



Report of the
Public Accounts Committee
on the
Accounts of 1944-45

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Composition of the Public Accounts Committee, 1946

Chairman

1. The Honourable Mr. Liaquat Ali Khan, Finance Member.

*Elected Members**Date of election or nomination*

2. Professor N. G. Ranga	31st January 1946.
3. Mr. G. W. Tyson, C.I.E.	31st January 1946.
4. Sri Mohan Lal Saxena	31st January 1946.
5. Mr. Tamizuddin Khan	31st January 1946.
6. Srijut B. S. Hiray	31st January 1946.
7. Pandit Sri Krishna Datta Paliwal	31st January 1946.
8. Mr. Abdur Rahman Siddiqi	31st January 1946.
9. Syed Ghulam Bhik Nairang	18th November 1946.

Nominated Members

10. Sir Cowasjee Jehangir, Bart, G.B.E., K.C.I.E.	27th February 1946.
11. Rai Bahadur Devendra Mohan Bhattacharyya, O.B.E.	27th February 1946.
12. Raja Sir Saiyid Ahmad Ali Khan Alvi, O.B.E.	27th February 1946.

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 expendi- ture
(In lakhs of rupees)			
Expenditure charged to Revenue (voted)	48,27	64,17	54,19
Expenditure charged to Capital (voted)	3,21	4,70	4,52
Disbursement of Loans and Advances (voted)	8,61	32,08	34,01
Total (voted)	60,09	1,00,95	92,72
Expenditure charged to Revenue (<i>non-voted</i>)	3,42,24	4,81,21	4,77,89
Expenditure charged to Capital (<i>non-voted</i>)	17,96	65,39	59,16
Total (<i>non-voted</i>)	3,60,20	5,46,60	5,37,05
Disbursements of Loans and Advances (<i>non-voted</i>)	7	6	7
Total (<i>non-voted</i>)	3,60,27	5,46,66	5,37,12
Total expenditure charged to Revenue	3,90,51	5,45,38	5,32,08
Total expenditure charged to Capital	21,17	70,09	63,68
Total disbursement of Loans and Advances	8,68	32,14	34,08
Grand Total	4,20,36	6,47,61	6,29,84

There was thus a total saving of Rs. 17,77 lakhs or 2.74 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 :—

	1940-41	1941-42	1942-43	1943-44	1944-45
Expenditure charged to Revenue	+3.18	+0.42	+6.38	+13.20	—2.44
Expenditure charged to Capital	—6.96	—67.50	+51.51	—4.89	—9.15
Disbursement of Loans and Advances	—7.85	—9.96	—4.25	+12.73	+6.04
Combined percentage	+2.51	—0.13	+10.89	+11.01	—2.74

As against a total excess of Rs. 53,93 lakhs over the final grant in 1943-44 there is a saving of Rs. 17,77 lakhs in the final grant for the year under review. The excess over the original appropriation is Rs. 2,09,48 lakhs against Rs. 2,17,16

lakhs in 1943-44. Of this the Defence Services accounted for Rs. 1,63,37 lakhs. The saving in the final provision is the net result of a saving of Rs. 19,70 lakhs under 'Civil' and of Rs. 20 lakhs under Posts and Telegraphs, partly counterbalanced by an excess of Rs. 2.13 lakhs in the Defence estimates.

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	14—Legislative Assembly and Legislative Assembly Department	7,03,000	7,30,182	27,182
2	19—Department of Education, Health and Lands	11,73,000	11,92,869	19,869
3	21—Finance Department	12,13,999	12,28,315	14,316
4	25—Food Department	33,35,000	33,35,251	251
5	27—Central Board of Revenue	12,60,000	12,82,111	22,111
6	34—Ports and Pilotage	29,63,000	29,70,584	7,584
7	35—Lighthouses and Lightships	8,87,000	10,07,880	1,20,880
8	36—Survey of India	32,83,000	49,08,138	16,25,138
9	41—Archaeology	11,97,000	12,27,922	80,922
10	42—Meteorology	26,39,000	26,43,221	4,221
11	46—Public Health	21,31,000	21,64,628	33,628
12	47—Agriculture	1,30,43,000	1,70,04,174	39,61,174
13	48—Imperial Council of Agricultural Research	13,57,800	13,61,117	4,317
14	54—Aviation	52,15,000	52,65,444	50,444
15	82—Interest Free Advances	18,53,99,000	20,29,95,904	1,75,96,904
16	83—Loans and Advances bearing interest	13,53,74,000	13,71,21,882	17,47,882
17	79—Indian Posts and Telegraphs—Stores Suspense (not met from Revenue)	1,000	47,82,665	47,81,665

The reasons for the excesses are briefly explained below :—

Item 1.—Mainly expenditure on the allowances of Members due to unexpected larger attendance during the autumn and budget sessions.

Item 2.—Mainly adjustment in the year of the cost of certain microfilming equipment received in the previous year and unforeseen expenditure in connection with the Indian Scientific Mission to the United Kingdom and the United States of America, provision for which was made under Grant No. 71—Miscellaneous.

Item 3.—Mainly unexpected expenditure incurred on the Indian delegation to the International Monetary Conference in the United States of America.

Item 4.—Petty excess.

Item 5.—Additional provision for war and travelling allowances of touring officers proved short as accurate details were not available.

Item 6.—Petty excesses under various heads.

Item 7.—Mainly increased contribution to the General Reserve Fund owing to larger receipt from light-dues than anticipated from Home-Trade vessels and other ships entering Indian ports.

Item 8.—Mainly erroneous debit of the cost of paper to this grant instead of to grant No. 70—Stationery and Printing which is being adjusted partly in 1945-46 and partly in 1946-47.

Item 9.—Mainly unanticipated adjustment of certain charges relating to the previous year.

Item 10.—Mainly short recovery from the Defence Services on account of meteorological facilities which is being adjusted in 1945-46.

Item 11.—Mainly smaller recoveries from the Defence Services on account of curtailment of the programme of work in the Blood Bank.

Item 12.—Mainly larger transfer to the Sugar (Temporary Excise) Fund owing to unanticipated increase in collections of Sugar (Temporary Excise) Duty.

Item 13.—Estimate for Supply of publications etc. from the United Kingdom proved low owing to uncertainty of supplies.

Item 14.—Mainly postponement of recoveries from the United States Air Forces of electricity and water charges owing to delay in settlement of details.

Item 15.—Expenditure on the purchase of Sudan cotton on behalf of Indian importers erroneously adjusted in the first instance under 'Suspense' instead of under this head. Readjustment made too late for provision of funds.

Item 16.—Mainly unanticipated increased loan to the Canteen Stores Department consequent on expansion of its activities partly offset by non-receipt of debit on account of Silk Expansion Scheme.

Item 17.—Mainly excessive purchases chiefly to meet the demands of the War Department and the requirements of works carried out under the Telecommunication Development Scheme, partly offset by savings in the "Manufacture Suspense Accounts" of the Alipore and Jubbulpore Workshops and the Bombay Telephone Workshop due to more outturn than anticipated.

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

3. *Minutes of Proceedings.*—We append the Minutes of the 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 have had occasion to comment more than once recently on the deterioration during the war years in the peacetime standards of budgeting and control. We regret to note that there has been no material improvement in this respect in the year under review. There have been voted excesses under 17 grants involving Rs. 3,00,48,288 against 15 grants involving Rs. 3,62,64,208 in the previous year. The number of supplementary demands during the year has risen to 56 and the amount to Rs. 40.86 crores compared with 55 demands for Rs. 24.58 crores in the previous year. On the Civil side (excluding the P. & T. estimates) the percentage of excesses over the original grant has been higher than in the previous year under both voted and non-voted heads. There has also been a drop in the percentage of the savings surrendered and an increase in the percentage of unsurrendered savings to the total grant which has risen steeply to 22.96 per cent against 10.53 per cent in the previous year, which was in itself a disconcertingly high figure compared with the earlier years. In one or two respects however there has been a slight improvement. The number of unnecessary supplementary demands has dropped to five compared with seven in 1943-44 and the number of excesses over the final non-voted appropriations has also registered a substantial drop. Even though we realise that the uncertain conditions created by the war affected the transactions of the year under review, as it affected the transactions of the earlier years, and we note the conclusion of audit that taking the exceptional and uncertain conditions of war time into account the budgeting and control of expenditure may be considered to have been on the whole satisfactory, we are still not satisfied with the position. We dealt at some length in our report last year about the need to

improve the standards of control in the matter of budgeting, the formulation of supplementary demands and the surrender of anticipated savings. The defects to which we then drew attention have more or less continued in the year under review, and we should like to repeat the recommendations we made last year. Now that the war is over, we trust that energetic action will be taken to secure the restoration of peace-time standards and that in future reports we shall have no occasion to repeat the same complaints.

5. *Unanticipated credits.*—We suggested last year that the Finance Department should examine, in consultation with the Auditor General, the feasibility of adopting the English system of accounting for recoveries of expenditure. We were informed that as a result of this examination it had been decided that the English system was not suitable for Indian conditions. The main objections to the English system were that the classification of recoveries partly as revenue and partly as reduction of expenditure on the merely accidental basis of how provision had been included in the budget was not scientific and that such classification would distort the statistical picture over a period of years. While we appreciate the force of these objections, we feel that the existing arrangements, under which an unforeseen recovery places in the hands of the spending authority additional funds for expenditure to which the positive assent of the Legislature has not been taken, are very unsatisfactory from the point of view of parliamentary control over expenditure. We suggest that the question should be further considered with a view to the removal of this grave defect.

6. *Capital Outlay on Schemes connected with the War.*—We reviewed the accounts of the various Capital schemes started during the war to facilitate production of war supplies or control the production, import or distribution of certain essential commodities, or commodities in short supply, for maintaining the economy of the country. The total outlay on these schemes to the end of 1944-45 amounted to nearly Rs. 271 crores of which a little over Rs. 258 crores had been recovered. We were informed that most of the schemes had been or were in the process of being wound up. As considerable sums are outstanding in the accounts on account of these schemes, we suggest that special steps should be taken to review all the schemes which are still open and to close such of them as are not necessary in existing conditions as early as possible.

7. *Debits for supplies and services.*—During our examination of the appropriation accounts we came across a large number of cases in which final savings had been explained as due to the non-receipt of debits for supplies by other departments. In this connection we suggested last year the adoption of the practice of making provisional payments to the supplying departments. We understand that this suggestion has been accepted in the case of supplies made to the Railways, whose accounts close relatively early after the end of the financial year, and that it has not been considered necessary to adopt it for other departments as their accounts are kept open for some months after the close of the financial year. We do not propose to reopen this question but we are left with the impression that the departments receiving the supplies or services do not maintain sufficiently close liaison with the supplying departments in this matter. While it is the duty of the supplying departments to arrange for the prompt raising of debits against the receiving departments, it is in our view equally the duty of the latter, as part of their control of expenditure of the funds placed at their disposal, to remind the serving departments and see that debits are received in time. We feel that if a close liaison is maintained between the supplying and receiving departments, there should be fewer cases of lapses due to non-receipts of debits and we suggest that this should be brought to the notice of all departments.

8. *Delay in the disposal of audit objections.*—We commented last year on the delay on the part of executive authorities in dealing with audit notes and objections. We regret to notice that there has been no improvement in this respect since then

We have suggested elsewhere that in the case of the Central Public Works Department an officer of the Audit Department and an officer of the rank of a Superintending Engineer should tour the various offices and expedite the disposal of the outstandings. We understand that the position is no better in the Posts and Telegraphs Department and we suggest that the feasibility of taking similar action in that department should also be considered. The early clearance of these arrears should be treated as a matter of urgency and once this has been done, we trust there will be no further complaints of delay.

9. *Action taken on the recommendations of the Committee.*—We wish to make two general observations regarding the action taken on the recommendations of this Committee. We review the accounts of a year some months after its close and if our recommendations are to have any effect on the departments concerned it is essential that action should be taken on them as quickly as possible. It must also be realised that this action is not complete with the issue of an order, memorandum or circular. The departments concerned should satisfy themselves that the instructions issued as a result of our recommendations are observed in practice and prompt and effective action should be taken against officers who repeat the irregularities commented upon by us. We fear that the need for urgent action on the recommendations of this Committee and for securing compliance with the orders issued as a result of the Committee's recommendations is not adequately realised and we suggest that the Finance Department should draw the attention of all departments to our observations on this point.

10. *Report of the Military Accounts Committee.*—We have examined the Report submitted by the Military Accounts Committee constituted to conduct the examination of the Defence Appropriation Accounts and the connected documents. The Report and proceedings of the Committee should, as usual, be treated as part of our Report.

PART II.—RAILWAYS

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

	Budget	Revised	Actuals
	(In lakhs of rupees)		
Traffic Receipts (less refunds)	1,82,00	2,14,30	2,16,38
Miscellaneous Receipts	4,57	4,85	5,03
Working Expenses (including depreciation, etc.)	1,14,28	1,47,49	1,42,28
Miscellaneous Expenditure	1,52	1,84	1,79
Interest charges	28,75	27,81	27,45
Surplus (+) or Deficit (—)	+42,02	+42,01	+49,89
Contribution to General Revenues	31,18	32,00	32,00

Out of the net surplus of Rs. 49,89 lakhs, a sum of Rs. 32,00 lakhs was paid to the general revenues and the balance of Rs. 17,89 lakhs was transferred to the Railway Reserve Fund. The closing balance for the year in the Railway Reserve Fund stood at Rs. 37,48 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. 883 lakhs; the actual closing balance of the fund stood at Rs. 102,21 lakhs at the end of the year.

12. *Excess over voted Grants.*—There were excesses in 7 voted grants viz., Nos. 5, 6-C, 6-E, 6-F, 8, 10 and 10-A, as compared to 8 during the previous year :—

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
1	Grant No. 5—Revenue—Payments to Indian States and Companies	Rs. 2,93,96,000	Rs. 2,94,50,617	Rs. 54,617
2	Grant No. 6-C—Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock	10,38,60,000	10,96,17,676	57,57,676
3	Grant No. 6-E—Revenue—Working Expenses—Expenses of Traffic Department	16,35,86,000	16,81,41,684	45,55,684
4	Grant No. 6-F—Revenue—Working Expenses—Expenses of General Departments	5,96,02,600	6,05,92,477	9,90,477
5	Grant No. 8—Revenue—Interest charges	97,000	97,399	399
6	Grant No. 10—Revenue—Appropriation to Reserve	10,84,08,000	17,88,47,209	7,04,39,209
7	Grant No. 10-A—Revenue—Withdrawal from Reserve	2,17,00,000	2,95,44,936	78,44,936

Brief explanations of the excesses are given below :—

1. Mainly increase in net earnings and consequently in the surplus profits payable to companies particularly on the Madras and Southern Mahratta Railway.
2. Mainly adjustment under the special procedure for allocation of replacement expenditure on rolling stock, being more than anticipated. (provision in the final grant was made on an approximate basis in the absence of detailed information)
3. Mainly heavier payment of compensation for goods lost or damaged resulting from increased traffic and higher price of commodities.
4. Mainly increased cost of police for the protection of railway property in the conditions created by the War.
5. The excess is nominal.
6. Mainly improvement in the Railway surplus and its appropriation to Railway Reserve as the share payable to General Revenues had been fixed at Rs. 32 crores.
7. Mainly more withdrawal from the fund under the special procedure of allocation than anticipated at the time of supplementary grant, when provision was made on an approximate basis in the absence of detailed information.

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

13. *Accuracy of budgeting and control of expenditure.*—The accounts for the year show a net saving (against the total grant) of about Rs. 5,68 lakhs or 3.2 per cent under Revenue Expenditure (exclusive of appropriation to or withdrawal from the

Railway Reserve Fund.) Under expenditure charged to Capital and the Depreciation Reserve Fund there was a saving of Rs. 25,36 lakhs or 49.04 per cent. These results compare with those of previous 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 or Appropriation	Saving (—) and Excess (+)	Percentage of column 3 to column 2
(In lakhs of rupees)			
1940-41	1,02,37	—1,23	1.20
1941-42	1,09,82	—20	0.18
1942-43	1,16,31	—2,47	2.12
1943-44	1,39,13	—23	0.17
1944-45	1,77,20	—5,68	3.21

Expenditure charged to Capital and Depreciation Reserve Fund.

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
1944-45	51,71	—25,36	49.04

Under both Capital and Revenue Expenditure there has been a marked deterioration as compared with the previous years. But the results of the year were affected by a major change in the allocation of replacement expenditure on rolling stock introduced towards the close of the year the effects of which it was difficult to assess accurately. Allowing for this unforeseen factor, and for the unforeseen growth of traffic during the year, the budgeting and control of expenditure during the year may on the whole be considered satisfactory.

14. *Supplementary Grants.*—Thirteen supplementary grants were obtained in the course of the year against 14 supplementary grants in the previous year and the amount involved was Rs. 35.9 crores compared with Rs. 25 crores in 1943-44. Some of the supplementary grants proved excessive but this was mainly on account of the change in procedure mentioned in the previous paragraph. There has been no improvement or deterioration in the matter of supplementary grants during the year under review.

15. *Surrender of Savings.*—During our examination of the appropriation accounts we came across a number of instances of inadequate or injudicious surrender by General Managers of Railways. We were informed that it was impossible for the Railway Board to apply any check to the General Managers' estimates at that stage and we understood that on some of the Railways the F. A. and C. A. O. was not actively associated with the administration in the preparation of the budgets and the control of expenditure during the year. We could not, for obvious reasons, go into this problem in detail but in our view such a close association is necessary for securing adequate financial control. We also understood that the practice varied from Railway to Railway and we suggest that the Railway Board should take urgent steps to secure that all the Railway administrations avail of the assistance of the F. A. and C. A. O. in budgeting and controlling expenditure.

16. *Grant for working expenses.*—Last year we suggested that the existing arrangement of the grants for Working Expenses and the convention under which General Managers were allowed to incur excesses in certain grants against anticipated savings in other grants should be reconsidered. We examined the revised proposals formulated by the Railway Board in consultation with the Auditor General and the Standing Finance Committee. These proposals secure a more logical and scientific arrangement. The number of grants has been reduced from eight to six and we approve of their adoption in the budget for 1947-48. With their adoption the existing convention empowering General Managers to set off excesses under certain heads against savings under others will cease to operate.

17. *Losses on Strategic Railways.*—We also raised last year the question of debiting to Defence Services the losses on strategic Railways. We were informed that the matter had been examined and that while accepting the loss as a correct charge against Defence estimates it was not proposed to introduce any change in the present classification pending the constitutional changes which are in sight. We are not impressed with the reason for postponing the change as in any constitutional set-up Defence is likely to be a Central (or Union) responsibility. We therefore suggest that the matter should be reconsidered with a view to introducing the change at once.

18. *Corruption on Railways.*—We heard an account of the steps taken so far for the eradication of corruption on the Railways. We are far from satisfied that the existing arrangements are adequate for the purpose. In our view a special organisation working under the direct control of the Railways is necessary if corruption is to be effectively eradicated. A mobile staff moving rapidly from station to station and working directly under the control of a high powered authority like a Member of the Railway Board may be able to achieve better results than the present organisation. We suggest that the Railway Board should consider the setting up of such an organisation to tackle this problem.

19. We desire in conclusion to place on record our appreciation of the great help rendered to us in our examination of the accounts by our Chairman, our Secretary and the Auditor General and his staff.

LIAQUAT ALI KHAN.
N. G. RANGA.
S. K. D. PALIWAL.
MOHAN LAL SAKSENA.
B. S. HIRAY.
D. M. BHATTACHARYYA.*

M. V. RANGACHARI, *Secretary.*
The 26th November 1946.

REPORT OF THE MILITARY ACCOUNTS COMMITTEE ON THE ACCOUNTS FOR 1944-45

We are appointed in pursuance of the recommendation 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 the 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 Industries and Supplies, the Financial Adviser, War and Supply, the Director of Audit, War and Supply and other officers of Government. The results of our

*Intimated approval of the Report by telegram.

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. A notable feature of the accounts of the year under review is the large excess^s of the actual expenditure as compared with the budget estimates the excess amounting to over 50% of the original estimate. This was mainly due to the developments in the war situation which could not, for obvious reasons, be foreseen. The Japanese incursion into India necessitated the retention of a large number of troops in the country. The number of American troops in India also went up and additional expenditure had to be incurred in providing reciprocal aid to them.

3. We considered at some length the difficulties experienced in the proper maintenance of store accounts during the year under review. The Audit Report has brought to notice the same types of irregularities as the reports of previous years and while there has been a slight improvement in the position we are far from satisfied that it could not have been materially better. We realise that the main war-time difficulties of shortage of trained staff, inadequate accommodation and urgency of demands continued during this year but we feel that with the experience gained in the previous years the improvement should have been on a wider scale than the Audit Report indicates. We have carefully examined the various cases of irregularities mentioned in the Report and we agree with our predecessors that there is nothing defective in the prescribed procedure and that the real problem is to get it enforced. We trust, now that the war is over, the normal peace time procedure and controls would be reverted to as early as possible and that future reports would contain fewer irregularities of the type we have had to deal with in this report. In this connection we would like to record our view that in a number of cases the disciplinary action against officers responsible for irregularities has been altogether inadequate. A temporary demotion or a transfer to another branch of the service is not, in our view, adequate punishment for a serious irregularity. When punishment is awarded, it should be on a scale sufficient to act as a deterrent.

4. We wish to draw special attention to an important point in connection with the verification of stores. The financial settlement with H.M.G. is due to terminate at the end of this year and for the terminal adjustments connected with this settlement and in connection with the negotiations about the sterling balances it is important that Government should have complete information regarding the balances of stores on the 31st March 1947. We suggest that for this purpose a special stock verification should be arranged between January and March next year and we trust that if any additional staff is required for the purpose there would be no difficulty in providing it.

5. We have recommended elsewhere that in the existing conditions it is desirable to dispose of surplus stores as quickly as possible. For this purpose it is necessary that the military authorities should declare their surpluses at an early date to the disposals organisation. We understand that this work is already in hand and we suggest that every effort should be made to complete it by the end of December 1946.

