers of Military Accounts were required to send copies of Issue Vouchers to the C.C.S.A. for evaluation and adjustment on receipt of the vouchers from the issuing depots or after collecting them from the depots at the time of auditing the store accounts but some of the L.A.Os. were not in a position either to send the required number of copies or to send any at all. This was mainly due to the facts that M.A.G. was not kept informed of the existence of the numerous temporary Depots which had to be set up for handling Supply Department timber and consequently no arrangement could be made by him for the local audit of such depots and these depots were not also instructed to schedule the issue vouchers to the L.A.Os. It was eventually decided to transfer the local audit also to the C.C.S.A. with effect from 1st April 1943. As a result there was a further accumulation of arrears in the adjustment of Issue vouchers.

4. It was also found that Supply Orders and Issue Vouchers were not received in many cases and the wanting documents had to be obtained from the Timber Directorate files. The progress was naturally slow due to the difficulty in tracing the necessary documents from the Timber Directorate files. The Timber Directorate ultimately agreed to furnish consolidated statements showing total quantity issued and the average rate at which the cost is to be worked out against each supply order, so that bulk adjustment of vouchers issued upto 1st April 1943, may be made.

5. With effect from August 1944, the C.S.A. Delhi, segregated the arrear work from the current work and opened a new section consisting of 1 Superintendent and 10 clerks for expediting the disposal of arrear adjustments. The progress made in this matter has received the constant attention of the C.S.A. and the result achieved so far is explained below :—

(a) <i>Issue Vouchers up to 31st March 1943</i>	(in round thousands)
No. of unadjusted Issue Vouchers	33,000
No. adjusted individually and through bulk adjustment statements	20,000
Balance still unadjusted	13,000

Out of this number, about 11,000 relate to issues to M.E.S. and the balance to other issues. The latter will be adjusted on receipt of the remaining bulk adjustment statements and brisk action is being taken to push the work through. As regards the M.E.S. vouchers please see sub-para. (c) below :—

(b) <i>Vouchers received from 1-4-43 to 31-3-44</i>	(in round thousands)
No. of Vouchers	66,000
No. adjusted	59,000
Balance	7,000

Of these about 5,000 vouchers relate to issues to M.E.S. and the balance to other issues. As regards M.E.S. vouchers please see sub-para. (c) below. The reasons for non-adjustment of the other vouchers are mainly that the relevant copies of supply orders are wanting. Arrangements have been made by deputing special staff to get them copied from Timber Directorate files. These are expected to be disposed of shortly.

(c) As regards the 16,000 vouchers for issues to M.E.S. the question of making the adjustments on the basis of bulk statements prepared by the Timber Directorate was considered. After considerable discussions it has been decided that the adjustments should continue to be made by valuing individual vouchers as in the past. The work has been taken in hand and will be pursued energetically.

APPENDIX XXIII.

Memorandum in respect of developments relating to lease & lend accounts.

In para. 14 of their report on the Appropriation Accounts of Defence Services for 1942-43 the Military Accounts Committee desired that they should be kept informed of the further developments about lease lend accounts the procedure for which was prescribed in 1943, and described in para. 40 of the Audit Report 1944.

2. The new procedure has been in operation for nearly two years and it has not been found necessary to make any material change in it in the light of actual experience. Regular accounts of shipments and arrivals are now being compiled and the arrears outstanding at the time the new procedure was introduced have now been nearly cleared. Only the arrival accounts still remain to be completed and active steps are being taken in consultation with the Port Shipping authorities to fill in the omissions and complete them. No difficulty has been experienced in obtaining the materials required for the compilation of the accounts either from the India Supply Mission or from the Port Shipping Officers in India. The accounts from the latter occasionally took considerable time to prepare and reached the accounts office long after the ships had berthed and discharged the cargo. The form has recently been revised and simplified and it is hoped that this will eliminate the delay.

3. While the procedure has successfully stood the test of practice its effectiveness has to some extent been vitiated by the failure of the executive and administrative authorities to observe some of the prescribed provisions. There have been many cases of failure to issue disposal orders in the standard form. Delays have frequently occurred in returning the copy of the disposal order to the Accounts Officer after clearance and in obtaining the consignees' acknowledgments for stores despatched to them. These defects have from time to time been brought to the notice of the appropriate administrative authorities and the position is improving with growing experience.