6. Our review of the accounts of this year has shown that as in the case of store accounts the same type of irregularities have persisted in connection with Works expenditure and that considerable arrears still exist in finalising contracts and regularising expenditure. We were given to understand that with effect from the current year a revised procedure approximating to the peacetime procedure has been introduced and we would very strongly urge that special attention should be given to restoring, as early as possible, the normal peace-time procedure. It is of the utmost importance to secure that estimates are properly sanctioned after due scrutiny, that no expenditure is allowed to be incurred without such formal sanction and that proper accounts of the expenditure are maintained.

7. We examined in detail the commercial results of the Military Dairy Farms. A feature of the accounts of these farms which struck our attention was the rate of depreciation allowed on livestock and buildings. The rates adopted seemed to us too high and we think that they should be reconsidered with reference to the practice of commercial dairies. We understand that this question is already under examination and we await with interest the results of this examination.

8. We commented last year on the arrears in the maintenance of pay accounts. We were glad to be informed that these arrears had been considerably reduced and that they had in no way slowed down the pace of demobilisation or held up the release of men from the Armed Forces. We trust that steps would be taken to clear the remaining arrears as early as possible.

9. *Canteen Services*.—We recommended last year the reconsideration of the orders debiting to general revenues the difference between the value of the stocks taken over from the Canteen Stores Syndicate and the stocks returned to them. We were informed that this decision had, on reconsideration, been reversed and that the difference would now be met by the Canteen Services themselves. We also expressed some doubt about the adequacy of the reserve built up by the Canteen Services for meeting their future losses. We were informed that this question had been reviewed, that the reserve was considered adequate and that after the terminal payments have been made there was likely to be a surplus.

• *Department of Industries and Supplies*

10. *Advance Payment to contractors*.—We objected three years ago to the procedure of making a full payment to contractors before the goods had reached the consignees and we suggested last year that the question of reverting to the peace time procedure of withholding a percentage till the consignee's receipt is produced should be considered. We understand that except in a few industries the peace time procedure has been restored. We trust that eventually all industries will come under this procedure.

11. *Disposals*.—We were informed that, at the pace at which the work in connection with disposals is now going on, the bulk of the surpluses should be disposed of by the end of 1947-48. In the present scarcity conditions we attach considerable importance to the early disposal of the surpluses, and we trust that this will be pursued with vigour. We understand that the present policy in releasing the surpluses was framed at a time when it was feared that deflationary tendencies may manifest themselves shortly after the end of the war. As this expectation has not materialised and inflationary tendencies still persist, we suggest a reconsideration of the policy with reference to the existing conditions.

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

JOHN MATTHAI

MOHAN LAL SAKSENA

V. NARAHARI RAO

M. V. RANGACHARI, *Secretary*.

The 21st October 1946.

consultation with the Auditor General and the General Managers of Railways. The new proposals secured a more logical and scientific arrangement and reduced the number of demands from eight to six. The Auditor General had carefully considered the proposal and, in spite of one or two minor disadvantages, felt that the balance of advantage lay with these proposals. The Standing Finance Committee had approved of these proposals which would, subject to the approval of the Committee, be introduced in the budget for 1947-48. With the new arrangement the existing convention under which general managers could set off excesses in any demand against savings in others (although their reappropriation was technically inadmissible under the rules) would cease to operate.

The Committee approved of the proposals.

With regard to item 17, it was explained that the principle had been accepted that the loss on strategic Railways should be charged to Defence Estimates. It was however proposed to defer the change till the constitutional changes now under consideration had taken place. The amount involved was under Rs. 2 crores and would be taken into account in fixing the peace-time Defence Budget. The Committee felt that as in any constitutional arrangement Defence would continue to be a Central (or Union) responsibility, there was no reason why the change should be deferred. They recommended that the matter should be re-examined with the view of introducing the change at once.

The Committee then considered the memorandum (Appendix VI) prepared by the Railway Board about the contract for the regrading of the Dufferin Bridge with reference to item 18 of the Statement. The Chief Commissioner briefly explained the position and the Committee were satisfied, on the explanation furnished, that the delay in the finalising of the contract had been due to special causes and that there had been a saving to Government on that account.

With reference to item 21 the Chief Commissioner explained that the special police organisation for dealing with corruption had been strengthened and that the special tribunals to deal with corruption cases had been raised from two to five. As a result of the action taken by the Police, 420 cases had been taken up and 268 cases sent up to the Tribunals resulting in the conviction of 196 persons. Twenty six Railway employees had also been discharged as a result of departmental action. A proposal to amend the discipline and appeal rules relating to Railway servants was under consideration. It was intended to facilitate expeditious action against those found guilty of corrupt practices. The Committee desired to have placed before them a self-contained memorandum on the steps taken.

The Committee then considered the memorandum (Appendix X) prepared by the Railway Board about coal prices (item 23 of the recommendations). The existing position was briefly explained to the Committee. At present, following the setting up of the coal control in 1944, all Railways charged the market price for coal and the intention was to maintain this arrangement till the collieries reverted to Railway management.

5. The Committee then proceeded to examine the Appropriation Accounts and the Review. The Review had been prepared in a slightly different form and was confined to the financial results from the outbreak of the war instead of giving a history from the time of the separation of Railway from general finance in 1924. The Committee welcomed this change which they considered a definite improvement.

6. The Committee reviewed in some detail the future prospects of Railway finance with reference to the results of the war years and the preliminary actuals for 1945-46. Traffic receipts had risen enormously during the war years from Rs. 102.73 crores in 1939-40 to Rs. 216.38 crores in 1944-45. This had been touched in 1945-46. This increase had been largely due to the increase in military traffic the receipts from which had risen from Rs. 1.29 crores to Rs. 43.73 crores. The Railways had also benefitted by a substantial diversion of traffic from goods to parcels, following the restriction on goods traffic.

and from steamer and coastal shipping services. Civilian traffic had also increased. With the end of the war, the receipts from military traffic were bound to shrink to near their pre-war level and other traffic diverted to Railways in war-time would return to the normal peace-time channels. The Railways would have to stand the competition of road transport and of coastal and river shipping and the proposed reduction of the passenger classes from four to three was also likely to affect the receipts. On the whole, the traffic receipts in future may not amount to more than Rs. 130 crores while working expenses, to which dearness allowance and other recent concessions have added substantially, may be stabilised at a little over than Rs. 114 crores reached in 1944-45 after excluding special items. This would leave a surplus of Rs. 16 crores from which the interest charges of approximately Rs. 27 crores would have to be met. On the basis of the present level of fares and freights the Railways were practically certain to run into substantial deficits.

7. The Committee then briefly discussed the post-war development programme of the Railways. The plans have not yet been finalised but they were expected to cost Rs. 229 crores in five years, including expenditure on rolling stock which may amount to Rs. 60 crores. A substantial part of this expenditure was on replacement. The balances in the Railway Depreciation and Reserve Funds, which would be drawn upon to finance a part of this expenditure, stood at Rs. 140 crores at the end of 1944-45.

8. As regards the surplus for the current year the budgeted sum of Rs. 12 crores would be wiped out by the arrears of dearness allowance (Rs. 3 crores) and the concessions recently granted to Railwaymen in connection with the threatened strike (Rs. 9 crores). A small surplus may emerge if receipts show some improvement which does not seem improbable. If this materialises, its allocation between general revenues and Railways would be determined *ad hoc*.

9. The Committee then turned to the detailed examination of the savings and excesses under the various grants. The increased percentage of savings in the grant for ordinary working expenses (para 20 of the Review) was explained as largely due to the introduction of the new procedure for the allocation to revenue of the inflated element in the cost of works and rolling stock, the adjustments in regard to which could not be estimated closely. This factor affected a number of other grants also during this year.

10. The Committee then reviewed the excesses under the voted grants summarised in para 53 of the Review. It was explained that the expenditure on police for the protection of Railway property which accounted for the bulk of the excess under Grants No. 6-F was a war-time feature. Out of the seven grants under which excesses occurred the excess under Grant No. 8 was petty while that under Grant No. 5, 6E and 10 was due to the increase in traffic and receipts during the year. The excess under Grants No. 6-C and 10-A was due to the change in the allocation of the cost of works and rolling stock the effect of which on the various grants could not be accurately forecast. After considering the explanations the Committee decided to recommend to the Assembly that the excess grants may be voted.

11. The results of the working of grain shops during the year were then reviewed. The Committee were informed that supplies were made from these shops to the entitled personnel at 30% below the prices in February 1943 and the difference between the concessional price and the market price during the year came to Rs. 10 per ration cards holder per month. The concessions cost about Rs. 10 crores in 1944-45 and may rise to Rs. 15 crores in the current year 1946-47. The concessions over some items besides foodgrains and to this extent the Railway employees were receiving a more generous treatment than other industrial labour in the country concessions to whom were generally limited to foodgrains. The Committee also noted that the grocery shops, on which a loss of Rs. 1½ lakhs had been incurred in the year under review, were being progressively closed down

12. A memorandum (Appendix IX) prepared by the Railway Board on the amplification of the existing Annexure D to the Appropriation Accounts (Statement of expenditure on Open Line Works costing not less than Rs. 20 lakhs) was then taken up. It was explained that while the Legislature is supplied with details of the provision made in the demand for Open Line Works new works undertaken during the year do not come to its notice although such works costing Rs. 20 lakhs and over are placed as usual before the Standing Finance Committee and are sanctioned by the competent authority. Although the existing procedure was in no way irregular the Auditor General thought that such works should be brought to the notice of the Assembly in some form. The Railway Board had accordingly decided, in consultation with the Auditor General, that this could best be done by amplifying Appendix D of the Appropriation Accounts, so as to include all works costing five lakhs and over and not included in the list of works placed before the Legislature. The limit of Rs 5 lakhs was fixed so as not to make the Appendix unduly long. The Committee welcomed the proposal and agreed to the amplification of the Appendix on the lines proposed.

Proceedings of third meeting of the Public Accounts Committee held on Tuesday, the 1st October 1946, at 10-30- A.M.

PRESENT

The Honourable Dr. John Matthai, C. I. E., Finance Member	}	<i>Chairman.</i>	
Sri Mohan Lal Saxena.		}	<i>Members.</i>
Pandit Sri Krishna Datta Paliwal			
Srijut B. S. Hiray.			
Raj Bahadur Devendra Mohan Bhattacharyya, O. B. E.			

Col. R. B. Emerson, C.I.E., O.B.E., Chief Commissioner of Railways.	}	<i>Witnesses.</i>
Mr. I. S. Puri, C.I.E., Financial Commissioner of Railways.		
Mr. R. Ramaswamy Ayyar, Director of Finance.		
Mr. Yakub Shah, Director of Railway Accounts.		
Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.		
Mr. E. R. Seshu Iyer, C.I.E., Director of Railway Audit.		
Mr. V. Narahari Rao, C.S.I., C.I.E., Finance Secretary.		

Railway Department

13. Before dealing with the Audit Report the Committee examined the memorandum (Appendix VIII) prepared by the Railway Board suggesting the abolition of Annexure F to the Appropriation Accounts. This annexure had been introduced in 1931-32 to supply some additional information to the Committee but the subsequent recasting of the Railway demands had largely rendered this annexure superfluous. The Auditor General concurred in the Board's proposal that this annexure may be omitted from future Appropriation Accounts and the Committee accepted the suggestion.

14. The Director of Railway Audit brought to the notice of the Committee the position regarding the audit of secret service expenditure. In 1944-45 the expenditure had been admitted in audit on the authority of the Deputy Inspector General Police. The question of who should in future scrutinise this expenditure

independently of the authority incurring it was under the consideration of the Railway Board. The Committee desired that the decision should be reported to them in due course.

15. Turning to the Audit Report the Committee first dealt with the supplementary demands taken during the year. There had been no improvement in this respect over the previous year and the percentage of the supplementary grants to the original grants was nearly the same as in the previous year. It was explained that a number of factors had contributed to this result. There had been an increase of traffic over that assumed in the budget and certain post-budget decisions notably those relating to increases in dearness allowances and the debit to revenue of the inflated element in the cost of works and locomotives had necessitated large supplementary demands. There had also been the uncertain factor of the loss on the grain shops of which it was not possible to frame a close estimate. The biggest single factor had, however, been the post-budget decision about the allocation of the cost of works and locomotives. This accounted for roughly Rs. 28 crores out of the Rs. 36 crores obtained by supplementary grants during the year.

16. The Committee then commented on the large savings which had accrued in grants No. 6-B Revenue—Working Expenses—Maintenance and Supply of Locomotive Power and No. 12-Open Line Works. The bulk of the savings in the former grant was due to the fact that the adjustments on account of the inflated element in the cost of locomotives turned out to be less than estimated. Under grant No. 12 there had been a saving of Rs. 10·8 crores following the decision of the War Department to bear the cost of certain wagons and Rs. 12·7 crores on account of the new procedure for the allocation of capital expenditure. Additional work planned on the B.A. Railway was also cut down drastically when the American Army took over the management of the Railway. In reply to an enquiry as to why the savings in the capital grant on account of the change of procedure for the allocation of the cost of works and locomotives was not reflected by corresponding excesses in the grants for revenue expenditure, it was explained that supplementary grants had been obtained to cover these excesses.

17. The point was also raised that the description in the Appropriation Accounts of the reduction in expenditure due to non-execution of works as 'savings' was somewhat misleading. It was pointed out that the term 'savings' was used in a large number of places including certain statutory rules and orders to indicate both a reduction of expenditure due to postponement or non-execution of works and a genuine saving due to economy. It would cause confusion if an attempt was made to distinguish the two. After some discussion it was decided that the existing position might be allowed to continue.

18. The Committee then dealt with the unnecessary supplementary grants to which attention had been drawn in para 6 (b) of the Audit Report. They enquired if in view of the fact that the supplementary grant was asked for only late in February it was not possible to make a closer estimate of the actual requirements. It was explained that the large final saving in grant No. 6-B was due to the new procedure for the allocation of capital expenditure about which, as explained to the Committee earlier, it was not possible to frame a close estimate.

19. With reference to the instances of inadequate and injudicious surrenders mentioned in para 6(c) of the Audit Report, the Committee examined the witnesses at some length, on the measures to be taken to improve the procedure. In the matter of surrenders the Railway Board were largely dependent on the General Managers for the estimate and it was not possible to apply any check from headquarters. Mistakes in making the surrenders were usually explained in the appro

priation accounts. The Committee were not satisfied that the existing arrangements were adequate and considered that active steps should be taken to secure an improvement. It was understood that in some of the Railways the Financial Advisers and Chief Accounts Officers were not actively associated with the administration in preparing the budget estimates and in controlling expenditure. The practice varied from Railway to Railway and the Committee felt that the close association of these officers in this work, in all the Railways was likely to improve the position and they recommended that this should be considered by the Board.

20. The Committee then reviewed the remaining points in Chapter I of the Audit Report. They noted with some concern the mistakes in the allotment of funds due to typographical errors and errors in transmission of telegrams and endorsed the suggestion of the Director of Railway Audit for improving the position.

They also commented on the case of double budgeting mentioned in para. 10 (i) of the Report and over-budgeting mentioned in para. 10(iv).

With reference to para 14(ii) the Committee recommended that the question of giving a cash allowance to the employees instead of running grain shops should be examined. The Chief Commissioner pointed out that there may be some difficulty in doing this in non-rationed areas. The question was actually coming up for discussion at the forthcoming meeting of General Managers in November next. A member suggested that the All India Railwaymen's Federation should also be consulted and the Chief Commissioner promised that this would be done in accordance with past practice. Regarding para. 15 (ii) of the Report it was explained that the result mentioned by the Director was due to certain adjustments in respect of abandoned locomotives.

21. The Committee then turned to the cases of irregularities etc., mentioned in Chapter II of the Audit Report. About the case mentioned in para. 17 it was explained that the additional payment to the contractor was made only after the authorities were satisfied that a genuine mistake had been made by the contractor. The specifications had not indicated against the particular item that the rate should be inclusive of everything as had been done in the case of another similar item in the same contract. There was some room for misunderstanding by the contractor and the payment had been made after investigation by higher authority. The Committee were not wholly satisfied with the explanation. It was felt that such cases should be very carefully handled as additional payments outside the contract nullified the results of giving contracts on the basis of the lowest tenders. Contractors must be made to stand by their contracts and must not be allowed subsequent concessions. The Director of Audit pointed out that it was always against Government that such mistakes were rectified. The Chief Commissioner remarked that any case where the mistake was in favour of Government would not be remarked upon by the Director. After some discussion the Committee recommended that the Railway Board should draw the attention of the management to the need for a strict control over the grant of concessions of this kind and that they should not be allowed save in the most exceptional circumstances. With regard to para. 19 of the Report, the Committee were informed that the departmental enquiry regarding the six Railway employees who had been acquitted by the Sessions Judge was only being taken up now as some of the documents necessary had only been recently released by the High Court. The weighing machines ordered for the use of the Store-yards were expected to arrive in November 1946.

The Committee examined the witnesses at some length on the cases mentioned in paragraph 20 of the Report. It was stated that no action was taken against the Colliery Manager, as he had died before his reply to a charge sheet which had been served upon him could be obtained. A member enquired if any portion of the Railway contribution to his Provident Fund was withheld and it was explained

that this could not be done as the officer had not been adjudged guilty. Information was not available about the action, if any, taken against the contractor. The Committee recommended that the matter should be further investigated and the result reported to them.

Regarding the case mentioned in paragraph 21 of the Report the Financial Commissioner explained that the facts were somewhat different and that there was no basis for the statement that the issues of atta had been made from later supplies. This had been subsequently explained to the Director of Railway Audit who was having the facts verified once again by his officers. The result would be intimated to the Committee in due course. Regarding paragraph 22 it was explained that the security deposits of the two Grain Shop Inspectors whose services had been terminated had been refunded to them in full as the administration had considered their mistake to be only an error of judgment. The Committee felt that the Inspectors had been rather lightly treated and that stronger action was called for. About the case mentioned in paragraph 23 a suggestion was made that the Railway should consult the Food Department about the disposal of the milk and the Financial Commissioner agreed to convey the suggestion to the Railway.

The Committee then considered in some detail the case mentioned in paragraph 25. The work was stated to be somewhat specialised and at the time the Railway could not take the risk of trying out a new contractor. Only one approved contractor had tendered for the work. The Committee felt that this was not a very satisfactory position and recommended that, in future, whenever only one approved contractor tendered for a work, fresh tenders should be invited unless the work was very urgent. They also wished to know whether there are any other registered contractors for this work in the areas concerned.

The case about the Bengal Assam Railway mentioned in paragraph 26 of the Report was then reviewed. It was explained that the agreement with the firm was for the reimbursement of the actual expenditure to it and that the payment made to it was in respect of items of expenditure the reasonableness of which had been accepted by the administration. The firm's original estimate of receipts and expenditure for running the service had turned out to be very wide of the mark. Although it was interested in maintaining the service, it had no experience of the work. It ran the service for a little over five months when it was taken over by the Railway. After hearing the explanation furnished to them the Committee recorded the view that the arrangement made by the Railway was unsatisfactory from the public point of view and that cases of this kind should not be allowed to recur.

An important point was then raised about the case mentioned in paragraph 27. It was stated that the company running the bus service had obtained an increase in rates from the 1st April 1942 on the ground *inter alia* that producer gas plants had been fitted to the buses while this was actually done only in February 1943. It was understood that no recovery had been made by the company on account of this and that legal opinion had not been taken about Government's rights in the matter. The Committee desired that the case should be reconsidered in consultation with the legal advisers of Government and the question of obtaining a refund from the company pursued.

22. The Committee then passed on to the consideration of the memorandum (Appendix XII) prepared by the Railway Board at their instance about the measures taken to eradicate corruption. The view was expressed that the measures taken so far had not been very effective and that matters were unlikely to improve unless a special staff under the control of the Railway Board was employed for the purpose. After some discussion the Committee recommended that the Railway Board should consider the employment of a special mobile staff moving rapidly from station to station as necessary and working under the direct control of a Member of the Railway Board.

23. The Auditor General presented a memorandum (Appendix VII) to the Committee regarding the further developments in the case mentioned in para 6 of the Audit Report on the accounts for 1943-44 and briefly commented upon in para. 14 of the Committee's proceedings while examining the accounts for that year. The authorities in India, after consulting the Legislative Department and the Reforms Office, were satisfied that the payment objected to by the Auditor Home Accounts was a legitimate charge on Indian revenues. The Auditor General concurred in this view and it was proposed to drop the matter with the approval of the Committee. The Committee agreed that this might be done..

Proceedings of the fourth meeting of the Public Accounts Committee held on Wednesday, the 2nd October 1946, at 10.30 A. M.

PRESENT

The Honourable Dr. John Matthai, C.I.E., Finance Member	}	<i>Chairman.</i>
Sri Mohn Lal Saxena		
Pandit Sri Krishna Datta Paliwal	}	<i>Members.</i>
Srijut B. S. Hiray		
Rai Bahadur Devendra Mohan Bhattacharyya, O.B.E.		
Mr. V. Narahari Rao, C.S.I., C.I.E., Finance Secretary	}	<i>Witnesses.</i>
Mr. M. V. Rangachari, Deputy Secretary, Finance Department.		
Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.		
Mr. Ram Gopal, C.I.E., Accountant General, Central Revenues.		
Mr. Raunaq Lal, Deputy Accountant General, Central Revenues.		

Finance Department

24. The Committee first dealt with the action taken on the outstanding recommendations concerning the Finance Department and the Auditor General.

With reference to item 4 of the Statement of Outstanding Recommendations the memorandum (Appendix XIII) submitted by the department was considered. It was explained that the Committee's suggestion had been carefully gone into in consultation with the Auditor General and it was considered undesirable to make any change in the existing accounting and budgetary arrangements. It was desirable to have a measure of uniformity in this matter and the Provinces may not follow any change that Centre may desire to make. There was also the danger that the statistical picture of receipts and expenditure over a period would be distorted if recoveries are classified in the accounts as revenue or expenditure not on any uniform principle of classification but merely by the accident of how provision had been made for them in the budget for a year. Additional recoveries frequently meant only the recovery of expenditure incurred as when supplies were made or services rendered and did not indicate any extravagance. The Auditor General thought that the safeguard for the Government lay in the Finance Department who could see that additional recoveries are not utilised for expenditure that was not justified. An additional protection lay in Annexure II to the Appropriation Accounts in which the Accountant General, Central Revenues, brought to the notice of the Public Accounts Committee the way in which these credits were utilised and the Committee could always take to task any department which evaded its responsibility to the Legislature by utilising these unforeseen credits to meet additional expenditure. It

was agreed that this gave some measure of control but the Public Accounts Committee and the Legislature came in after the event, months after the money had been spent. The Committee were not wholly satisfied that this was adequate and desired that the matter should be further examined.

The Committee then considered the memoranda (Appendices XIV, XV and XVI) placed before them regarding items 8, 10 and 11 of the Statement and approved of the action proposed. There was a brief discussion about item 11 when it was explained that it was unnecessary to amortise productive debt and any attempt to pay off the Railway debt of nearly Rs. 800 crores from revenue would cripple Government's resources and result in stopping all kinds of useful activities.

The Committee then discussed in detail the memorandum (Appendix XVII) prepared by the Auditor General about item 27. The Auditor General explained that he had produced as complete a picture as possible of the financial position of the Centrally administered areas but it was not (and in the existing circumstances could not be) a complete picture. Finance Secretary explained that these areas had not been formed into administrative units with reference to their capacity to pay their way and in considering any *pro forma* account that may be prepared this fact had to be borne in mind. The picture drawn up by the Auditor General was only an approximate picture that still left a certain margin of doubt. No useful purpose would be served if it is included in the Appropriation Accounts. After some discussion, the Committee agreed that the idea should be dropped.

25. The Committee then turned to the consideration of the Appropriation Accounts and the Audit Report, so far as they concerned the Finance Department. At the outset they considered if any useful purpose was served by the comparison of the budget for the year with the actuals for the previous year attempted in para. 3 of the Report. The Auditor General agreed that it was not essential for the purpose of the Committee or the Legislature and could be omitted and the Committee endorsed the suggestion.

Turning to the review of large voted savings in para. 8 of the Report it was explained that only Grants No. 11, 64 and 71 concerned the Finance Department. The reasons for the savings in Grant No. 11 had been adequately explained. The savings in the other two grants occurred under sub-heads controlled by other departments who would be examined by the Committee in due course.

The Committee then reviewed the general control of budgeting and expenditure as disclosed by the Audit Report. They noted the slight improvement in the year under review in the number of unnecessary supplementary grants and the general conclusion in para. 20 of the Report, that, taking into account the abnormal war-time conditions during the year, the budgeting and control may be considered satisfactory on the whole.

The Committee then dealt with the Appropriation Accounts of the grants and sub-heads of grants for which the Finance Department were responsible. With reference to Grant No. 30 the question of the resumption of local audits which had been suspended or curtailed during war time was raised. The Auditor General had issued instructions to all his Accounts Officers that these inspections should be resumed as early as possible but the difficulty was still one of staff, both officer and non-gazetted. A large number of trained officers and staff from the Audit Department was on deputation to other departments and the Auditor General could not restore peace-time standards of efficient audit till his staff was returned to the department. The point was also raised about the delay in the return of audit notes by the Central Public Works Department. The Accountant General, Central Revenues, explained that in spite of every effort by him and instructions issued by the department there had been no improvement in the position. Frequent changes in personnel and transfers had made it difficult to obtain explanations from the officers in whose time the irregularity or mistake had occurred. The Auditor General suggested that there might be some improvement if one of his officers could

go round with a P.W.D. officer in a joint inspection of the Divisions. The Committee thought this a good suggestion but deferred a final recommendation till they had examined the representatives of the Department of Works, Mines and Power later on. The reasons for the final excess in grant No. 47 (for which an excess in a sub-head—sub-head H under the control of the Finance Department was responsible) and in grants No. 82 and 83 were explained to the Committee. The Committee finally decided to recommend to the Assembly that the excesses in grants No. 21, 82 and 83 may be regularised.

Proceedings of the fifth meeting of the Public Accounts Committee held on Monday, the 7th October 1946, at 10-30 A. M.

PRESENT

The Honourable Dr. John Matthai, C.I.E., Finance Member.

Chairman.

Pandit Sri Krishna Datta Paliwal.
Srijut B. S. Hiray.

Members

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

Mr. N. F. Frome, C.I.E., M.Sc. (Eng.), D.F.C., M.I.E.E., Chief Engineer, Posts and Telegraphs.

Mr. M. K. Sen Gupta, C.I.E., Financial Adviser, Communications.

Mr. R. Narayanaswami, Deputy Financial Adviser, Communications.

Rao Bahadur S. Sivaramakrishnan, Officer-on-Special Duty, Posts and Telegraphs.

Witnesses.

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

Mr. S. A. Vaneswar, Accountant General, Posts and Telegraphs.

Mr. V. Narahari Rao, C.S.I., C.I.E., Finance Secretary.

Posts and Telegraphs Department

26. Before dealing with the Appropriation Accounts for the year, the Committee disposed of the outstanding recommendations. With reference to item 31, of the Statement of Outstanding Recommendations it was explained that the final project, which had been placed before the S.F.C. and approved by them, was estimated to cost Rs. 70 lakhs. The project was first planned as a dispersal measure in 1942 but was later on developed to meet the increasing demands on the department for war requirements. In charging Defence Services for supplies the capital expenditure on the expansion was taken into account and an appropriate addition made to cover on cost. Some doubt was expressed if this was the best arrangement from the point of view of the department. It might have been more economical to the Indian taxpayer if the capital expenditure had been paid for by the War Department with an option to the P. & T. Department to take the assets over at their depreciated value. The Financial Adviser explained that this had been considered and his impression was that it did not make any substantial difference. He however agreed to have the matter examined and submit a memorandum to the Committee next year.

The Committee then considered the memorandum (Appendix XXI) about the steps taken to improve the stores organisation and the verification of stores. On account of the war, there had been a very large expansion in the volume of stores handled by the department and the prescribed procedure for the periodical verification of stocks could not be observed mainly owing to the shortage of staff. Steps

had recently been taken to appoint 16 stock verifiers and more weigh bridges necessary for the verification were being obtained. It was hoped to have all the stock verified once by the end of March 1947. The verifications carried out so far had not disclosed any large discrepancies between the actuals and the book balances. The Committee desired that a report should be furnished to them next year about the results of the steps taken to improve matters and on the work of the special Committee which had recently been appointed under Sir George Thomas.

The memorandum prepared by the department (Appendix XXII) on the annual contribution to the Renewals Reserve Fund was then considered. The view was expressed that with the special allocations amounting to Rs. 3 crores made in recent years the Fund might be considered to be in a healthy condition and its balance adequate for meeting the demands on it. The existing allocation of Rs. 25 lakhs a year had been fixed with reference to the actual withdrawals from the old Depreciation Reserve Fund, but the Auditor General had never been very happy about this method of assessing the contribution. Now that the war was over, it was proposed to consult other Postal administrations on their procedure and then review the whole question in the department in consultation with the Financial Adviser. It was hoped to complete this review by the end of March 1947.

The Committee then discussed the memorandum (Appendix XXIII) about the abolition of the system of employing labour through contractors. In accordance with the undertaking given last year, the system had been abolished and with effect from the 1st June 1946, labour was employed directly by Government. The old labour contractors had been taken over as supervisors on account of their long experience of the work, but the labour was paid for directly by the department. It was too early to say if the new system was likely to be cheaper and better than the old system. The Committee desired that a report on the working of the new system should be made to them next year.

Regarding the delays in the return of replies to audit enquiries mentioned in item 34-A of the Statement of Outstanding recommendations it was brought to the notice of the Committee that there had been no improvement in the position in spite of instructions issued by the Director General. In order to minimise correspondence the Auditor General had instructed his Inspecting Officers to discuss their reports with the officers in charge so that as many points as possible might be settled by discussion. Even so there were bound to be some objections to be settled by correspondence and it was of the greatest importance to secure that prompt replies were furnished. The point had again been brought up in paragraph 61 of the Audit Report. The Director General suggested that the proper remedy was to report to higher authorities all cases in which replies were not furnished within a reasonable time and assured the Committee that action would be taken in all cases so reported.

27. The Committee then considered the two memoranda placed before them (Appendices XXIV and XXV) one dealing with the acquisition of certain assets of the Telecommunication System from the War Department and the other with the acquisition of the telephone systems in the three Presidency towns from private companies. They had no comments on the former memorandum but about the latter they wished to be informed in due course about the disposal of Rs. 30 lakhs mentioned in the memorandum as likely to remain uncovered by any assets taken over by Government. The liquidation of the companies was still going on and it was not possible to say at this stage what the eventual loss, if any, would be.

28. The Appropriation Accounts were then taken up for consideration. The first point raised was about the increase in the stores balance mentioned in paragraph 6 of Director General's Review on the Appropriation Accounts. It was explained that although the balance had risen to nearly Rs. 4 crores it was not unduly large considering the magnitude of the stores operations in war-time which had risen to over ten times the peace-time scale. It was necessary to keep a large reserve to meet demands and with the post-war development in sight it was not considered excessive for peace-time needs.

The Committee then passed on to review the control of expenditure during the year. The saving of Rs. 28 lakhs in grant No. 10 was mainly due to the unforeseen increase of Rs. 60½ lakhs in the credits to working expenses. About this increase it was explained that it largely represented a recovery of expenditure incurred during the year and was not an unforeseen windfall. The propriety of taking recoveries in excess of the budget provision in reduction of the expenditure was under consideration with reference to the Committee's suggestion in paragraph 21 of their Report on the accounts for 1943-44 and the decision taken on the general question would apply to the Posts and Telegraphs Department.

The large excess in grant No. 79 was then discussed at some length. It was stated that the excess was mainly due to large payments by the Supply Department for stores which were actually received in the following year. These payments were made in accordance with the Supply Department's procedure for payment on proof of despatch. There had been some unavoidable lag between the actual payments and the receipt of the debits by the Accountant General, Posts and Telegraphs, but the Controlling Officer was not expecting these debits. The Committee were not altogether satisfied with the explanation and before recommending that the excess grant may be voted by the Assembly they wished to have a detailed note* explaining why the excesses could not be anticipated in time and regularised.

The Committee then turned to the financial irregularities mentioned in the Audit Report. Regarding the comment in paragraph 19(a) of the Report that the amount involved in the defalcations and loss in 1944-45 was the highest for 20 years, except for 1942-43 the circumstances of which were exceptional, it was pointed out that these figures should not be considered in isolation but with reference to the increased turnover of the Department. In 1944-45 for example 7.7 crores of money orders had been handled involving a total sum of Rs. 175 crores against 4.2 crores involving Rs. 81 crores handled in the last pre-war year. The percentage of defalcations to the turnover had steadily decreased from 0.128% in 1942-43 to 0.0064 in 1944-45 and the percentage of loss in India compared favourably with that in the U.K. Post offices. The arrears in stock verification mentioned in paragraphs 27 and 28 of the Report were expected to be cleared by the end of March 1947. In the case mentioned in paragraph 24 it was explained that no action could be taken against the official responsible as he had retired from service.

It was mentioned that a number of cases included in the Report (e.g. those in paras. 33, 35, 36, 37, 40, 41, 42 and 44) had been referred to the special Committee set up under Sir George Thomas. These cases were not further considered by the Committee as a report on the work of the Thomas Committee would be made to them in due course.

The Committee then dealt with the cases of new major works undertaken during the year without provision in the budget mentioned in para. 46 of the Report. It was explained that most of the works were urgent and were not foreseen at the time of preparing the budget. The approval of the Standing Finance Committee had been obtained to the more important of these works before they were undertaken.

2 In the course of the discussion of the financial irregularities a suggestion was made that an investigation branch which included the police might be set up within the department to specialise in the detection of offences peculiar to the department. The British Post Office had such a branch and the Director General was obtaining particulars of the organisation in United Kingdom which will also be studied on the spot by an officer some time next year.

30. A suggestion was also made that the draft Audit Report should be discussed by the Accountant General, Posts and Telegraphs with the Director General before it was finally printed so that as many points as possible may be settled before the

*A memorandum (Appendix XXVI) was submitted to the Committee on the 26th November 1946 when they met for considering the draft Report. The Committee recommended that the excess grant may be voted by the Assembly.

Report is placed before the Public Accounts Committee. The Auditor General mentioned that on the Railways the Director of Railway Audit usually discussed his Audit Report with the Financial Commissioner before he finalised it and that if the P. & T. Department wished to introduce a similar procedure he would have no objection. The Committee endorsed the suggestion which they hoped would be pursued.

31. The Auditor General brought to the notice of the Committee a case in which about a year had elapsed between the detection of an offence and the institution of the case against the accused. If misdemeanours were to be brought home to the officials concerned it was essential that disciplinary action should not be unduly delayed. The procedure for sanctioning prosecution of Government servants for offences said to have been committed in the course of their official duties created openings for delay but in the case mentioned by the Auditor General the delay was excessive and the public interest had been prejudiced thereby. The Committee agreed with the Auditor General that early action should be taken and they viewed with some concern the fact that in many cases the disciplinary action taken was belated and often inadequate.

Proceedings of the sixth meeting of the Public Accounts Committee held on Tuesday, the 8th October 1948, at 10-30. A. M.

PRESENT

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| The Honourable Dr. John Matthai, C.I.E., Finance Member. | } <i>Chairman.</i> |
| Pandit Sri Krishna Datta Paliwal. | |
| Srijut B. S. Hiray. | } <i>Members.</i> |
| Mr. V. K. R. Menon, I.C.S., Secretary, Labour Department. | |
| Mr. B. K. Gokhale, C.S.I., C.I.E., I.C.S. Secretary, Works, Mines and Power Department. | } <i>Witnesses.</i> |
| Mr. D. L. Mazumdar, I.C.S., Joint Secretary, Works, Mines & Power Department. | |
| Khan Bahadur Mohd. Sulaiman, C.I.E., I.S.E., Chief Engineer, Central Public Works Department. | } <i>Witnesses.</i> |
| Rai Sahib G. P. Govil, Financial Assistant to the Chief Engineer, Central Public Works Department. | |
| Mr. P. G. Bhagat, M.B.E., Controller of Printing and Stationery. | } <i>Witnesses.</i> |
| Mr. R. R. Bhatnagar, Assistant Secretary, Labour Department. | |
| Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India. | |
| Mr. Ram Gopal, C.I.E., Accountant General, Central Revenues. | |
| Mr. Raunaq Lal, Deputy Accountant General, Central Revenues. | |
| Mr. V. Narahari Rao, C.S.I., C.I.E., Finance Secretary. | |

Labour Department.

32. With reference to item 40 of the Statement of Outstanding Recommendations the Committee were informed that a final reply from the Provincial Government had not been received. Meanwhile that Government had appointed an officer to enquire into cases of corruption by Government officers and the Government of

India had asked for a copy of that officer's report. The Provincial Government were unwilling to supply a copy at this stage as they felt that this might prejudice the further important investigations undertaken by that officer. The Committee reiterated their recommendation that the Government of India should press for adequate disciplinary action against the officers responsible. It was possible that if the Provincial Government were assured that the report of their officer who had conducted the enquiry into corruption would not be divulged to non-officials but would be used strictly for official purposes, they may agree to supply a copy and the Committee suggested that the Government of India should address the Provincial Government on these lines.

33. The Committee then reviewed the appropriation accounts of the grants for which the Labour Department was responsible. The saving in grant No. 23 was explained as mainly due to the delay in the starting of certain family budget enquiries and the non-receipt of some debits for expenditure incurred by Provincial Governments. With reference to the large final saving in sub-head L of grant No. 64 it was stated that the decision to debit the expenditure to advances was taken after the close of the year when it was too late to surrender the savings.

Department of Works, Mines and Power

34. With reference to item 39 of the Statement of Outstanding Recommendations it was explained that the matter was still under consideration. The allocation of the expenditure between Civil and Defence estimates had been determined from year to year with reference to the accommodation required by the War and other departments and the amount of work involved. The proportion in which the expenditure was shared had varied from year to year and was different for quarters for officers and for the clerical staffs. The allocation was generally based on the floor area of the accommodation provided. A doubt was expressed about the propriety of using floor area as the basis and it was suggested that the whole question should be examined and a detailed report made to the Committee in due course.

35. The question of planning in advance the programme of the Central P.W. D. was then taken up. It was explained that this should be possible now that the war was over and instructions had actually been issued that the normal peacetime procedure for the preparation, scrutiny and sanction of proper estimates before works are taken up should now be reverted to. The P. W. D. was only meeting the demands of the other departments and in planning their programme the P. W. D. would require the co-operation of the other departments. In this connection the point was raised if any attempt had been made to assess the availability of material resources like cement, steel, bricks, etc. required for a large building programme. Early in the year, at the instance of the Co-ordination Committee of Council a departmental Committee consisting of the Chief Engineer, C. P. W. D., Engineer-in-Chief, War Department and an Economist had enquired into some aspects of this problem and their report was with that Committee. It was felt that the appropriate department for making an assessment of available resources (apart from technical and trained man-power) was not the Department of Works, Mines and Power but the Industries and Supplies Department who controlled the main items like coal, cement and steel.

36. *Control of expenditure.*—It was explained that the large final savings under grant No. 9 which rendered unnecessary the bulk of the supplementary grant obtained from the Assembly was due to the delay on the execution of a work carried out

through the agency of the U. P. Government and to certain recoveries being more than was estimated but the savings could not be foreseen in time for surrender. The Committee were not satisfied with the explanation for the non-surrender of the savings and asked for a full report on this point in due course.

Turning to grant No. 67, the Committee first dealt with the irregularities mentioned in paragraph 23 of the Audit Report. About the case mentioned in para 23 (b) it was explained that decisions had been taken on the report of the joint enquiry mentioned but that they had not been communicated formally to audit. The Committee were assured that the disciplinary action against the officers concerned received very careful consideration and that some of the irregularities were not as serious as might appear from the Report. The draft para in the Audit Report had, as usual, been accepted by the administration but, it was not realised by the officer who accepted it that it gave a somewhat misleading picture.

The Committee then commented on the instances of defective control of expenditure summarised in note 3 below the Appropriation Accounts. It was explained that the unsurrendered savings were mainly due to the non-receipt of debits for supplies obtained through the Supply Department and the M. E. S. and that the Controlling Officer was not certain when the debits might be received. The Committee felt that the savings could have been surrendered if more effective steps had been taken to obtain the necessary information from the Supply Department. After some discussion it was suggested that a detailed report on this point should be made to them in due course.

37. Regarding the case mentioned in Note 8 (b) below the Account it was explained that certain concessions which were beyond his power had been sanctioned by a Superintending Engineer in Assam in 1942 when it was very difficult to obtain staff in that area owing to the Japanese invasion. As most of the staff had left service by the time the irregular payment came to notice, it was not possible to effect any recoveries.

38. The Committee then turned to the arrears in compiling store accounts and verifying stocks mentioned in the review of Stock Accounts. It was hoped to clear these arrears in the next six months. The verification of stock was being taken up and will be speeded up as soon as the contractor's bills are cleared.

39. The Committee then considered the delay in the disposal of audit objection which had been an unsatisfactory feature for some time. The Accountant General pointed out that over 121 references were still outstanding and despite orders issued by the department in April 1946 there had been no improvement. The Auditor General suggested that it might help in the disposal of these outstandings if an officer of the rank of a Deputy Accountant General from his department and a P. W. officer of the rank of a Superintending Engineer went round the various divisions. This suggestion was welcomed by the department and accepted by the Committee.

40. Grant No. 70 was then reviewed. Here again there were large unsurrendered savings under certain subheads which were explained as due to the non-receipt of debits for stores obtained through the Supply Department. This was a war-time difficulty which was unlikely to occur in peace-time. The Committee however wished to be assured that the department had taken all possible steps to obtain debits from the Supply Department and that the non-surrender of the savings was not due to their fault and asked for a report on this point in due course.

**Proceedings of the seventh meeting of the Public Accounts Committee held on
Wednesday, the 9th October 1946, at 10-30 A. M.**

PRESENT

The Honourable Dr. John Matthai, C.I.E., Finance Member. • *Chairman.*

Sri Mohan Lal Saxena
Pandit Sri Krishna Datta Paliwal
Srijut B. S. Hiray

Members.

Hon'ble Mr. R. N. Banerjee, C. S. I., C. I. E., I. C. S.,
Secretary, Commonwealth Relations Department

Mr. S. H. Y. Ousnam, C. I. E., M. C., I. C. S., Secretary,
Health Department.

Dr. D. M. Sen, O. B. E., Secretary, Education Depart-
ment.

Witnesses.

Sir Pheroze Kharegat, C. I. E., I. C. S., Secretary, Agri-
culture Department.

Mr. H. S. Verma, Assistant Secretary, Education,
Department.

Rao Sahib V. S. Swaminathan, Assistant Secretary,
Commonwealth Relations Department.

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

Mr. Ram Gopal, C. I. E. Accountant General, Central Revenues.

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

Mr. V. Narahari Rao, C. S. I., C. I. E., Finance Secretary.

Department of Commonwealth Relations

41. With reference to the savings under subheads D. 2 and D. 3 in Grant No. 71 it was explained that the variations in the expenditure as compared with the grant were due to changes in the programme of Haj sailings during the course of the year which depended on the availability of shipping.