4. The organisation of the Chief Accounts Officer (American Purchases) has been recently strengthened to enable him to exercise a more effective check on the proper observance of the prescribed procedure. Among other things, the Chief Accounts Officer (American Purchases) has recently posted his concurrent audit staff at all the Port Shipping Offices for the current audit of the records maintained by the Port Shipping Officers.

APPENDIX XXIV.

Memorandum explaining the nature and scope of the measures adopted by the Supply Department to meet the demands of the Defence Services.

A comprehensive memorandum explaining the nature and scope of the measures adopted by the Supply Department to meet the demands of the Defence Services was presented to the M.A.C. at their meeting held on the 10th August, 1944. Since then, there have been no important changes in the methods of purchase or in the measures of executive and financial control.

2. There has been a progressive decline from 1943-44 in the value of contracts for war supplies placed by the Supply Department. This is due, partly to the improvement in the war situation, and partly to the decision of Government to release capacity to the maximum extent possible for civil production to maintain the internal economy of the country. The Hydari Mission was conceived in this spirit, (a) to obtain relief and diversion in the load of war supplies, and (b) to arrange imports (i) of consumer goods to make up deficiencies in Indian production and supplies, and (ii) of coal mining and other equipment, mill stores spares, raw materials, etc., in order to maintain and increase India's production.

3. Following progressive reduction in the volume of war supplies, closer liaison is being established between the Supply Department and other Central Departments and Provincial Governments to achieve reconversion to peace production. Control on the movement of steel for civil purposes has been relaxed, and larger quantities of steel and cement have been released for civil use. War-time restrictions on imports of capital goods, machine tools, and other items required from overseas for civil production in India have been eased very considerably. Steps have been taken to secure civil Government orders to keep, e.g., the Steel & Engineering industries in full employment as war orders taper off.

4. A small organisation has also been set up to study the problems of large-scale cancellation of contracts on the cessation of hostilities. Orders have issued to the Purchase officers to segregate the 'break clause' contracts and to tabulate them in prescribed forms to facilitate termination and expeditious settlement of contractors' claims. Meanwhile, arrangements such as the periodical review of the demands by the indentors, limitation of

the period of contract to cover three months requirements, rigid enforcement of delivery dates, etc., have been ordered to keep the problem within manageable proportions.

5. The responsibility for the production and distribution of coal which was previously shared by Labour, Railway, and War Transport Departments was transferred to the Supply Department from June 1944. Various measures have been adopted to increase the production of coal, involving considerable financial assistance to the industry. These include—

(a) Recruitment of a labour force of 30,000 men from the Gorakhpur area in the United Provinces to remedy the scarcity of local labour in the coalfields. Mine owners employing this labour pay for it at basic local rates plus an additional 100 per cent. as a contribution towards the cost of supervision, housing and other charges of this imported labour.

(b) A special depreciation allowance at the rate of 50 per cent per annum on the written-down value of assets for a period of two years on new equipment necessary for maintenance or increase of coal production.

(c) An E.P.T. free bonus when production exceeds the target fixed for each colliery undertaking.

(d) Mechanisation of 'near-surface' coal quarrying, financed and operated by Government. Initial production difficulties are being gradually overcome, and it is hoped that this method of mining will make a substantial contribution towards easing the coal situation.

6. A reference was made in the earlier memorandum to the organisation which had been set up for the disposal of salvage and surplus stores. Government have set up a Disposals Board with the Secretary of Supply Department as Chairman to take policy decisions and to guide and direct the activities of the D. G. Disposals. The main principles governing the disposal of stores are :—

(i) to release stocks at a rate which, while fast enough to get the goods into the hands of consumers where they are most needed, will not cause the internal market to be so flooded that there are adverse repercussions on internal economy or production plans;

(ii) to ensure that the goods are sold to the ultimate consumer at prices which are reasonable in comparison with current prices of similar articles, and to prevent an unnecessary number of intermediaries and profiteering by middlemen;

(iii) as far as possible, to use the normal trade channels for distribution with a view to ensure that the usual traders or manufacturers, as well as the ultimate consumers, in different parts of the country get their fair share of the quantities available;

(iv) to consider the requirements of the Government of India, the Provincial Governments and the States, for their own use, before the release of goods to the civil market.

Bearing these general principles in mind, preparation of separate plans for the disposal of each major category of stores is in hand.

7. The growth of the Disposals organisation can be gauged by the figures of disposals given below :—

1943-44—Rs. 42 lakhs (November 1943—March 1944).

1944-45—Rs. 324 lakhs.

1945-46—Rs. 113 lakhs (April to June 1945).