42. Regarding the expenditure in connection with the evacuees from Burma the Committee were given a detailed account of the administrative and financial arrangements for giving relief. The Central Government had to depend largely on the Provincial Governments for information about these evacuees but they had a Central Refugee organisation manned by people who had themselves been in Burma to advise and assist them in the work. The scale of allowances was changed during the year and additional allowances had to be given in a number of cases for special purposes like education, funeral expenses, travelling to find employment and so on. The Provincial Governments were unable to furnish firm estimate of the expenditure and this mainly accounted for the variations compared with the grant. Altogether over 68,000 families were given assistance and the number of evacuees concerned must have been over a lakh. The department was generally satisfied that the relief reached those for whom it was given. Theoretically all these allowances were treated as recoverable and every effort would be made to recover it from those who return to Burma and could afford to repay the amounts paid. It was not possible to say at this stage how much of the money would be recovered.

43. With regard to the case of alleged breach of trust mentioned in para. 21 (VI) (c) of the Audit Report the Committee were informed that the case was still *sub-judice*. The amount involved was Rs. 76 lakhs and the case, which was very complicated, was likely to take some time.

Department of Health

44. *Grant No. 46.*—The Committee were given fuller particulars of the additional expenditure under subhead A. 2 of the grant. It was explained that the final excess under subhead C was not foreseen in time to be regularised. The final excess under subhead D. 1 (4) was due to a variety of causes some of which could possibly have been foreseen. After hearing the explanation for the excess the Committee decided to recommend that the excess grant may be voted by the Assembly.

45. *Grant No. 71.*—It was explained that the expenditure on the improvements to Simla was incurred through the Punjab Government and the provision under subhead H. 2 was regulated on estimates furnished by them. The actual expenditure turned out to be more than estimated.

46. *Capital Outlay on schemes connected with the War.*—The Committee commented on the large variations between the actuals and the appropriation under some of the subheads in the group head Q for which the Health Department was responsible. They wished to have further information regarding the accounting mistakes which resulted in the final saving of Rs. 85.77 lakhs under subhead Q-1 (5).

Regarding the excess under subhead U. 1 they asked for a detailed report explaining the circumstances in which a higher price than that agreed to was paid for the quinine substitute.

Department of Education

47. With reference to item 43 of the Statement of Outstanding Recommendations it was explained that the buildings had recently been returned by the Military authorities and the Trustees were taking up the question of obtaining exemption from the house tax with the Municipal authorities.

48. *Grant No. 19.*—The final excess under subhead D. 3 was explained as due to an oversight while that under subhead F. 2 was due to a mistake in the initial provision which was made under Grant No. 71. The Committee decided to recommend to the Assembly that the excess under this grant may be regularised.

49. *Grant No. 41.*—The Committee decided to recommend to the Assembly that the excess under this grant may also be regularised.

Department of Agriculture

50. With reference to item 42 of the Statement of Outstanding Recommendations, the Committee considered the memorandum prepared by the Department (Appendix XIX) and noted the fact that Government were satisfied that the rate of 6 annas per map charged to the Defence Services was not excessive. It was not possible to work out the rate with meticulous accuracy, but a broad analysis indicated that all-in cost was not likely to be less than 6 annas a map.

51. *Grant No. 36.*—The final excess in the grant was mainly due to incorrect debits raised for certain supplies under subheads B. 4 and C. 4 and the Committee agreed to recommend it to the Assembly for regularisation. The Auditor General promised to enquire how the debits were wrongly raised. With reference to subhead C. 4 it was explained that the purchases mentioned in the note below the subhead were made in U. K. because supplies were not available locally.

52. *Grant No. 47.*—The Committee agreed to recommend to the Assembly that the voted excess in the grant which was mainly due to the unforeseen payment under subhead H may be regularised. It was explained that the outstanding advance

of Rs. 2.3 crores taken by the Fund for the benefit of Cotton Growers during the year under review from general revenues had been repaid in the following year at the end of which the fund had a credit balance of over Rs. 4 crores.

53. *Grant No. 63.*—The Committee were informed that the disposal of the Anand Creamery was still under consideration. The Bombay Government had declined to take it over and an offer had since been received from a private party which was under consideration. The future of the Creamery was also one of the points under the consideration of a special officer who had been appointed to advise Government on the Dairy industry as a whole. His report was awaited.

54. *Miscellaneous Expenditure connected with the War.*—With reference to the final saving under subhead Y which was explained as due to the failure of certain Provincial Governments to draw grants sanctioned for them the Committee commented that arrangements should be made for obtaining more accurate forecasts of the amounts they were likely to require.

55. *Capital outlay on schemes connected with the War.*—The final savings under subheads T. 1 (1) and Y. 1 were explained as due to the carry-over of certain payments and adjustments to 1945-46.

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Proceedings of the eighth meeting of the Public Accounts Committee held on Thursday, the 10th October 1946, at 10-30 A.M.

PRESENT

The Honourable Dr. John Matthai, C.I.E., Finance Member. *Chairman.*

<p>Sri Mohan Lal Saxena. Pandit Sri Krishna Datta Paliwal Srijut B. S. Hiray Rai Bahadur Devendra Mohan Battacharyya, O.B.E.</p>	}	<i>Members.</i>
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<p>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. K. K. Chettur, Joint Secretary, Commerce Department Mr. B. N. Banerji, M. B. E., Deputy Secretary, Commerce Department.</p>	}	<i>Witnesses.</i>
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Sir Bertie Staig, C. S. I., I. C. S., Auditor General of India.

Mr. Ram Gopal, C. I. E., Accountant General, Central Revenues.

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

Mr. V. Narahari Rao, C. S. I., C. I. E., Finance Secretary.

Finance Department (Revenue Division)

56. The Committee considered the memorandum (Appendix XVIII) prepared with reference to item 35 of the Statement of Outstanding Recommendations. In

the discussion that followed it was explained that whenever time was allowed for the payment of dues, it was verified that the assessee had the necessary assets. If it was not possible to recover the dues in the ordinary course, a certificate was issued to the Collector of the district for realising the amount as an arrear of land revenue. Such cases were relatively few.

57. With reference to item 36 the steps taken to strengthen the Income-tax organisation were briefly explained to the Committee. A new Class I Service had been created to which recruitment would be made through the Federal Public Service Commission and the competitive examination for the Indian Audit and Accounts and allied Services. The Class II services had also been augmented and recruitment was about to commence. The officer strength of the department after the recent reorganisation, which had come into effect from the 1st August 1946, will be about 600, nearly twice the pre-war strength.

58. Regarding item 36A, the Committee were informed that the matter was still under consideration. The question was now before the Commerce Department and that department would explain the further progress in the matter.

59. The Appropriation Accounts were then examined. With reference to Note 4 below the account of Grant No. 1 it was explained that the bulk of the relatively large remissions under Bengal was on imports of food for famine relief and in respect of some tobacco destroyed by fire. Regarding Note 3 below the account of Grant No. 3 the Committee were informed that the amount involved in the remissions was very small and that the concessions mentioned in clause (2) of the note had to be given on account of the special circumstances created by the war. The Auditor General was satisfied that the grounds on which the revenue was remitted were reasonable. About the case mentioned in para 30 of the Audit Report it was explained that the matter was only one of the adjustment between the Government of India and His Majesty's Government of the revenue which would already have been collected from the men. The authorities in India did not know the exact reason for the delay which was probably due to staff difficulties. The Committee suggested that the question of expediting the settlement of the arrears should be taken up with the Accountant General, India Office.

60. The Committee agreed to recommend to the Assembly the regularisation of the voted excess in Grant No. 27.

61. The Committee had no comment on the remaining grants concerning the Revenue Division.

Commerce Department

62. The Committee first considered the outstanding recommendations concerning the department.

The Committee felt that the settlement of the point mentioned in item 37 of the Statement had been unduly delayed and suggested that the department should take immediate steps to expedite a decision. The matter may be no more than one of adjustment between two departments or branches of the service, but once a point was raised by the Committee it ought to be settled expeditiously.

Regarding item 38 it was stated that the stock verification had just started. The value of the stores was not much, the place was within a military area and not easy of access. The Committee desired that this should also be speeded up and the normal periodical verifications arranged regularly in future.

The Committee were informed that commercial opinion was being sounded about the proposal for legislation on the lines of the U. K. Registration of Business Names Act mentioned in item 36A. Chambers of Commerce and other bodies had been addressed but the replies had not yet come in. The Committee suggested that a time limit should be set for the replies and that the proposal for legislation should be expedited.

63. The Committee then turned to the Appropriation Accounts for which the department was responsible. They agreed to recommend to the Assembly the regularisation of the voted excesses in Grants No. 34 and 35. With reference to Grant No. 35 they discussed at some length the position of the General Reserve Fund for Lighthouses and Lightships the balance in which stood at Rs. 52 lakhs at the end of 1944-45. In recent years, the withdrawals from the Fund had only been of the order of Rs. 25,000 a year. The Fund was built up from the surpluses of the Lighthouses and Lightships Department and was intended to meet capital expenditure and expenditure on improvements which could not be met from the Depreciation Reserve Fund. In war time it had not been possible to undertake any schemes for improvement owing to the non-availability of machinery and supplies. Recently an officer had been deputed to study the latest improvements in Lighthouses in Europe and America and his report was awaited. The Committee felt that large balances had been allowed to accumulate in the Fund without sufficient thought being given to their use. They recommended that the question of the utilisation of these balances should be considered and a report made to them before the end of the Budget Session, say the middle of February 1947.

64. Regarding the large variations in the group head E of Grant No. 64 it was explained that resignations of staff were undesirably frequent mainly due to the fact that Insurance Companies offered attractive terms to those who had gained some experience of work in the Office of the Superintendent of Insurance. In 1944-45 the Superintendent had to tour on a larger scale than usual to contact and consult insurance interests in connection with pending legislation. This accounted for a part of the final excess under subhead E.3.

65. The Committee examined the witnesses at some length regarding the large final saving under subhead H. 4 of Grant No. 71. It was explained that saving occurred mainly in respect of shipments of jute which were expected to be made in the year but which were actually made in July 1945. The purchases were made by the Department of Industries and Supplies and the shipments depended on the availability of shipping space which was then very short. The department did not have precise information about the scale of purchases or when shipment was likely to be made. These transactions had also taken place towards the end of the year when very little time was available for making the surrender. The Committee were not satisfied with the explanation and felt that, considering the large amount involved, the department should have maintained closer contact with the Department of Industries and Supplies in this matter and surrendered the savings.

66. With reference to Note 5 below the Appropriation Account of Miscellaneous Expenditure connected with the War, the Committee were informed that the disposal of the surplus would depend on the terms in the peace treaties regulating the disposal of the property of ex-enemy nationals.

67. The Committee then reviewed the account of the two War Risks Insurance Funds. The insurance schemes had been closed down in 1945 and the outstanding balances in the Fund taken to revenue in the estimates for 1946-47.

Proceedings of the ninth meeting of the Public Accounts Committee held on Friday, the 11th October 1946, at 10-30 A.M.

PRESENT

The Honourable Dr. John Matthai, C.I.E., Finance Member.

Chairman

Sri Mohan Lal Saxena
Pandit Sri Krishna Datta Paliwal
Srijut B. S. Hiray.
Rai Bahadur Devendra Mohan Bhattacharyya, O.B.E.

Members

Mr. M. N. Kaul, Bar-at-law, Deputy Secretary, Legislative Assembly Department.

Khan Bahadur Syed Ahmed Ali, Deputy Secretary, Home Department.

Mr. P. V. R. Rao, I.C.S., Deputy Secretary, Home Department.

Mr. V. Shankar, I.C.S., Deputy Secretary, Home Department.

Witnesses.

Mr. D. C. Das, Deputy Secretary, Home Department.

Mr. G. V. Badekar, I.C.S., Deputy Secretary, Home Department.

Rao Sahib A. V. Raman, Assistant Secretary, Home Department.

Mr. K. S. Malhotra, Financial Adviser, Delhi Province.

Mr. Mukand Lal Chopra, representing the Delhi Administration.

Mr. Brij Bahadur Srivastava, representing the Ajmer-Merwara Administration.

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

Mr. Ram Gopal, C.I.E., Accountant General, Central Revenues.

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

Mr. V. Narahari Rao, C.S.I., C.I.E., Finance Secretary.

Legislative Assembly Department

68. The Committee decided to recommend to the Assembly the regularisation of the excess in Grant No. 14.

Home Department

69. As the Secretary of the Department was not available, the Committee decided to postpone consideration of the accounts concerning the Department to a future date.

Proceedings of the tenth meeting of the Public Accounts Committee held on Monday, the 14th October 1946, at 10-30 A. M.

PRESENT :

The Honourable Dr. John Matthai, C.I.E., Finance Member.

Chairman

Sri Mohan Lal Saxena

Pandit Sri Krishna Datta Paliwal.

Srijut B. S. Hiray.

Rai Bahadur Devendra Mohan Bhattacharyya, O.B.E.

Members.

Mr. G. S. Bhalja, C.I.E., I.C.S., Secretary, War Department.

Major G. C. L. Crichton, C.I.E., Secretary, External Affairs Department

Mr. P. N. Krishnaswamy, Under Secretary, External Affairs Department.

Mr. M. H. Zubari, O.B.E., I.C.S., Joint Secretary, Communications Department.

Witnesses

Lt. Com. W. H. Watt, O.B.E., Deputy Director General, Civil Aviation.

Dr. S. K. Banerji, O.B.E., Director General of Observatories.

Mr. M. K. Sen Gupta, C.I.E., Financial Adviser, Communications.

Mr. Badruddin Ahmad, Administrative Officer, Civil Aviation Directorate.

Mr. G. S. Bozman, C.S.I., C.I.E., I.C.S., Secretary, Information and Broadcasting Department.

Prof. A. S. Bokhari, C.I.E., Director General, All India Radio.

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

Mr. Ram Gopal, C.I.E., Accountant General, Central Revenues.

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

Mr. V. Narahari Rao, C.S.I., C.I.E., Finance Secretary.

War Department

70. *Appropriation for War Department.*—With reference to the final excess under subhead C, it was explained that it was due to the unforeseen transfer of the Pension Branch from Delhi to Simla owing to the shortage of accommodation in Delhi. The excess was not foreseen in time to be covered.

71. *Appropriation for Defence.*—The uncovered excess under subhead F. 1 was due to the costs of an appeal to the Privy Council from a judgment of the Federal Court. The decision to prefer the appeal was taken during the course of the year. The Committee wished to have full particulars of the case and when it was decided to file an appeal so that they might be satisfied that the omission to cover the excess was unavoidable.

72. *Appropriation for Ecclesiastical.*—There were substantial variations under a number of subheads in the appropriation and the Committee felt that the control of expenditure in this appropriation was not as close as it should have been. It was explained that the expenditure provided for in this appropriation was incurred

at a large number of places in the country and the framing of accurate estimates original or revised, was therefore a matter of some difficulty. Under one of the subheads (subhead A.6) the final saving was due to the non-receipt of certain debits. A similar explanation had been given in a number of other places in the Appropriation Accounts. The Auditor General had taken note of this and proposed to instruct his Accounts Officers to expedite the debits and credits to be passed on to other officers.

External Affairs Department

73. With reference to item 72 of the Statement of Outstanding Recommendations, the Committee were informed that the consideration of the question had been held up by the war and had since been taken up. An officer had proceeded to London for informal discussions with His Majesty's Government. The basis on which the problem had been considered so far had also been altered by the fact that in future India would have her own direct relations with foreign countries and would be having her own representatives in the various places in the Persian Gulf and in Persia where the expenditure is now shared between the two countries. The whole problem was now under examination from this new standpoint.

74. *Appropriation for Tribal Areas.*—Under a number of subheads the final savings were explained as due to the non-receipt of debits for supplies. It was asked if any steps had been taken by the receiving department to see that for the supplies made to it debits were raised. It was explained that the delay in the receipt of debits was a war-time feature common to most Accounts Offices and that instructions had recently been issued that all officers under the administrative control of this department receiving stores and supplies should contact the serving departments and see that the debits were raised in time. The position in this respect had however improved recently.

With reference to the note under subhead A.6(4) it was explained that the over-estimation was in respect of all mortars provided for under the subhead not merely in respect of the additional mortars for which supplementary appropriation had been sanctioned. The final savings under subhead A.8(1) could not be surrendered as owing to the frequent transfers of the officers from battalion to battalion it was difficult to obtain the requisite particulars in time.

Regarding the Fund for Frontier Expenditure including Development it was asked what sort of plans were being drawn up for development. It was explained that the plans for the improvement of the tribal areas drawn up by the Local Administration were still under scrutiny. The Fund would be largely utilised in improving communications and providing other amenities to the people of the area.

75. *Appropriation for External Affairs.*—The final excess under subhead B.1 was explained as due to the pay and allowances of certain liaison officers taken from the Army, about whose emoluments a final decision was taken only after the close of the year. Meanwhile, the officers had drawn their pay at the Army rates and this automatically came into the year's account. The final saving under subhead D was due to the refund late in the year, when it was too late to surrender the funds of the contribution made to the Indian Institute of International Affairs. The final excess under subhead I-7 was due to a mistake in compiling the accounts; an audit order had not been taken into account by oversight. Expenditure on account of relief and repatriation of Indian destitutes from foreign countries was very uncertain and difficult to estimate and this explained the final excess under subhead L.1(2).

The Committee were informed that the office of the China Relations Officer had been closed down in 1945-46 and the Chinese War-Time Service Corps had also been disbanded in that year.

76. *Appropriation for Baluchistan.*—The excess under subhead A.3(1) of Account No III was explained as due to the fact that certain credits on account of transfer of some machinery could not be adjusted in time and this came to notice too late for anything to be done. The double payment mentioned in the note below subhead D of Account No. IV was due to a misunderstanding and the over-payment had since been recovered.

Department of Communications

77. *Grant No. 24.*—It was explained that the final saving under subhead E.3 was due to the non-adjustment with the Railways of the cost of concessional supplies to the Railway Inspectorate employees who had come over from the Railways when the Inspectorate was taken over by the Department. These employees had been allowed to retain the concessions they were entitled to as Railway Servants. The Railways at first refused to extend the concession to Railway Inspectorate employees but in the end agreed.

78. *Grant No. 42.*—The Committee decided to recommend to the Assembly that the excess over the voted grant may be regularised. In connection with this excess the Committee were given an account of the expansion of the Meteorological Department during war time. The seven forecast centres maintained before the war had been increased to 27 and the number of pilot balloon observatories had risen from 34 to 65. The officer strength of the department had been increased nearly five times and nearly thousand senior and junior observers had been recruited. The demand for weather forecasts and information for aviation purposes had increased tremendously during the war. In the year under review the gross expenditure had risen to Rs. 84 lakhs from Rs. 27 lakhs in the last pre-war year but Rs. 57 lakhs had been recovered from Defence Estimates for the services rendered to the Armed Forces. The margin of error in the forecasts was less than ten per cent and there had not been a single accident which could be ascribed to wrong forecasts by the department. A number of students had been sent abroad for advanced studies and they would strengthen the department when they returned. Nearly all the instruments used by the department were manufactured by the Department in its own factory in India.

79. *Grant No. 54.*—The Committee decided to recommend to the Assembly that the voted excess in the grant may be regularised.

80. The Committee had no comments on the other grants concerning the department.

Department of Information & Broadcasting

81. The Committee agreed that it was not necessary to take any further action with reference to items 45, 46 and 47 of the Statement of Outstanding Recommendations.

82. The financial results of the working of All India Radio were then discussed. The *pro forma* accounts for the year under review showed a deficit of Rs. 31 lakhs, an increase of Rs. 17 lakhs over the deficit in 1943-44. The receipts from customs duty had dropped owing to the diminution of imports and this partly accounted for the increased loss on the year's working. A doubt was expressed about the propriety of including the receipts from customs duty in working out the profit or loss of the service but it was explained that when the service was taken over by Government from a private Corporation who were running it at a loss, the customs duty was deliberately raised so as to cover this loss. It was doubtful if the service as a whole could be made to pay its way at any time. In the United Kingdom, for example, the B.B.C. was self-supporting for its internal service and its external services were subsidised by Government. Private Broadcasting systems paid their way by selling their time for advertisements. For some years ahead, at any rate, the service was likely to run at a loss in this country. With the small number of

transmitting stations listeners had to purchase short wave receiving sets which were costlier than medium wave sets with a shorter range. In other countries there were a larger number of transmitting stations and most people could manage with relatively cheap receiving sets. This limited the scope of further expansion in India. Moreover any extension of broadcasts to cover rural areas was bound to increase the loss on the working of the service as in the conditions obtaining in rural areas it was unlikely that many would be in a position to buy receiving sets and Government would probably have to provide and maintain community receiving sets. In this connection a point was raised if Provincial Governments and other departments of the Central Government at whose instance broadcasts might be arranged should not be asked to pay for such broadcasts. It was pointed out that this might prove difficult to work. If Provincial Governments were asked to pay for the broadcasts they suggest they might possibly ask for a share of the licence fees which are now wholly retained by the Central Government. It may not always be easy to allocate broadcasts of general interest or educational value to a particular department; a broadcast for rural areas, for example, may cover more than one administrative department's interest. The Committee felt that the financial results of All India Radio in recent years raised important questions about the best method of running the service and recommended that the future policy in this matter should be examined by Government.

83. The Committee then adjourned, postponing the consideration of the Appropriation Accounts concerning the department to the 16th inst.

Proceedings of the eleventh meeting of the Public Accounts Committee held on Wednesday, the 16th October 1946 at 10-30 A. M.

PRESENT :

The Honourable Dr. John Matthai, C.I.E., Finance Member.

Chairman.

Sri Mohan Lal Saxena.

Pandit Sri Krishna Datta Paliwal.

Srijut B. S. Hiray.

Rai Bahadur Devendra Mohan Bhattacharyya, O.B.E.

Mr. M. W. M. Yeatts, C.S.I., C.I.E., I.C.S., Secretary, Industries and Supplies Department.

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

Mr. Y. A. Godbole, C.S.I., C.I.E., I.C.S., Secretary to the Governor General (Public).

Mr. A. E. Porter, C.I.E., I.C.S., Secretary, Home Department.

Rao Sahib A. V. Raman, Assistant Secretary, Home Department.

Mr. K. S. Malhotra, Financial Adviser, Delhi Province.

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

Mr. Ram Gopal, C.I.E., Accountant General, Central Revenues.

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

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

Members.

Witnesses

Department of Industries and Supplies

84. The Committee first considered the action taken on the Outstanding Recommendations. With reference to item 19 of the Statement of Outstanding Recommendations it was explained that there were only a few grain shops under the control of the department mostly in the Ordnance Factories. These were mostly run on a no profit or loss basis so that beyond the initial assistance provided by Government for these shops there was no further liability. A general point was

made in this connection that when instructions were issued as a result of the recommendations made by the Committee, the departments concerned should satisfy themselves that these were not treated as routine matters and were actually attended to. It should not be necessary for the Committee to repeat the same criticism year after year.

85. The appropriation accounts concerning the department were then examined. In grant No. 16 the additional expenditure under sub-head D. 3 was explained as due to the move of a number of offices and sections from Delhi to Simla to ease the congestion in Delhi where the scarcity of accommodation, both official and residential, had become very acute. Regarding the final saving under sub-head C.1, it was stated that it was due to the non-drawal of their pay by some officers and not to vacancies.

86. The accounts of the Fund for the benefit of Cotton Growers were then considered. The Fund was primarily used for the purchase of cotton by Government to support the floor prices, and over Rs. 6 crores had been spent for this purpose in 1944-45. Another important object was the payment of compensation to cultivators to switch over to food grains from short staple cotton. The bulk of the cotton purchased had since been disposed of and the result, so far, had been a loss of Rs. 23 lakhs. But prices had improved and with the disposal of the remaining stock of 19,000 bales it was expected that this loss would be more than cleared. In connection with the grants made to Provincial Governments, which amounted to Rs. 12 lakhs in the year under review, it was understood that the department had not been receiving any progress reports from the Provincial Governments about the utilisation of the grants. The Committee stressed that when a department made grants to Provincial Governments it should satisfy itself by obtaining periodical reports that the grants made by it were being properly utilised.

87. *Grant No. 52—Sub-heads B & C.*—The grant for the development of the Handloom Industry had been made for some years but recently it had been decided that it should be discontinued as it was considered unnecessary in the existing conditions. The provision for the development of the sericulture industry was utilised in making grants to Provinces for research and development. The amount spent in each Province depended on the requests for assistance from it. The final saving under sub head G was due to the drop in the receipts paid into the Cotton Textile Fund following the exemption of handloom cloth and exports over the land frontiers from the duty. It was not known in time for surrender.

88. *Grant No. 53—Accounts of the Government Test House*—The Test House had always been working at a loss and the reduction in the volume of work for the Defence Services was not likely to make much difference in the position as only Rs. 15,212 a year had been recovered from Defence Estimates during the war years.

89. *Grant No. 64—Subhead N2.*—The Committee asked that a short report about the employment of Gorakpur Labour should be circulated to them in due course.

90. *Appropriation for the Department of Supply.*—The Committee enquired about the disposal of the outstanding balance in the Iron and Steel Control Equalisation Fund. It was stated that the balance had now been reduced to less than Rs. 1 crore and was likely to be further drawn upon. Recently owing to the coal shortage, the production of billets had fallen and Government were importing billets from Australia at high prices for supply to secondary producers. The Fund would be drawn upon to subsidise these supplies.

The reduction of the staff of the Department, which had been greatly expanded in war-time, was then briefly discussed. It was stated that a departmental Committee had already considered the problem and substantial reductions had been made in the staff both at headquarters and in the branch organisations. War-time branches like the Directorates General of Munitions Production, Aircraft and Ship-repairs had been closed down. The department was returning to a peace-time set-

up ; but recently additions had been made to it by the transfer of the late Department of Industries and Civil Supplies and parts of the old Planning and Development Department.

91. It was noticed that the losses on the running of the Transport Services in Calcutta to the end of 1944-45 had amounted to Rs. 5 lakhs. It was stated that this loss was due to the fact that the Government service carried traffic at the same rate as had been negotiated with private contractors for a service run by them. The service has since been closed down.

92. *Appropriation for Capital outlay on schemes connected with the War.*—The various war-time schemes sponsored by the department were then reviewed. It was stated that most of them were being wound up and on some of them like the Scheme for the Prospecting of Oil, there was likely to be substantial profit. The Scheme for the supply of Standard Cloth and the Scheme for the Purchase of Rubber were expected to close without any gain or loss. On the whole, it was anticipated that Government would make a profit on practically all the schemes.

Secretariat of the Governor-General (Public)

93. With reference to the final saving under the subhead E.I. in the appropriation for the Federal Public Service Commission it was explained that the non-surrender was due to an oversight. The Commission was now stationed in Simla throughout the year owing to the shortage of accommodation in Delhi.

Secretariat of the Governor-General (Reforms)

94. The Committee had no comments on the accounts concerning the Secretariat of the Governor General (Reforms).

Home Department

95. *Grant No. 15.*—With reference to the final saving under sub-head B. 1 it was pointed out that as part of the control of the funds placed at its disposal, the department should have taken steps to see that the Accounts Officers raised debits due against it and that when the debits were not received in time the savings should have been surrendered. Regarding unaudited secret service expenditure it was explained that the expenditure was audited by the Secretary, Home Department, who satisfied himself that the payments were actually made for legitimate purposes ; it was not audited like other expenditure by the audit department but the Auditor General accepted the Home Secretary's certificate. The expenditure was incurred on obtaining information and was not confined to information relating to internal conditions only. The Intelligence Bureau served all the departments of Government.

96. *Grant No. 32-Subhead C.*—It was explained that the men concerned had been convicted for offences overseas and could not be sent to jails in Indian States. It was decided to put them in jails in the provinces in which they had disembarked and the Central Government agreed to bear the expenditure. The debits expected from the Provincial Governments had not however been received.

97. *Grant No. 61.*—The expenditure under Pay of Officers was on account of the leave salary of an officer who had served in the Census Department.

98. *Grant No. 64—Subhead I. 1.*—A payment of Rs. 50 per month used to be made to a non-official for looking after the work in Delhi. He was now employed in the Rationing organisation and the payment had therefore to be classified as 'Pay'.

99. *Grant No. 75. Account IV—Sub-head A. 3.*—The saving was due to the non-receipt of certain bills for printing work, posters etc., in connection with the " Save Electricity " campaign. The Committee thought that the amount could have been surrendered if the control of expenditure had been more efficient.

Legislative Department

104. The Committee first dealt with the contribution paid during the year under review to the League of Nations. The basis on which the contribution was calculated was explained and the point was raised whether the default by a number of members of the League raised the amount payable by India who had been regular in her payments. After some discussion it was decided not to pursue this point as the League had been wound up. It was stated that the assets of the League had been transferred to the United Nations Organisation. As a member of this organisation, India retained her right to the assets of the League transferred to it.

105. *Grant No. 13—Subhead A.*—It was explained that the President is entitled to receive pay only for the actual period of the sessions and for fourteen days before and one week after each session and that the budget provision was made on that basis.

106. *Grant No. 31.*—The final variations under the various subheads in group head D were explained as due to the fact that at the time the budget was framed it was not known that non-voted officers would be appointed to any of the new tribunals. Additional tribunals had also been set up during the course of the year. This had made close control of expenditure difficult.

As regards the criticism that the supplementary grant under subhead C proved unnecessary, it was stated that the estimate under this subhead was framed by the Home Department who control the expenditure but as explained in the note under the subhead close estimation was difficult.

Transport Department

107. With reference to item 44 of the Statement of Outstanding Recommendations it was stated that the Port had been taken over by the Railway Department with effect from the 1st April 1946. The terms of the transfer had been finalised except that on one item (the replacement of a dredger and a tug) agreement had not yet been reached with the Railway Department. The Port had always been working at a loss except in one year when there was an abnormal increase in war traffic. The capital expenditure on the port had been more than was estimated but the traffic envisaged had not materialised and it had not been possible to provide for interest or depreciation on an adequate scale from the revenue. The post-war plans for the development of the Port were expected to cost about a crore of rupees but no decision had yet been taken on these plans. The additional expenditure would mainly be in the direction of modernising the port so that larger ships can enter it. It would not by itself necessarily bring in more revenue. For this the Port had to depend on the development of the hinterland. The development of the Port was sanctioned as part of the scheme for the Raipur-Vizianagaram Railway which was planned to open out a shorter outlet for the manganese and other products of the Central Provinces. This was the first port taken over by the Railways in this country.

108. *Grant No. 25.*—It was explained that the final savings under sub-head A. 1. Voted was due to the debit of the pay of certain officers provided here to other heads. As regards the saving under sub-head D it was stated that steps were usually taken to remind the Railway Board for sending the debits in time.

109. *Grant No. 68.*—A member mentioned that in one Province grants from the Road Fund to local bodies had been stopped and the local bodies had been informed that it had been done at the instance of the Government of India. It was explained that so far as the Government of India were concerned no such instruction had been issued. The moneys in the Road Fund are allotted for specific schemes and it was for the Provincial Government to decide if a scheme should be executed by their own Public Works Department or by the local bodies. The Government of

India had nothing to do with the agency. The grants by Provincial Governments to the local bodies did not come within the ambit of the Road Fund.

110. *Capital outlay on schemes connected with the war.*—The Transport Department was concerned with two schemes viz the Scheme for the Purchase and Construction of Lighters and the Scheme for Civil Transport. One half of the expenditure on the former scheme was being met by His Majesty's Government. The outstanding expenditure on the scheme would be partly reduced by the sale proceeds of lighters now under disposal. The scheme was being wound up and the final result was likely to be a loss the amount of which could not be determined now. The second scheme was also being wound up, but the final result was likely to show a profit.

Food Department

111. *Grant No. 26.*—The Committee agreed to recommend to the Assembly the regularisation of the small voted excess of Rs. 251 under this grant.

112. *Capital Outlay on Schemes connected with the War.*—It was explained that the large final saving under subhead J. 1 was due to lesser deliveries by Government Agents than anticipated and also to the rejection of some quantities by the Inspectorate of the QMG's Branch. The savings could not be anticipated in time to be surrendered. With regard to purchases in England it was stated that continuous liaison was kept with the authorities in England but the actual receipt of supplies was conditioned by the availability of shipping which was one of the major difficulties during the year. The supply position was changing practically from month to month and it was difficult to make an estimate of the savings and surrender the amount. The final excess under subhead J. 4 (2) was due to recoveries from Provincial Governments being less than anticipated due to the fall in the volume of imports from overseas which were passed on to the Provincial Governments on payment and to the retention of a larger quantity than was originally anticipated in the Central Reserve.

Department of Information and Broadcasting

113. The Committee took up the examination of the Appropriation Accounts concerning the department.

114. The first point raised was about the financial results of the Radio Publications about which the Committee commented last year in paragraph 65 of their report. It was explained that the publications had shown a profit this year. The printing arrangements were made on the advice of the Controller of Printing and Stationery who is the expert adviser in this matter to all Government departments.

115. *Grant No. 17.*—It was explained that the final excess under subhead A. 3 voted was due to the fact that the cut made by the Finance Department in the supplementary demand under this head was not realised. These cuts are made on past experience to avoid over-budgeting and they are not sometimes realised. Under subhead E. 2 a number of posts could not be filled owing to lack of accommodation in Bombay where a branch was proposed to be set up and the want of qualified candidates. Nine posts of Assistants, an equal number of posts of Assistant Journalists, 2 posts of language typists, 6 posts of stenographers, one post of photographer and two posts of dark room assistants could not be filled for one or other of these reasons. These posts were all required at the time they were sanctioned, but some of them had since been abolished with the end of the war. The final saving under sub-head E. 3 was due to a number of factors and could not be foreseen in time for the amount to be surrendered. The supplementary grant under subhead F. 1 proved unnecessary and was probably due to an error in estimating in the India Office.

116. *Grant No. 56.*—A point was raised about the audit of the payments to artists by All India Radio. The payments were sanctioned by the authorities of All India Radio under the powers delegated to them but were subject to audit in the same way as other expenditure of Government.

117. *Grant No. 71—Subhead A.1.*—It was explained that the original provision was for a payment of Rs. 12,000 to the Associated Press of India, Rs. 4,000 to the United Press of India and Rs. 3,000 to the Orient Press. The payment to Reuters (subhead A.2) was the concern of the Posts and Air (now Communications) Department.

Proceedings of the first meeting of the Military Accounts Committee held on Monday, the 19th August, 1946 at 10-30 A. M.

PRESENT :

The Honourable Sir Eric Coates, C.S.I., C.I.E., I.C.S., Finance Member. *Chairman*
 Mr. V. Narahari Rao, C.S.I., C.I.E., Finance Secretary *Member.*
 Sir Bertie Staig, C.S.I., I.C.S., Auditor- General of India
 Mr. S. C. Gupta, C.I.E., Director of Audit, War & Supply
 Mr. V. D. Dantiyagi, O.B.E., Additional Director of Audit, War & Supply.

The Chairman suggested that as no non-official member of the Committee was present it was desirable to postpone the meeting. He proposed that the matter should be reported to the Public Accounts Committee when it met on the 26th instant and that further meetings of the Military Accounts Committee should be held after consultation with the Public Accounts Committee.

Proceedings of the second meeting of the Military Accounts Committee held on Thursday, the 26th September 1946, at 10-30 A. M.

PRESENT :

The Honourable Dr. John Matthai, C.I.E., Finance Member	<i>Chairman.</i>
Sri Mohan Lal Saxena	} <i>Members.</i>
Mr. V. Narahari Rao, C.S.I., C.I.E., Finance Secretary	
Mr. G. S. Bhalja, C.I.E., I.C.S., Secretary, War Department	
Mr. Mohamad Ali, C.I.E., O.B.E., Financial Adviser, War and Supply.	
Lt.-General Durnford, C.B., C.I.E., Quarter Master General, General Headquarters.	
Brigadier Gaussen, M.C., Deputy Engineer-in-Chief, General Headquarters.	
Mr. A. Subrahmanyam, M.B.E., Deputy Financial Adviser, War and Supply.		} Witnesses.
Mr. A. H. Wilson, O.B.E., Military Accountant General.	
Mr. L. M. Ghatak, Additional Military Accountant General	
Sir Bertie Staig, C.S.I., I.C.S., Auditor General of India.	
Mr. S. C. Gupta, C.I.E., Director of Audit, War and Supply.	
Mr. R. P. Sarathy, Additional Director of Audit, War and Supply.	

War Department

2. The Committee first took up the Statement of Outstanding Recommendations. (Appendix I). The Chairman indicated at the outset that in view of the short-time available to the Committee it would be convenient if the more important recommendations of the Committee were taken for consideration first and thereafter the Committee had a short general review of the other recommendations.

Item 50.—The reasons for the accumulation of the arrears were explained to the Committee. It was pointed out that it was partly due to the shortage of staff and partly due to bad documentation i.e., imperfections in the basic documents. The arrears had been considerably reduced but they were still substantial. These arrears, however, had not in any way interfered with the progress of demobilisation or the pace of the release of the men from the armed forces. Nor had they affected the prompt payment of their dues to the men released. The Committee noted that there had been a considerable improvement in the position since the matter was last considered by them but desired that the matter should receive continuous attention. The main point was to secure that demobilisation was not held up in any way.

Item 51.—The Committee noted that the decision to debit to general revenues the difference between the value of the stocks taken over from the Canteen Contractors Syndicate and the value of the stocks returned to them had been reversed and that the difference would now be met by the Canteen Services themselves. It was asked why the Government should not run the Canteen Services themselves. It was explained that during war time the wholesale part of the business had to be taken over by Government as the volume of transactions, which rose to something like Rs. 24 crores against about Rs. 32 lakhs in peace-time, proved beyond the resources of the private syndicate who were running it in peacetime. The question as to what the permanent post-war arrangements should be viz. private management, or a public corporation under Government control like the Navy Army Air Force Institute in the United Kingdom was under consideration. The Committee desired that an early decision should be taken or they should be informed of it.

Item 52.—The Committee noted that the points raised by them last year had been examined and the findings had been that the amount set aside from profits as a reserve against contingent losses and terminal expenses was adequate. The Committee understood that all the cash advanced by the Government to the Canteen Services had been refunded and that they had sufficient reserves now to meet all losses and terminal expenses. The question of the disposal of the balance that would remain after the surplus stock had been liquidated and the terminal expenses met was under consideration. The Committee desired to be informed of the manner of disposal of the terminal profits.

Item 66.—The Committee was informed that the simplification of headings was still under consideration. The experience of the war years had indicated that the pre-war classification, which had been more or less maintained in war-time, was not suitable. It was proposed to simplify this with two purposes in view, the first to reduce the burden on the accounts offices and the second to have a more effective budgetary control. The Committee agreed that a reduction of the load on the Accounts organisation was desirable but expressed some doubt whether a reduction in the details now given would not result in lessening instead of improving control. It was explained that the reduction in the number of heads would not affect the detailed information made available to the administrative and finance departments for scrutiny and acceptance. The aim was to improve and not lessen budgetary control and the proposals affecting each head would be carefully considered with this end in view. The Auditor General would also be consulted throughout in making the changes. The simplification would take effect to some extent in the budget for next year but all the changes would be reflected in full only in the budget for 1948-49. The Committee felt some difficulty in expressing an opinion without concrete proposals before them. It

was finally agreed that the Financial Adviser should go ahead with the simplification and that later in the year a few samples of the kind of changes proposed should be placed before the Committee so as to enable them more fully to appreciate the proposals.

The Committee had no comments on the action taken or proposed to be taken on the other items concerning the War Department.

3. The Committee then turned to the examination of the commercial results of the Military Dairy Farms. It was noticed that the net loss for the year amounted to Rs. 73.98 lakhs and that a large proportion of it was accounted for by the depreciation of livestock. It was explained that the bulk of the produce of the dairies was consumed by the Defence Services and that from one point of view the greater part of the loss was merely one of book-keeping—if the rates for issues to the consuming units who got them free were raised sufficiently in the books there would not be much loss. The rates to entitled personnel had actually been raised recently and are now comparable with prices of commercial supplies. Issues to non-entitled personnel accounted for only about Rs. 9 lakhs of the total loss. The Committee felt that the rates of depreciation were too high particularly for livestock and should be reconsidered. It was explained that this was already under examination both for livestock and for buildings. The Committee expressed some concern about the disposal value of these written down assets but were assured that the depreciation did not in any way affect this as surpluses were usually sold by auction.

4. The Committee then turned to an examination of the works expenditure during the year. On the general question of procedure it was explained to the Committee that the ordinary procedure was for the necessity of a work to be first accepted in principle and for this to be followed up by detailed estimates to which formal administrative approval was accorded. The engineer authorities could then go ahead and arrange for the execution of the work. The main trouble in the war years had been that quite a number of works had been started without administrative approval. In some cases this approval had been obtained at conferences of the officers concerned but had not been reduced to writing and formally communicated. The usual procedure could not be observed because of the large temporary war-time staff unaccustomed to Government procedure, the rush and urgency of work and so on. The Committee felt that whatever the position in the earlier years of the war it could have been more satisfactory in 1944-45; this was also the impression of audit. The war-time procedure laid down in 1941 had not been found satisfactory and a revised and more satisfactory procedure was laid down only in August 1944. A touring team had since then visited the various commands and after their visits there had been some improvement. Now that the war was over, the Committee enquired if the peace-time procedure had been reverted to. They were informed that a new procedure had been introduced with effect from 1st April 1946 approximating to the peace-time procedure, that the powers of subordinate officers to sanction work had been drastically reduced and all works coming up to General Head Quarters for approval were screened by a Committee with the Quarter Master General as Chairman. The Committee noted the steps taken to tighten up the procedure and further emphasised the importance of really effective control.

5. On the case mentioned in para. 13 of the Audit Report the Committee were informed that the buildings in question had so deteriorated that the relieving officer refused to accept them as effective buildings handed over to him. The matter had since been regularised and action taken to write off the buildings. The value involved was expected to be small as the buildings were mostly of mud.

In this connection the Committee's attention was drawn by the Director of Audit to a proposal to write off all temporary buildings constructed before the 6th March 1944 but not found existing on that date. It was explained that it was no more than a proposal which had not yet received consideration at a high level.

The Committee considered that the proposal should not be accepted and that steps should be taken to see that the temporary buildings were disposed of properly and that the audit objections relating to them attended to in accordance with normal procedure.

6. The Committee enquired about the completion of the registers of temporary buildings mentioned in para. 6 (b) (iv) of the Audit Report. They were informed that the work was in hand.

7. The Committee commented on the case mentioned in para. 6 (b) (v) of the Audit Report and the general point about the delay and defects in raising debits against contractors for stores supplied to them mentioned in para. 6 (b) (iii). They considered the position very unsatisfactory as there was a danger of moneys due to the tax-payer remaining unrecovered from the contractors owing to the defects in the accounts.

8. The Committee then turned to the consideration of the change mentioned in para. 16 of the Review on the Appropriation Accounts and para. 76 of the Audit Report. It was explained that the Chief Technical Examiner was a sort of technical auditor who exercised an independent scrutiny to see that value was received for the money spent. In peace-time he exercised this check on behalf of the Quarter Master General under whom he worked. During the war it was felt that greater value would be obtained from his scrutiny by placing him under the Engineer-in-Chief who could then enforce the results of the scrutiny concurrently and thus secure better control over the huge works expenditure. With the end of the war, the special reasons which necessitated the transfer of the Chief Technical Examiner to the Engineer-in-Chief had ceased to exist and it was considered desirable to revert to the old procedure and replace the Chief Technical Examiner under the Quarter Master General. The Auditor General was also strongly in favour of this step. The Committee accordingly decided to recommend it but it was made clear that it was not in any way meant to be a reflection on the way the system had worked during war-time.

9. The Committee then considered the case mentioned in para. 40 of the Audit Report. It was explained that the officers concerned had been tried by court-martial and acquitted as no *prima facie* case could be made against them. The Committee agreed that nothing more could be done in the matter.

10. The Committee then turned to the case mentioned in para. 10 of the Audit Report. They felt that taking the seriousness of the irregularity into account the officer had got off lightly and that a more deterrent punishment was called for. They understood that a short time after his demotion, the officer had been promoted as a Major. They were informed that it was not possible to reopen the case and that a review of the case after the lapse of time that had occurred was almost without precedent. The Committee decided that the Quarter Master General should obtain the proceedings of the Court and see if any further action could be taken and that pending his report the expenditure should not be regularised.

11. The cases mentioned in para. 8 of the Audit Report were then considered. The Committee considered that there was now no justification for non-competitive tenders and that tenders should be called for in all cases. It was explained that orders existed that when a single tender was accepted the reasons for doing so should be placed on record, for the information of audit and higher authorities. About the case mentioned in para. 8 (b) (ii) it was explained that in criticising the rate as being 195 per cent. higher than the War Emergency Schedule the Chief Technical Examiner had not taken into account certain special factors like increased cost of labour, transport, etc., as the work had to be carried out in a remote area. The Committee were not satisfied with this explanation as the paragraph in the Audit

Report had been shown in draft and accepted by the administrative authorities and there was nothing to indicate that the Chief Technical Examiner had not allowed for all the special factors in formulating his criticism. They recommended that the Financial Adviser, War and Supply, should look into the case again in consultation with the Director of Audit and make a report to them.

12. The Committee next turned to para. 23 of the Review on the Appropriation Accounts and Appendix H to the Accounts dealing with the settlement with the United States of America regarding lend-lease, reciprocal aid and American surpluses in India. At the request of the Committee, the Financial Adviser, War and Supply, gave a detailed account of the progress of the negotiations leading to the settlement.

Proceedings of the third meeting of the Military Accounts Committee held on Friday, the 27th September 1946, at 10-30 A.M.

PRESENT

The Honourable Dr. John Matthai, C.I.E., Finance *Chairman*
Member.

Sri Mohan Lal Saxena.

Mr. V. Narahari Rao, C.S.I., C.I.E., Finance Secretary.

Mr. G. S. Bhalja, C.I.E., I.C.S., Secretary, War Department.

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

Major General E. Wood, C. B., C.I.E., M.C., Deputy Master General of Ordnance.

Mr. M. W. M. Yeatts, C.I.E., I.C.S., Secretary, Industries and Supplies Department.

Mr. A. K. Chanda, O.B.E., Additional Financial Adviser, Industries and Supplies.

Mr. J. M. Lobo Prabhu, I.C.S., Joint Secretary, Food Department.

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

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

Members

Witnesses

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

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

Mr. R. P. Sarathy, Additional Director of Audit, War and Supply.

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

Rai Bahadur Bindra Ban, Controller of Food Accounts.

13. Before dealing with the remaining items concerning the War Department the Committee briefly reviewed the reasons for the excess of the Defence expenditure over the budgeted amount. Including capital expenditure the excess amounted to Rs. 157·1 crores over a budget of Rs. 301·21 crores, an excess of over 50 per cent. It was explained that during war time it was not possible to frame estimates by peace time standards of accuracy as the expenditure depended on the actual course of the war during the year of which it was impossible to make any forecast. The budget was based on the best guess that could be made of the probable course of operations and took into account all known commitments. In 1944-45 the bulk of the excess expenditure was due to the fact that on account of the Japanese incursion into India a larger number of troops had to be retained in and paid for by India, while the budget had assumed that a fair proportion of them would be engaged in an offensive outside the country. If the course of events had been in accordance with the assumption

in which the budget was framed large forces would have been engaged on an offensive in Burma earlier in the year and the expenditure thereon when the forces moved out of this country charged to His Majesty's Government. Another factor in the excess over the budget was the additional expenditure that had to be incurred in providing reciprocal aid to the American Forces whose number stationed in India was, owing to the developments in the war situation, larger than expected in the budget. Capital expenditure on Airfields both for the Indian Forces and for the Americans under reciprocal aid was also more than was estimated. In peace-time such large variations would not occur; they were inevitable in war-time budgeting.

14. The Committee then turned to the consideration of the points brought out in the Appropriation Accounts and the Audit Report about store accounting. At their request the Deputy Master General of Ordnance explained the main difficulties experienced in the maintenance of store accounts. The volume of transactions and the number of stores to be handled had expanded enormously, specially from 1941, and the depots and their accounts had to be largely managed by temporary staff without much experience of the work they had to handle. Even this staff was frequently moving from place to place in the exigencies of service. Owing to the heavy demands on the limited engineering resources available accommodation for housing the stores was always far behind needs. Stores had to be received and issued with reference to urgent demands without waiting for the provision of accommodation or the completion of the accounts. The accounting work also suffered for want of adequate trained staff and by the extremely bad documentation particularly of imported stores. In these circumstances, it was found impossible to arrange for the proper maintenance of the accounts and the periodical verification of stores. Touring teams had been sent to the various depots to instruct the staff and rectify the defects. The position had improved considerably.

While appreciating the difficulties explained by the Deputy Master General of Ordnance, the Committee felt that the position could have been somewhat better than the Audit Report appeared to indicate. They were however more concerned about the future and stressed the importance of a high standard of storekeeping and stock-verification. The financial settlement with His Majesty's Government was due to terminate at the end of the current year and for this purpose and in connection with the negotiations about the sterling balances it was necessary to have a precise idea of the value of stores held at the end of March 1947. They wished to know what arrangements have been made to secure that this was available. It was explained that stock taking was a more or less continuous process but that steps had been taken to obtain the actual balances on the 1st April 1946 and the estimated receipts and despatches in the current year so that a fair estimate of the volume and value of stores outstanding at the end of the year could be had. The Committee felt that this was not adequate and that a special stock taking should be arranged between January and March 1947 so that as far as possible, the actual balances might be available. The Deputy Master General of Ordnance said that he would be able to arrange for this if he were allowed to retain some additional staff, mainly civilian officers, for this purpose and the Committee recommended that he should be allowed to do so. The Committee also enquired about the progress in the declaration of Military surpluses for disposal. They were informed that it was hoped to complete this by the end of December 1946 for most items and by the end of January for the remaining. The delay was partly due to the time taken in obtaining instructions from the War Office about the stores His Majesty's Government wished to retain or transfer to other parts of the Empire. The Committee desired that everything should be done to complete the work as far as possible by the end of December 1946.

15. The Committee then turned to the consideration of the irregularities mentioned in paras. 11, 12, 65 and 73 of the Audit Report. Action had been taken for recovering the amount mentioned in para. 11. The Committee took a serious view

of the irregularity mentioned in para. 65 (c) which reported a case in which misleading certificates about stock-verification had been given. They noted that instructions had been issued that stock-verification was not a routine matter and that serious notice would be taken of such lapses in future. As regards the case mentioned in para. 73 it was explained that the overpayment was due to an incorrect knowledge of the facts on which pay in the Army was fixed. It took some time to have the facts verified and owing to the frequent transfer of the individual, the final settlement of the case took a long time. The Committee were not satisfied with the explanation given for what was clearly a bad case.

Department of Industries and Supplies

16. The Committee first considered Appendix C to the Appropriation Accounts and the further memorandum (Appendix XXXI) submitted to them by the department about the progress of disposals. In the sixteen months ending with July 1946, disposals had amounted to over Rs. 37 crores. Disposals work had gathered momentum in recent months and at the pace now set it was expected that the bulk of the work would be over by the end of 1947-48. The Committee emphasized the need for rapid disposals as the release of the surplus stores would act as a welcome counter to inflation and bring much needed economic relief to the community in the present scarcity conditions. A detailed account of the scope of the work of the Disposals Board and of the association of non-officials in the various advisory committees assisting in disposals was given to the Committee. The Committee felt that the existing principles by which the flow of disposals was regulated should be reviewed with reference to the fact that deflationary tendencies had not yet manifested themselves and inflationary trends still continued.

17. The Committee then turned to the action taken on the Statement of Outstanding Recommendations. In regard to item 67*, the detailed procedure for the making of 90 per cent. advance payments was explained. It was noted that the department had reverted to the peace-time practice in this matter and that except in the case of a few industries the usual practice of paying the balance of 10 per cent. to the supplier only on his obtaining the consignees' receipts had been restored. The Committee hoped that eventually all industries would fall in line with the peace-time policy.

In regard to item 58 the Committee felt that the recommendation made by their predecessors should be reconsidered. There was a feeling that it was too sweeping and that the term 'bonafide mistake' was, in practice, liable to abuse and to be made to cover cases of careless or inefficient estimating. On further consideration the Committee felt themselves unable to affirm this recommendation and considered that each case for *ex gratia* payment should be decided on its merits.

18. The Committee then reviewed the more important irregularities mentioned in the Audit Report. With reference to para. 20 (a) of the report they were informed that a special staff was employed on the work, which was expected to be completed by the end of December 1946. About the case mentioned in para. 20 (b) the Committee were not satisfied with the explanation that there were no local rates available as the works were carried out at such important centres as Cawnpore and Amritsar. As regards the case mentioned in para. 20 (c) the Committee, after hearing the departmental witnesses, felt that no further action was necessary but emphasized that in the rare cases in which a work is given out without inviting tenders the reasons therefor should be kept on record.

The Committee then enquired of the circumstances in which double profit was given in the case reported in para. 29. It was explained that in this matter the department had to take into account, the pre-war contractual arrangements subsisting between the manufacturers and their agents and that in this case they could not deal direct with the manufacturer as they usually did in connection with war-time

* See Appendix XXXII.

contracts. The Committee felt that if the commission to the selling agents only represented payment for services rendered by them it would not be open to objection and were satisfied on the explanation given to them that there had been no irregularity in the particular case mentioned in the Report.

19. As regards the reserve stocks mentioned in para. 64 of the Audit Report, the Committee were informed that the value of the outstanding stores was about Rs. 4 crores and that the question of liquidating them was under constant review. Some of the stores were still required by the department and some of them, like non-ferrous metals, were still under controlled distribution. The same difficulties in maintaining store accounts and verifying stocks had been met with here as in other War Department stores. As regards the progress made in the completion of block accounts mentioned in para. 85, the Committee understood that only 16 cases of assets valued at a little over Rs. 1½ crores were outstanding and that the work was making satisfactory progress. ¶

Food Department

20. The Committee enquired about the further developments in the case mentioned in para. 43 of the Audit Report. It was explained that of the officers concerned some had been reverted and some were demobilised and that the principal officer had been sent out of the RIASC to another branch of the Army. The Committee felt that the action taken against the officers had been inadequate and that the War Department should take more serious steps in future against officers guilty of serious irregularities. Mere transfer without deterrent punishment was not enough.

21. The Committee were given fuller particulars about the case mentioned in para. 93 of the Report. It was decided that no further action was necessary as the centre had since been closed down.

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	1943-44	5-R. 26-P.	Finance Department	That the Finance Department should impress upon all spending departments the importance of estimating more accurately the savings that are likely to accrue and of surrendering the entire amount so estimated.	Suitable instructions have been issued to all Departments.
2	1943-44 1942-43	6-R. 18-R. 24-P. 6-R. 26-P.	Finance Department	That the Finance Department should 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.	Action has been taken in the light of the Committee's comments.
3	1943-44	7-R. 30-P.	Finance Department	That the Finance Department should impress on all departments 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.	This is impressed on all Departments at the time of inviting proposals for supplementary demands.
4	1943-44	8-R. 31-P.	Finance Department	That the Finance Department should re-examine the whole question relating to the accounting of unanticipated credits in consultations with the Auditor General with a view to ascertaining whether there is any serious objection to the adoption of the English system in India.	A memorandum was submitted to the Committee. (Appendix XIII.)

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
5	1943-44	9-R. 34-P.	Finance Department	That the Finance Department should circularise other departments impressing upon them the urgency of clearing the debits on account of suspense balances.	NECESSARY instructions have been issued.
6	1943-44	10-R. 80-P.	Finance Department . Department of Industries and Supplies.	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 and that this should be done by the presentation of a Supplementary demand or in the absence of an accurate picture of the total expenditure involved by means of a token demand, in the Session of the Legislature immediately following the commencement of such activity.	Noted. NECESSARY instructions have been issued by the Finance and Industries and Supplies Departments.
7	1943-44	12-R. 27-P. (Military).	Finance Department . Food Department.	That delays on the part of departments in returning draft paragraphs of Appropriation Accounts sent to them for acceptance were undesirable and that no more than a period of six weeks should be allowed to departments to accept or modify the terms of draft paragraphs sent to them failing which Audit should be at liberty to consider its own draft as final.	Necessary instructions have been issued to all departments.
8	1943-44	21-R. 12-P.	Finance Department	That the Finance Department should investigate and report whether a convention should not be introduced in India similar to the English one 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 advance is made.	A note was submitted to the Committee (Appendix XIV).

- 9 1943-44 . . . 21-R . . . Finance Department . . . That till a new system is devised, it should be imposed upon 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. . . . Necessary action has been taken.
- 10 1943-44 . . . 96-P. . . Finance Department . . . That in view of the difficulties in the way of accurate budgeting created by the present system of accounting for Stores under a Suspense head within the Grant for Civil Works, the Finance Department should consider in consultation with the Auditor General whether it would not be possible and desirable to adopt some other means for accounting of the Stores and attempt to evolve a method which would not have the defects of the present system. . . . A note was submitted to the Committee. (Appendix XV).
- 11 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. . . . A note was submitted to the Committee (Appendix XVI).
- 12 1943-44 . . . 57-P. . . All Departments . . . That, in future, Secretaries of Departments should invariably appear before the Committee to give evidence on behalf of their departments. . . . Noted.
- 13 1943-44 . . . 19-R. . . Railway Department . . . That in the light of the comments of the Committee, the Railway Department should re-examine in detail, in consultation with the Auditor General, the existing arrangements for the budgeting and control of the expenditure under "Working Expense" and present a report to the Committee. . . . A memorandum was submitted to the Committee. (Appendix IV).

Serial No.	Year of report	Paragraph of the report of proceedings	Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
14	1943-44	20-R. 10-P.	Railway Department	That the Railway Department should investigate and if found feasible, adopt for purposes of budgeting the system 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.	Necessary instructions have been issued to Railway Administrations.
15	1943-44	22-R. 15-P.	Railway Department	That it is 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; that the Railway Department should give very much more attention than they seem hitherto to have given to this aspect of the matter and that a report should be submitted to the Committee as to the action in this respect which they may find it possible to take.	A memorandum was submitted to the Committee (Appendix V).
16	1943-44	23-R. 18-P.	Railway Department	That Railway Department should consider means for reducing the high percentage of remissions of wharfage and demurrage charges to the amounts accrued, and issue suitable instructions on the subject.	The comments of the Committee have been brought to the notice of Railways and they have been asked to tighten up the procedure of recoveries of demurrage and wharfage still further. Reports received from Railways indicated a satisfactory response to these instructions.
17	1943-44	24-R.	Railway Department	That the Railway Department should review the loss on strategic railways particularly with a view to ascertain whether it would not be in more accord with correct principles of accounting to charge this loss to the Defence Estimates than to continue the present procedure.	It was explained that the principle had been accepted that the loss on strategic Railways should be charged to Defence Estimates but that it was the intention to defer the change till the constitutional changes now under consideration had taken place.

18 1943-44 . . . 4-P. . . Railway Department . . . That full information on the points raised by the Committee regarding reordering of the Dufferin Bridge should be supplied to the Committee.
1943-43 . . . 19-R. . .
20-P.

19 1943-44 . . . 5-P. . . Railway Department . . . 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.

Finance Department . . .
Railway Department
As suggested by the Committee, the policy has been constantly under review with a view to minimising losses.

Department of Industries and Supplies . . .
Finance Department
The question has been constantly under review with the object mentioned by the Committee in view.

20 1943-44 . . . 19-P. . . Railway Department . . . That further improvement is both possible and necessary in the position regarding trained staff particularly on the E. I. R. where suspense registers are irregularly kept and the check of the salary bills of the running staff is not being properly done.

21 1943-14 . . . 20-P. . . Railway Department . . . 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.

22 1943-44 . . . 23-P. . . Railway Department . . . That with regard to the dismantling of the Cawnpore-Khairada branch of the G. I. P. Rly. and generally with regard to other items mentioned in Annexure 'A' to the Appropriation Accounts (Part II) Rlys-1943-44, there was too much delay in the settlement of details and that steps should be taken to ensure that such delays were minimised in future.

Industries and Supplies Department
Necessary instructions have been issued by the Department to its branch organisations concerned with grain shops.

Necessary steps have been taken in the East Indian Railway Accounts Offices to effect improvement in the maintenance of suspense registers and checking of salary bills.

Necessary action on the lines suggested by the Committee has been taken. At the instance of the Committee a self-contained memorandum on the steps taken to deal with corruption was submitted to the Committee. (Appendix XII).

Necessary instructions have been issued to the Railway Administrations to implement the recommendations of the 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
23	1941-42	21-R. 22-P.	Railway Department	That 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 be investigated.	A memorandum was submitted to the Committee. (Appendix X).
24	1943-44	9-R 34-P	Auditor General	That the Public Accounts Committee should be informed every year of how the suspense balances are progressing and that in future a statement should 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.	Effect was given to the Committee's recommendation in the Civil, Defence Services and Posts and Telegraphs Appropriation Accounts for 1944-45. On the Railway side, a memorandum was submitted to the Committee promising incorporation of the statement in the Appropriation Accounts with effect from 1945-46 (Appendix XI.)
25	1943-44	13-R.	Auditor General	That with a view to drawing the attention of the Committee specifically to cases relating to financial irregularities, losses and nugatory expenditures, a section dealing with financial irregularities, etc. should be included in the Civil Audit Report on the same lines as in the Reports on the Defence, Railways and Posts and Telegraphs side.	The recommendation has been given effect to in the Civil Audit Report, 1946.
26	1943-44	27-P.	Auditor General	That a statement bringing together in one place the excesses or savings in each grant compared to the original grant or appropriation should be included in the Appropriation Accounts by the addition of appropriate columns either in the Grand Summary or in some other suitable place as it would enable the Committee to form an idea at a glance of the extent to which the various Departments have deviated from their original budget.	The form of the Grand Summary has been suitably modified.

- 27 1943-44 . . . 62-P.] . Auditor General . . . That the Auditor General should consider the suggestion made in para. 62 of the Report for 1943-44 and, if possible, include a statement in the Appropriation Accounts under the Delhi Area Grant as well as 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).
 . . . That the scope and frequency of local audit should be resumed as soon as possible.
- 28 1943-44 . . . 62-P.] . Auditor-General . . . Suitable instructions have been issued by the Auditor General to all Audit Offices subordinate to him that the local audits, which are suspended or relaxed during the war should be gradually resumed to bring them up to the pre-war level.
 . . . The item "Headquarters charges" in the Income and Expenditure Account of the Radio Publications included all over-head charges, including the share of Expenditure debitable to the account of the publications on account of supervision charges of the Director General's office. It was therefore not necessary to recast the accounts.
 . . . Noted.
- 29 1943-44 . . . 66-P . . . Auditor-General . . . That the Auditor General should further investigate the items included in the Income and Expenditure accounts of the Radio Publications and recast the account in the light of the Committee's comments in para. 66.
- 30 1943-44 . . . 9-P . . . Auditor General, Military Accountant General. . . 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.
 . . . That with reference to the large divergence between original appropriations and modified appropriations in respect of the Workshop Building at Jubbulpore, as modifications in budget estimates were accepted till the 15th of January, greater effort should have been made to make budget provision according to the latest information available on that date and that the original unmodified appropriation should not have been allowed to stand.
- 31 1943-44 . . . 89-P. . . Posts and Telegraphs Department.] . . . The position was explained to the 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
32	1943-44	90-P.	Posts and Telegraphs Department.	That the Committee should be informed next year about the steps taken to improve the Stores organisation and the extent to which stores had been verified.	A memorandum was submitted to the Committee. (Appendix XXI).
33	1943-44 1942-43	94-P. 46-P. 57-P.	Posts and Telegraphs Department.	That the date i.e., the end of 1946-47 suggested by the Department in respect of the review of the basis of contribution to the Renewals Reserve is rather late and that in view of the earlier termination of the War than anticipated, the Department should undertake a review prior to that time.	A memorandum was submitted to the Committee. (Appendix XXII).
34	1943-44	93-P.	Posts and Telegraphs Department.	That the system of employing contractors and group leaders referred to in para. 93 of the proceedings is not completely satisfactory and may be reviewed.	A memorandum was submitted to the Committee. (Appendix XXIII).
34A	1943-44	12-R, 95-P.	Posts and Telegraphs Department.	That it is essential that replies to Audit enquiries should be furnished as early as possible and that the Department should circularise its subordinate offices impressing upon them the necessity of doing so.	Suitable instructions have been issued to the subordinate authorities.
35	1943-44	47-P.	Central Board of Revenue.	That a note should be submitted to the Committee 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 and in particular whether this class of cases was completely covered by the head "Assessee having left India".	A memorandum was submitted to the Committee. (Appendix XVIII):
36	1943-44	47-P.	Central Board of Revenue.	That no revenue should be lost on account of shortage of staff and that Government should take all steps necessary to strengthen the Income Tax Department.	Action was being taken to re-organize and strengthen the Income-tax Department.

- 36A 1942-43 . . . 23-P.
Central Board of Revenue. }
65-P. }
- 37 1943-44 . . . 52-P. . Commerce Department
- 38 1943-44 . . . 53-P. . Commerce Department
- 39 1943-44 . . . 96-P. . Department of Works,
Mines and Power. }
- 40 1943-44 . . . 106-P. . Labour Department
- 41 1943-44 . . . 83-P. . Industries and Sup-
plies Department.
- 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. }
- The matter was still under consideration. The present position was that commercial opinion was being sounded about the proposal for legislation on the lines of the United Kingdom Registration of Business Names Act.
- That a note should be submitted to the Committee showing why the rent of the portion of the New Marine House building occupied by the Bengal Pilot Service had not yet been assessed.
- The matter was still under consideration.
- That in view of the termination of the war, the Department should see to the physical verification of stores in False Point Light House at Calcutta and also see that this verification is no longer neglected.
- It was stated that the stock verification had started.
- That in view of the position as understood by the Committee, the Department should investigate how recoveries had been effected from the War Department in the Grant relating to "79-Delhi Capital Outlay".
- The matter was under consideration.
- That having regard to the seriousness of the irregularities referred to in paragraph 106 of the report as also the too lenient treatment hitherto accorded to the officers concerned, further and more effective action should be taken against them.
- It was stated that the matter had been referred to the North West Frontier Province Government, but that a final reply from the Provincial Government had not been received.
- That the existing arrangement in regard to the Government Test House between the Commerce and the War Departments by which the Defence services would be billed only to the extent of the average debit to them during the 3 years ending 1938-39 irrespective of the value of work done was without justification and 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.
- The Director, Government Test House, Calcutta, has been advised that with effect from 1st April 1946 full value of the work done by Government Test House on behalf of the Defence Services in India should be charged.

Serial No. Year of report

Paragraph of the report or proceeding.

Department concerned

Recommendations or suggestions

Action taken or proposed to be taken

6

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A memorandum was submitted to the Committee. (Appendix XIX).

That the Department should submit a report to them indicating fully how, and on what basis, the charge of six annas per map supplied by the Survey of India 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 H. M. G.—steps should be taken forthwith to reduce it.

That the question of exempting the Indian Museum Buildings from the Municipal Tax should be pursued.

It was stated that the buildings had recently been returned by the Military Authorities and that the Trustees were taking up the question of obtaining exemption from the house tax with the Municipal authorities.

That the question of handing over the Port of Vizagapatam to the Bengal Nagpur Railway should be considered after the port had been handed back to the War Transport Department.

It was stated that the control of the Port had been taken over by the Railway Department from the War Department with effect from 1st April 1946 and that the terms of the transfer had been finalised except that on one item (the replacement of a dredger and a tug) agreement had not yet been reached with the Railway Department.

No further action was deemed necessary, as the organization had been abolished with effect from 1st May 1946.

Department of Agriculture.

Education Department

12-R. & 111-P. Transport
8-R. & 41-P. Department.
10-R. & 48-P.
54-P.
29-P.
48-P.
74-P.

Department of Information and Arts.

67P.

42 1943-44

36-P.

43 1941-42

45-P.

44 1935-36
1936-37
1937-38
1938-39
1939-40
1940-41
1943-44

45 1943-44

67P.

46 1943-44 . . . 67.F. . . Department of Information and Arts. . . That the arrangements by which the Central Government would bear half the capital cost of the equipment of the Field Publicity Organisation and two thirds of its running cost was not justifiable, as the main items of publicity would be provincial. . . No further action was deemed necessary, as the scheme had been abandoned.

47 1943-44 . . . 67.P. . . Department of Information and Arts. . . That the correct course for the Department to follow was to surrender the entire outstanding amount under "National War Front" in the Demands for 1945-46 under the non-voted head "Miscellaneous Expenditure connected with the War" and to go to the Assembly for funds to finance the Field Publicity Organisation. . . It was decided to classify the expenditure on the Field Publicity Scheme as non-voted as the major objective, when the scheme was sanctioned, was that it should support future morale in war time conditions. The provision made for the National War Front, which was rendered surplus by the decision to close it down, was partly utilised to meet other unforeseen expenditure in the appropriation for 'Miscellaneous expenditure connected with the War' and the balance was surrendered. The Field Publicity Scheme had since been abandoned and it was not necessary to take any further action.

48 1943-44 . . . 4-B. Military . . . War Department . . . That with the termination of War there is no longer any justification left for the officers of the War Department to disregard clearly expressed orders relating to procedure in financial matters and that the War Department should insist very much more firmly on a strict compliance with instructions than seems to have been the custom in the past. . . Suitable action has been taken.

49 1943-44 . . . 5-R. Military . . . War Department . . . Necessary action was being taken. . . 6-P. Military . . . That it is not enough justification to waive recovery of overpaid emoluments on the ground that the overpayment had been received in good faith; that 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. . .

Serial No.	Year of report	Paragraph of the report or proceedings	Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
50	1943-44	6-R.Military 3-P.Military	War Department	4	6
				That it is most important that all arrears in the maintenance of individual ledger accounts not only in the case of officers but also in the case of I. O. Rs. should be disposed of before general demobilisation started and that yet more intensive efforts than already taken should be employed to this end.	Necessary action has been taken by the Military Accountant General.
51	1943-44	7-R.Military 17-P.Military	War Department		
				That the orders laying down that the difference between the value of the stocks taken over from the Canteen Services (India) and the value of the stocks returned to them should be debited to general revenues should be reviewed.	The position in respect of these items has been explained in paragraph 9 of the Commercial Appendix to the Appropriation Accounts, Defence Services, for 1944-45.
52	1943-44	7-R.Military 17-P.Military	War Department		
				That a full investigation should be conducted into the practice regarding the adequacy of setting aside of 50 per cent of the profits made by Canteen Services as a reserve against contingent losses and terminal expenses and a report submitted.	The position in respect of these items has been explained in paragraph 9 of the Commercial Appendix to the Appropriation Accounts, Defence Services, for 1944-45.
53	1943-44	3-P.Military	War Department		
				That the War Department should take special efforts for improving the custody and accounting of Stores in the Depot at Dehu.	A report was submitted to the Military Accounts Committee (Appendix XXVII).
54	1943-44	4-P.Military	War Department		
				That the War Department should consider the inclusion of the accounts of the Canteen Services (India) in the Commercial Appendix or if that was not possible, these accounts should be presented to the Committee in some other form.	The accounts have been included in the Commercial Appendix to the Appropriation Accounts of the Defence Services for 1944-45.

Necessary action has been taken.

That part of the cause of this unsatisfactory state of affairs in regard to verification of stores is the lack of attention of the staff towards the discharge of duties the full importance of which they do not realize and that the War Department should insist on stricter standards of diligence as their enforcement through disciplinary action might well result in more rapid improvement.

Necessary action has been taken.

That the War Department should take all possible steps to put right the Stores Accounts in the M. E. S. as early as possible and that when orders relating to the accounting of Stores were not obeyed by Subordinate Engineering staff, discipline is more adequately enforced.

War Department.

Noted.

Industries and Supplies Department

Necessary instructions have been issued.

Railway and Posts & Telegraphs Department.

The matter was under consideration.

War Department.

Noted.

Industries and Supplies Department.

Instructions provided that each case should be considered on merits. As such cases were not many, the Department did not consider it necessary to make any change in the instructions.

War Department

10-P. Military

55 1943-44

War Department

11-P. Military

56 1943-44

War Department

Department of Industries and Supplies
Railway Department

21-P. Military

57 1943-44

Posts & Telegraphs Department

War Department

Industries and Supplies Department.

21-P. Military

58 1943-44

That in cases in which a tenderer had made too low a tender through a bonafide mistake, the usual limitation need not be enforced and that 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.

Serial No.	Year of report	Paragraph of the report or proceedings	Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	3	3	4	5	6

59 1943-44 . . . 20-P. Military.
 War Department
 Industries and Supplies Department.
 Works, Mines and Power Department
 Food Department

That in view of the diminutions in Government orders and consequent cancellation of contracts, it is very important that complete, up-to-date and easily accessible records should be maintained of the equipment lent to contractors, as otherwise there is considerable danger either of equipment not being recovered at all or of it being used for considerable periods free of charge by the contractors.

War Department.
 Noted.
Industries and Supplies Department.
 In several of the cases of Capital assets concerning the Department of Industries and Supplies, requisite information has already been furnished to the Chief Controller of Factory Accounts so as to enable him to maintain complete, up-to-date and easily accessible records of such assets. Active steps were being taken by the branch organizations of the department to complete the information in the remaining cases and to furnish it to the Chief Controller of Factory Accounts as expeditiously as possible.

Works, Mines and Power Department.
 Necessary action was being taken.

Food Department.
 Necessary action was being taken.

60 1943-44 . . . 21-P. Military.
 War Department

That 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 that this error should be rectified.

The points raised have been dealt with in paras. 7 and 8 of the Commercial Appendix to the Appropriation Accounts of the Defence Services for 1944-45.

- 61 1943-44 . . . 31-P. Military. War Department . . . That an examination should be made of the rates of depreciation adopted in the case of the farms as the rates taken into account were possibly too large and that if the investigation reveals 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. . . . The points raised have been dealt with in paras. 7 and 8 of the Commercial Appendix to the Appropriation Accounts of the Defence Services for 1944-45.
- 62 1943-44 . . . 32-P. Military. War Department . . . That in view of the increase in the number of farms, 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. . . . A statement showing accounts of farms by Commands etc. was submitted to the Military Accounts Committee. (Appendix XXVIII.)
- 63 1943-44 . . . 3-R. Military. Financial Adviser, War and Supply. . . . That in the matter under consideration the question of what relief India can get under the terms of Canada's Mutual Aid Appropriations to the United Nations should be pursued with vigour and brought to a satisfactory conclusion. . . . The point has been dealt with in para 5 of the General Review on the Appropriation Accounts of the Defence Services for 1944-45.
- 64 1943-44 . . . 3-R. Military. Financial Adviser, War and Supply. . . . That the ascertainment and final adjustment of the credits due to H. M. G. for 1943-44 on account of certain losses of expenditure arising out of changes in the accounting procedure consequent on the formation of SEAC should be completed at a very early date. . . . The point has been dealt with in para 9 of the General Review on the Appropriation Accounts of the Defence Services for 1944-45.
- 65 1943-44 . . . 27-P. Military. Financial Adviser, War and Supply . . . That with a view to enable Audit Report and all other connected documents to be published in time, the Financial Adviser, War and Supply, should furnish his review of the Appropriation Accounts by January each year. . . . Noted.
- 66 1936-37 . . . 4-R. & 15-P. Financial Adviser, War and Supply. . . . That the question of simplification of headings in the Defence Budget should be taken up when the Defence Budget is revised. . . . It was explained that the matter was still under consideration.
- 1937-38 . . . 6-P. } Military.
- 1938-39 . . . 5-P. } Military.
- 1939-40 . . . 3-P. } Military.

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

67 1943-44 . . . 8-R. Military Department of Industries and Supplies.
22-P. Military

That the Department of Industries and Supplies should once again consider in view of the war having come to an end, the consequent reduction in the volume of contracts, the likelihood that there will be less delays in payment and 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 percentage advance payment whereby some portion of contractors' bills will be kept in hand till delivery has been taken by the consignee.

A report was circulated to the Military Accounts Committee (Appendix XXXII)

68 1943-44 . . . 8-R. Military Department of Industries and Supplies.
22-P. Military

That in view of the fact 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, the Department of Industries and Supplies should consider and report whether the introduction of such a practice which would obviously be advantageous to Government, is not practicable.

A report was circulated to the Military Accounts Committee (Appendix XXXII).

69 1943-44 . . . 9-R. Military Department of Industries and Supplies.
24-P. Military

That in assessing the capital employed by contractors the only kind of capital that can justifiably be taken into account for calculating the profit for margins is the value of the block capital assets and working capital, the amount and composition of the share capital or any payment made for "goodwill" being entirely irrelevant, and that in future full regard should be paid to the views of the Committee as set out in para. 24 of the Proceedings of the Military Accounts Committee.

Instructions have been issued that goodwill should not be admitted for computing the capital employed by a Contractor for the purpose of calculating profits and that any relaxation of this general rule will require specific orders of the Department.

- 70 1943-44 . . . 9-R. Military. Department of Industries and Supplies
 23-P. Military. ~~rice and Supplies~~
 26-P. Military.
- It has been decided to revert as far as possible to the open tender method of purchase. Where however, Government still require to examine the accounts of any concern, this was being made a specific condition of contract.
- 71 1943-44 . . . 11-R. Military. Director of Audit, War and Supply
 1-P. Military.
- That, if, in circumstances similar to those brought to light in paras. 44 and 45 of the Audit Report, Defence Services, 1945, a firm refused to agree amicably to allow its books to be inspected, the ample powers which Government possessed under the law, *e.g.*, the Defence of India Rules should be unhesitatingly exercised.
- The Defence Services Audit Report should, in future, 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.
- 72 1929-30 . . . 114-P. . . External Affairs Department.
 1934-35 . . . 27-P. . .
 1935-36 . . . 78-P. . .
 1936-37 . . . 60-P. . .
 1937-38 . . . 72-P. . .
 1939-40 . . . 50-P. . .
- The whole problem was under examination from a new standpoint arising out of India starting direct relations with foreign countries and having her own representatives in the various places in the Persian Gulf and in Persia where the expenditure was now shared between the two countries.

STATEMENT COMPARING EXPENDITURE WITH GRANTS FOR 1944-45.

Number and name of Grant or Appropriation.	Original Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure compared with Original Grant or Appropriation.	Expenditure compared with Final Grant or Appropriation.
				More + Less— Rs.	More + Less— Rs.
	Rs.	Rs.	Rs.		
PART I.—CIVIL.					
A.—EXPENDITURE MET FROM REVENUE.					
1. Customs :					
<i>Non-voted</i>	13,11,000	14,14,000	10,95,642	—2,15,358	—3,18,358
Voted	82,41,000	89,90,000	89,06,218	+6,85,218	—83,782
2. Central Excise Duties :					
<i>Non-voted</i>	1,39,97,000	1,21,76,942	1,08,41,650	—31,55,350	—13,35,292
Voted	61,52,000	1,90,37,000	1,90,03,083	+1,28,51,083	—33,917
3. Taxes on Income including Corporation Tax :					
<i>Non-voted</i>	1,87,000	1,62,768	1,58,723	—28,277	—4,045
Voted	98,19,000	1,07,75,000	1,07,08,390	+8,89,390	—66,610
4. Salt :					
<i>Non-voted</i>	47,45,000	48,49,709	47,34,513	—10,487	—1,15,196
Voted	94,73,000	94,73,000	78,08,699	—16,64,301	—16,64,301
5. Opium :					
<i>Non-voted</i>	76,000	77,355	69,993	—6,007	—7,368
Voted	1,24,08,000	1,24,08,000	1,07,66,859	—16,41,141	—16,41,141
6. Provincial Excise :—					
<i>Non-voted</i>	37,000	76,064	76,310	+39,310	+246
Voted	2,00,000	2,00,000	1,83,103	—16,897	—16,897
7. Stamps :					
<i>Non-voted</i>	3,40,000	3,37,600	3,27,600	—12,400	—10,000
Voted	38,38,000	53,34,000	51,32,760	+12,94,760	—2,01,240
8. Forest :					
<i>Non-voted</i>	2,46,000	2,45,350	2,44,150	—1,850	—1,200
Voted	11,02,000	11,02,000	9,70,138	—1,31,862	—1,31,862
9. Irrigation, (including Working Expenses) Navigation, Embankment and Drainage Works :					
<i>Non-voted</i>	10,96,000	12,35,809	11,31,102	+35,102	—1,04,707
Voted	6,04,000	8,52,000	6,51,465	+47,465	—2,00,535
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt :					
<i>Non-voted</i>	18,32,41,000	20,94,77,000	20,49,15,753	+2,16,74,753	—45,61,247
Voted	1,81,57,000	1,81,57,000	1,21,11,452	—60,45,548	—60,45,548
12. Executive Council :					
<i>Non-voted</i>	8,80,000	9,15,307	9,17,673	+37,673	+2,366
Voted	2,35,000	2,35,000	2,22,604	—12,396	—12,396
13. Council of State	1,08,000	1,08,000	1,05,666	—2,334	—2,334
14. Legislative Assembly and Legislative Assembly Department					
<i>Non-voted</i>	53,000	51,500	51,405	—1,595	—65
Voted	6,36,000	7,03,000	7,30,182	+94,182	+27,182
15. Home Department :					
<i>Non-voted</i>	29,84,000	31,64,770	31,17,051	+1,33,051	—47,719
Voted	6,71,900	8,00,900	7,89,820	+1,17,920	—11,080
16. Department of Industries and Civil Supplies :					
<i>Non-voted</i>	3,11,000	3,23,314	3,40,146	+29,146	+16,832
Voted	15,85,000	23,37,000	21,99,257	+6,34,257	—1,37,743
17. Department of Information and Broadcasting :—					
<i>Non-voted</i>	1,34,000	1,63,300	1,61,793	+27,793	—1,507
Voted	22,53,000	29,03,000	27,87,904	+5,34,904	—1,15,096
18. Legislative Department :					
<i>Non-voted</i>	2,01,000	2,14,800	2,12,439	+11,439	—2,361
Voted	5,90,000	5,90,000	5,68,713	—21,287	—21,287
19. Department of Education, Health and Lands :					
<i>Non-voted</i>	1,82,000	2,28,000	2,29,020	+47,020	+1,020
Voted	6,28,000	11,73,000	11,92,869	+3,64,869	+19,890

Number and name of Grant or Appropriation.	Original Grant or Appropriation. Rs.	Final Grant or Appropriation. Rs.	Expenditure. Rs.	Expenditure	Expenditure
				compared with Original Grant or Appropriation. More+ Less— Rs.	compared with Final Grant or Appropriation. More+ Less— Rs.
PART I—CIVIL—contd.					
20. Department of Commonwealth Relations :					
<i>Non-voted</i>	89,000	1,09,439	1,11,398	+22,398	+1,968
Voted	2,43,000	3,21,000	3,20,913	+77,913	—87
21. Finance Department :					
<i>Non-voted</i>	32,84,000	39,84,566	39,89,596	+7,05,596	+5,030
Voted	8,48,999	12,13,999	12,28,315	+3,79,316	+14,315
22. Commerce Department :					
<i>Non-voted</i>	5,20,000	4,68,724	4,65,159	—54,841	—3,565
Voted	16,87,000	20,87,000	20,76,067	+3,89,067	—10,933
23. Department of Labour :					
<i>Non-voted</i>	4,27,000	3,92,000	3,97,406	—2,598	+5,404
Voted	17,99,000	20,39,000	17,92,280	—6,720	—2,46,720
24. Department of Posts and Air :					
<i>Non-voted</i>	1,07,000	1,42,763	1,33,573	+26,573	—9,190
Voted	1,10,000	1,76,000	1,52,196	+42,196	—23,804
25. War Transport Department :					
<i>Non-voted</i>	2,94,000	2,38,375	2,38,395	—55,605	+20
Voted	7,70,000	7,70,000	7,27,963	—42,107	—42,107
26. Food Department :					
<i>Non-voted</i>	4,96,000	5,63,000	5,55,601	+59,601	—7,399
Voted	21,33,000	33,35,000	33,35,251	+12,02,251	+251
27. Central Board of Revenue :					
<i>Non-voted</i>	1,90,000	1,90,000	1,79,333	—10,667	—10,667
Voted	11,41,000	12,60,000	12,62,111	+1,41,111	+22,111
28. India Office and High Commissioner's Establishment charges :					
<i>Non-voted</i>	31,26,000	30,91,000	30,77,199	—48,801	—13,801
Voted	20,12,000	21,22,000	18,68,415	—1,43,585	—2,53,585
29. Payments to other Governments, Departments, etc. on account of the administration of Agency subjects and management of Treasuries	97,000	1,03,000	96,929	+1,929	—4,071
30. Audit :					
<i>Non-voted</i>	6,43,000	6,39,000	6,38,656	—14,344	—10,344
Voted	96,75,000	1,15,74,000	1,12,99,299	+16,24,299	—2,74,731
31. Administration of Justice :					
<i>Non-voted</i>	3,83,000	4,68,900	4,68,115	+1,65,115	—785
Voted	3,02,000	3,11,000	2,84,584	—17,416	—26,416
32. Jails and Convict Settlements :					
<i>Non-voted</i>	24,000	20,820	19,763	—4,237	—1,067
Voted	2,57,000	2,80,000	2,51,199	—5,801	—28,801
33. Police					
Voted	2,15,93,000	2,22,62,000	2,21,35,072	+5,42,072	—1,26,928
34. Ports and Pilotage :					
<i>Non-voted</i>	8,78,000	8,58,983	8,53,771	—24,229	—5,212
Voted	19,02,000	29,63,000	29,70,584	+10,68,584	+7,584
35. Lighthouses and Lightships :					
<i>Non-voted</i>	10,000	10,000	10,076	+76	+76
Voted	7,59,000	8,87,000	10,07,890	+2,48,890	+1,20,890
36. Survey of India					
<i>Non-voted</i>	7,86,000	6,97,000	6,64,840	—1,21,160	—32,160
Voted	1,000	32,83,000	49,08,138	+49,07,138	+16,25,138
37. Botanical Survey :					
<i>Non-voted</i>	18,000	17,200	17,162	—338	—38
Voted	97,000	97,000	96,848	—10,152	—10,152
38. Zoological Survey :					
<i>Non-voted</i>	35,000	18,911	19,019	—15,981	+108
Voted	1,76,000	1,76,000	1,72,034	—3,966	—3,966
39. Geological Survey :					
<i>Non-voted</i>	1,66,000	1,84,700	2,02,266	+36,266	+17,566
Voted	38,14,000	38,14,000	24,32,595	—13,81,405	—13,81,405

Number and name of Grant or Appropriation.	Original Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure	Expenditure
				compared with Original Grant or Appropriation.	compared with Final Grant or Appropriation.
	Rs.	Rs.	Rs.	More+ Less— Rs.	More+ Less— Rs.
PART I.—CIVIL—contd.					
40. Mines					
<i>Non-voted</i> . . .	1,10,000	92,650	92,741	—17,259	+91
Voted . . .	2,71,000	2,71,000	2,63,483	—17,517	—17,517
41. Archaeology					
<i>Non-voted</i> . . .	26,000	29,528	29,429	+3,429	—99
Voted . . .	10,85,000	11,97,000	12,27,922	+1,42,922	+30,922
42. Meteorology					
<i>Non-voted</i> . . .	61,000	61,000	58,765	—2,235	—2,235
Voted . . .	26,39,000	26,39,000	26,43,221	+4,221	+4,221
43. Other Scientific Departments :					
Voted . . .	7,54,000	7,54,000	3,68,398	—3,85,602	—3,85,602
44. Education					
<i>Non-voted</i> . . .	1,000			—1,000	
Voted . . .	17,76,000	17,76,000	11,86,483	—5,89,517	—5,89,517
45. Medical Services					
<i>Non-voted</i> . . .	3,21,000	3,52,458	3,51,916	+30,916	—542
Voted . . .	15,93,000	17,05,000	16,74,578	+81,578	—30,422
46. Public Health					
<i>Non-voted</i> . . .	2,02,000	2,62,559	2,57,288	+55,288	—5,271
Voted . . .	16,79,000	21,31,000	21,64,628	+4,85,628	+33,628
47. Agriculture					
<i>Non-voted</i> . . .	1,36,27,000	1,35,68,770	1,35,70,293	—56,707	+1,523
Voted . . .	28,53,000	1,30,43,000	1,70,04,174	+1,41,51,174	+39,61,174
48. Imperial Council of Agricultural Research :					
<i>Non-voted</i> . . .	13,40,000	16,54,360	16,54,366	+3,14,366	+6
Voted . . .	13,42,000	13,57,000	13,61,117	+19,117	+4,117
49. Agricultural Marketing					
<i>Non-voted</i> . . .	36,000	34,530	34,856	—1,144	+326
Voted . . .	4,35,000	4,31,000	4,25,926	+10,926	—5,074
50. Imperial Institute of Sugar Tech- nology	1,000	1,000	..	—1,000	—1,000
51. Civil Veterinary Service :					
<i>Non-voted</i> . . .	27,000	27,000	26,372	—628	—628
Voted . . .	12,47,000	13,62,000	13,45,744	+98,744	—16,256
52. Industries :					
<i>Non-voted</i> . . .	1,000	50,00,112	31,25,984	+31,24,984	—18,74,128
Voted . . .	9,66,000	10,14,000	10,60,077	+32,077	—13,923
53. Scientific and Industrial Research	23,57,000	29,09,000	29,03,412	+5,46,412	—5,588
54. Aviation					
Voted . . .	52,15,000	52,15,000	52,65,444	+50,444	+50,444
55. Capital Outlay on Civil Aviation met from Revenue :					
Voted . . .	1,000	1,000	..	—1,000	—1,000
56. Broadcasting					
<i>Non-voted</i> . . .	14,000	16,000	15,682	+1,682	—318
Voted . . .	56,03,000	65,13,000	64,61,151	+8,58,151	+51,849
57. Capital Outlay on Broadcasting met from Revenue	1,000	1,000	..	—1,000	—1,000
58. Emigration Internal :					
Voted . . .	18,000	19,000	18,007	+7	—993
59. Emigration External :					
<i>Non-Voted</i> . . .	78,000	1,19,429	1,11,441	+33,441	—7,988
Voted . . .	2,57,000	3,80,000	3,73,543	+1,16,543	—6,457
60. Commercial Intelligence and Statistics					
<i>Non-voted</i> . . .	74,000	74,000	54,402	—19,598	—19,598
Voted . . .	9,72,000	9,73,000	9,56,518	—15,482	—16,482
61. Census					
<i>Non-voted</i> . . .	..	856	856	+856	..
Voted . . .	3,000	6,000	4,911	+1,911	—1,089

Number and name of Grant or Appropriation.	Original Grant	Final Grant	Expenditure.	Expenditure	Expenditure
	or Appropriation.	or Appropriation.		compared with Original Grant or Appropriation.	compared with Final Grant or Appropriation.
	Rs.	Rs.	Rs.	More+ Less— Rs.	More+ Less— Rs.
PART I.—CIVIL—contd.					
A.—EXPENDITURE MET FROM REVENUE—contd.					
62. Joint Stock Companies	2,21,000	2,21,000	2,08,726	—12,274	—12,274
63. Imperial Dairy Department	3,77,000	3,77,000	3,58,922	—18,078	—18,078
64. Miscellaneous Departments :					
<i>Non-voted</i>	27,000	1,10,29,825	1,09,42,000	+1,09,15,000	—87,825
Voted	17,37,000	27,37,000	22,24,721	+4,87,721	—5,12,279
65. Currency					
<i>Non-voted</i>	3,70,000	2,61,900	2,56,760	—1,13,240	—5,140
Voted	1,00,82,000	1,00,82,000	67,24,699	—33,57,301	—33,57,301
66. Mint					
<i>Non-voted</i>	1,08,000	1,05,600	1,05,259	—2,741	—341
Voted	1,28,29,000	1,39,09,000	1,37,39,943	+9,10,943	—1,69,067
67. Civil Works					
<i>Non-voted</i>	26,03,000	27,33,453	12,00,408	—14,02,592	—16,33,045
Voted	2,20,21,000	2,20,21,000	—3,09,26,921	—5,29,47,921	—5,29,47,921
68. Central Road Fund :					
Voted	1,02,00,000	1,02,00,000	1,02,00,000	..	..
69. Superannuation Allowances and Pensions					
<i>Non-voted</i>	1,44,83,000	1,41,43,200	1,38,09,443	—6,73,557	—3,33,767
Voted	1,24,66,000	1,36,66,000	1,30,35,742	+5,69,742	—6,30,258
70. Stationery and Printing :					
<i>Non-voted</i>	96,000	97,497	94,265	—1,735	—3,232
Voted	1,07,54,000	1,70,35,000	1,72,765	—1,05,81,235	—1,68,62,235
71. Miscellaneous					
<i>Non-voted</i>	2,77,000	3,00,492	2,55,102	—21,898	—45,390
Voted	2,81,01,000	4,90,56,000	3,54,27,172	+73,26,172	—1,36,28,828
72. Grants-in-aid to Provincial Governments					
<i>Non-voted</i>	2,75,00,000	1,70,00,000	1,70,00,000	—1,05,00,000	..
Voted	1,75,00,000	7,00,00,000	7,00,00,000	+5,25,00,000	..
73. Miscellaneous adjustments between the Central and Provincial Governments	78,000	5,54,000	5,50,482	+4,72,482	—3,518
73-A. Post-War Planning and Development					
<i>Non-voted</i> . . . . .	..	1,10,990	1,08,348	+1,08,348	—2,642
Voted . . . . .	..	8,77,000	6,15,940	+6,15,940	—2,61,060
74. Civil Defence					
<i>Non-voted</i>	25,000	12,000	86,338	+61,338	+74,338
Voted	3,43,76,000	3,77,19,000	3,72,91,658	+29,15,658	—4,27,342
75. Delhi					
<i>Non-voted</i>	2,54,000	3,27,460	3,23,338	+69,338	—4,122
Voted	74,60,000	92,23,000	91,59,017	+16,99,017	—63,983
76. Ajmer-Merwara					
<i>Non-voted</i>	1,17,000	1,53,270	1,40,361	+23,361	—12,909
Voted	27,95,000	31,25,000	30,92,045	+2,97,045	—32,955
77. Panth Piploda	15,000	16,000	15,176	+176	—824
Staff, Household and Allowances of the Governor General	19,97,000	16,53,990	15,85,639	—4,11,361	—68,351
Secretariat of the Governor General	2,87,000	2,50,965	2,48,325	—38,675	—2,640
Federal Public Service Commission	4,56,000	5,05,821	4,73,074	+17,074	—32,747
War Department	9,61,000	9,16,800	9,26,825	—34,175	+10,025
Defence Department	7,94,000	9,32,568	10,28,960	+2,34,960	+96,392
National Defence Council	1,15,000	77,481	77,532	—37,468	+51
Ecclesiastical	6,51,000	6,55,288	4,94,898	—1,56,102	—1,60,390
Payments to Crown Representative	1,41,86,000	1,47,52,101	1,35,76,227	+3,90,227	—1,75,874
Tribal Areas	2,63,52,000	3,18,61,227	3,10,51,284	+46,99,284	—8,09,943
External Affairs	1,08,01,000	1,14,95,505	1,13,92,332	+5,91,332	—1,03,173
Baluchistan	73,23,000	80,23,238	81,63,684	+8,40,684	+1,40,446
Department of Supply	3,67,98,000	4,67,69,400	4,54,20,183	+86,22,183	—13,49,217
Miscellaneous Expenditure connected with the War	15,71,33,000	24,29,38,701	22,65,71,278	+6,94,38,273	—1,63,67,423

Number and name of Grant or Appropriation.	Original Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure	Expenditure
				compared with Original Grant or Appropriation.	compared with Final Grant or Appropriation.
	Rs.	Rs.	Rs.	More+ Less— Rs.	More+ Less— Rs.
PART I.—CIVIL—contd.					
B.—EXPENDITURE CHARGED TO CAPITAL.					
Capital Outlay on Vizagapatam Harbour			—1,10,694	—1,10,694	—1,10,694
80. Delhi Capital Outlay	8,27,000	1,56,92,000	1,55,28,525	+1,47,01,525	—1,63,475
81. Commuted value of Pensions					
Non-voted		—6,73,600	—11,74,243	—11,74,243	—5,00,643
Voted	1,000	1,000	—23,09,704	—23,10,704	—23,10,704
Capital Outlay on Schemes connected with the War	—6,63,69,000	5,16,93,093	—3,54,32,134	+3,09,36,866	—8,71,25,227
C.—DISBURSEMENTS OF LOANS AND ADVANCES.					
82. Interest-free Advances	3,81,99,000	19,53,99,000	20,29,95,904	+16,48,96,904	+1,75,96,904
83. Loans and Advances bearing interest	4,79,74,000	13,53,74,000	13,71,21,882	+8,91,47,882	+17,47,882
Advances to Crown Representative for Loans to Indian States and Notabilities	7,20,000	6,39,070	6,64,663	—55,337	+25,593
Total					
Non-Voted	47,54,80,000	72,73,69,547	61,05,30,829	+13,50,50,829	—11,68,38,718
Voted	41,52,60,899	79,52,33,899	71,50,24,492	+29,97,63,593	—8,02,09,407
Expenditure met from Revenue					
Non-voted	54,11,29,000	67,57,10,984	64,64,72,543	+10,53,43,543	—2,92,38,441
Voted	32,83,59,899	45,87,67,899	36,17,98,579	+3,34,38,689	—9,69,69,320
Expenditure met from Capital					
Non-Voted	—6,63,69,000	5,10,19,493	—3,66,06,377	+2,97,62,623	—8,76,25,870
Voted	8,28,000	1,56,93,000	1,31,08,127	+1,22,80,127	—25,84,873
Disbursements of Loans & Advances					
Non-Voted	7,20,000	6,39,070	6,64,663	—55,337	+25,593
Voted	8,60,73,000	32,07,73,000	34,01,17,786	+25,40,44,786	+1,93,44,786

PART II—POSTS AND TELEGRAPHS.

A.—EXPENDITURE MET FROM REVENUE.

10. Indian Posts and Telegraphs

Department :

Non-voted	1,17,92,000	1,14,28,500	1,14,42,504	—3,49,496	+14,004
Voted	15,43,28,000	18,29,18,000	18,00,83,501	+2,57,55,501	—28,34,499

B.—EXPENDITURE CHARGED TO CAPITAL.

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

Voted	3,13,00,000	3,13,00,000	2,73,42,694	—39,57,306	—39,57,306
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79. Indian Posts and Telegraphs—Stores Suspense (not met from Revenue.)

Voted	1,000	1,000	47,82,665	+47,81,665	+47,81,665
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Total—Expenditure charged to Capital—

(Voted)	3,13,01,000	3,13,01,000	3,21,25,359	+8,24,359	+8,24,359
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Total—Posts and Telegraphs

	19,74,21,000	22,56,47,500	22,36,51,364	+2,62,30,364	—19,96,136
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Total					
Non-voted	1,17,92,000	1,14,28,500	1,14,42,504	—3,49,496	+14,004
Voted	18,56,29,000	21,42,19,000	21,22,08,860	+2,65,79,860	—20,10,140

Number and name of Grant or Appropriation.	Original Grant or Appropriation.	Final Grant or Appropriation.	Expenditure. Rs.	Expenditure	Expenditure
				compared with Original Grant or Appropriation. More+ Less— Rs.	compared with Final Grant or Appropriation. More+ Less— Rs.
PART III.—RAILWAYS.					
A.—EXPENDITURE CHARGED TO REVENUE.					
1. Revenue—Railway Board					
<i>Non-voted</i> . . .	7,43,000	6,74,000	6,58,627	—84,373	—16,373
Voted . . .	14,54,700	21,19,700	20,33,734	+5,79,034	—85,966
2. Revenue—Audit—					
<i>Non-voted</i> . . .	1,69,000	1,83,000	1,79,107	+10,107	—3,893
Voted . . .	14,29,000	16,58,000	16,03,596	+1,74,596	—54,404
3. Revenue—Miscellaneous Expenditure.					
<i>Non-voted</i> . . .	16,30,000	13,86,000	12,90,449	—3,39,551	—95,551
Voted . . .	18,45,000	21,77,000	19,81,664	+1,36,664	—1,95,336
5. Revenue—Payments to Indian States and Companies.					
Voted . . .	2,64,14,000	2,93,96,000	2,94,50,617	+30,36,617	+54,617
6. A.—Revenue—Working Expenses—Maintenance of Structural Works.					
<i>Non-voted</i> . . .	13,67,000	11,56,000	13,26,512	—40,488	+1,70,512
Voted . . .	11,39,79,000	18,16,77,000	16,66,61,950	+5,26,82,950	—1,50,15,000
6. B.—Revenue—Working Expenses—Maintenance and Supply of Locomotive Power.					
<i>Non-voted</i> . . .	8,51,000	8,35,000	8,77,261	+26,261	+42,261
Voted . . .	31,63,21,000	51,62,68,000	47,83,07,993	+16,19,86,993	—3,79,60,007
6. C.—Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock.					
<i>Non-voted</i> . . .	3,23,000	2,84,000	3,14,506	—8,494	+30,506
Voted . . .	7,86,75,000	10,38,60,000	10,96,17,676	+3,09,42,676	+57,57,676
6. D.—Revenue—Working Expenses—Maintenance and working of Ferry Steamers and Harbours.					
<i>Non-voted</i> . . .	17,000	19,000	16,186	—2,514	—2,514
Voted . . .	38,29,000	49,16,000	43,22,920	+4,93,920	—5,93,080
6. E.—Revenue—Working Expenses—Expenses of Traffic Department.					
<i>Non-voted</i> . . .	9,61,000	8,73,000	9,16,351	—44,649	+43,351
Voted . . .	13,97,42,000	16,35,86,000	16,81,41,684	+2,83,99,684	+45,55,684
6. F.—Revenue—Working Expenses—Expenses of General Departments.					
<i>Non-voted</i> . . .	16,30,000	16,99,000	17,40,952	+1,10,952	+41,952
Voted . . .	5,19,44,000	5,96,02,000	6,05,92,477	+86,48,477	+9,90,477
6. G.—Revenue—Working Expenses—Miscellaneous Expenses.					
<i>Non-voted</i> . . .	16,95,000	14,85,000	14,02,568	—2,92,432	—82,432
Voted . . .	20,07,58,000	20,07,58,000	19,21,98,546	—85,59,654	—85,59,654
6. H.—Revenue—Working Expenses—Expenses of Electrical Department.					
<i>Non-voted</i> . . .	2,25,000	2,04,000	2,20,186	—4,814	+16,186
Voted . . .	4,07,74,000	4,84,48,000	4,67,62,613	+59,88,613	—16,85,387
7. Revenue—Appropriation to Depreciation Reserve Fund.					
Voted . . .	17,12,00,000	17,12,00,000	17,01,17,227	—10,82,773	—10,82,773
8. Revenue—Interest Charges—					
<i>Non-voted</i> . . .	28,73,38,000	27,74,69,000	27,44,28,493	—1,29,09,507	—30,40,507
Voted . . .	97,000	97,000	97,399	+399	+399
10. Revenue—Appropriation to Reserve—					
Voted . . .	10,84,08,000	10,84,08,000	17,88,47,209	+7,04,39,209	+7,04,39,209

Number and name of Grant or Appropriation.	Original Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure	Expenditure
				compared with Original Grant or Appropriation. More+ Less— Rs.	compared with Final Grant or Appropriation. More+ Less— Rs.
PART III—RAILWAYS—<i>contd.</i>					
10-A.—Revenue—Withdrawal from Reserve—					
Voted . . . . .	..	2,17,00,000	2,95,44,936	+2,95,44,936	+78,44,936
Total Railway Expenditure charged to Revenue	1,55,38,20,700	1,90,21,37,700	1,92,36,53,539	+36,98,32,839	+2,15,15,839
Total	{	Non-voted	28,33,71,498	-1,35,79,502	-28,95,502
		Voted	1,64,02,82,041	+38,34,12,341	+2,44,11,341
B.—EXPENDITURE CHARGED TO CAPITAL.					
11. Capital—New Construction—					
Voted	2,000	2,000	-1,35,986	-1,37,986	-1,37,986
12. Capital—Open Line Works—					
Non-voted	87,000	1,32,000	63,174	-23,826	-63,826
Voted	28,69,13,000	28,69,14,000	18,16,87,462	-10,52,25,538	-10,52,26,538
Discharge of Debentures—					
Non-voted . . . . .	..	17,000	43,126	+43,126	+26,126
Total Railway Expenditure charged to Capital	28,70,02,000	28,70,85,000	18,16,57,776	-10,53,44,224	-10,54,07,224
Total	{	Non-voted	1,06,300	+19,300	-42,700
		Voted	18,15,51,476	-10,53,63,524	-10,53,64,524
C.—DISBURSEMENTS UNDER P.—DEPOSITS AND ADVANCES.					
12. Open Line Works—					
Depreciation Reserve Fund—					
Voted	23,00,00,000	23,00,00,000	8,18,29,998	-14,81,70,002	-14,81,70,002
Total Railways	2,07,08,22,700	2,41,92,02,700	2,18,71,41,313	+11,63,18,613	-23,20,61,387
Total	{	Non-voted	28,34,77,798	-1,35,60,202	-29,38,202
		Voted	1,90,36,63,515	+12,98,78,815	-22,91,23,185
PART IV.—DEFENCE SERVICES.*					
A.—EXPENDITURE CHARGED TO REVENUE.					
58. Defence Services—Effective—					
Non-voted	2,77,69,82,000	4,02,95,45,000	4,02,61,87,000	+1,24,92,05,000	-33,58,000
59. Defence Services—Non-effective—					
Non-voted	9,25,12,000	9,54,72,000	9,47,74,000	+22,62,000	-6,98,000
Total Defence Services charged to Revenue	2,86,91,94,000	4,12,50,17,000	4,12,09,61,000	+1,25,14,67,000	-40,56,000
B.—EXPENDITURE CHARGED TO CAPITAL.					
Defence Capital Expenditure	24,60,00,000	60,28,56,000	62,82,52,000	+38,22,52,000	+2,73,96,000
Total Defence Services—	3,11,54,94,000	4,72,78,73,000	4,74,92,13,000	+1,63,37,15,000	+2,13,40,000
(Non-voted)					
GRAND TOTAL	6,27,44,78,599	8,89,13,26,646	8,48,55,60,998	+2,21,10,82,399	-40,67,65,648
Total	{	Non-voted	5,65,46,64,131(a)	+1,75,48,60,131	-9,84,22,916
		Voted	2,83,08,96,867(b)	+45,62,22,268	-31,13,42,732

* The figures are gross.

(a) This amount is less than that given in the Combined Finance and Revenue Accounts for 1944-45 by Rs. 260 which is due to rounding.

(b) This amount is more than that given in the Combined Finance and Revenue Accounts for 1944-45 by Rs. 12,97,867 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.

APPENDIX III

Summary of Financial Results of Indian Government Railways in 1945-46

The latest figures of revenue and expenditure of Indian Government Railways for 1945-46 show the following results:—

Gross traffic receipts amounted to 225.73 crores (220.78 crores for Indian Government and 4.95 crores for worked lines) or 9.35 crores more than in the previous year and 73 lakhs more than the revised estimate.

Ordinary Working Expenses (excluding depreciation) amounted to Rs. 143.25 crores or 19.91 crores more than in the previous year and 6.66 crores less than the revised estimate. The amount set apart for depreciation was 17.05 crores or 4 lakhs more than in the previous year. The payment to worked lines amounted to Rs. 2.36 crores or 43 lakhs more than in the previous year.

Net traffic receipts amounted to Rs. 63.07 crores or 11.03 crores less than in 1944-45 and 7.37 crores more than the revised estimate.

Miscellaneous transactions resulted in a net receipt of 4.17 crores or 93 lakhs more than in the previous year and 44 lakhs more than the revised estimate.

The net revenue before meeting interest charges was Rs. 67.24 crores or 10.10 crores less than in 1944-45 and 7.81 crores more than the revised estimate.

The total interest charges amounted to Rs. 27.22 crores or 23 lakhs less than in the previous year and 14 lakhs less than the revised estimate.

There was a surplus 40.02 crores against 49.89 crores in 1944-45 and against the revised estimate of 32.07 crores. Out of this, 32 crores will be paid to general revenues and 8.02 crores will be transferred to the Railway Reserve Fund.

There was an appropriation of Rs. 17.05 crores from revenue to the depreciation reserve fund. In addition, a sum of 20 lakhs, which was recovered from the Bengal and North Western Railway Company on account of average rolling stock, was credited to the Fund. Against the appropriation of 17.25 crores to the depreciation reserve fund, there was a withdrawal of 11.64 crores against the revised estimates of 18.85 crores. Thus, the net increase in the balance at the end of the year was Re. 5.61 crores, raising it to 107.82 crores against the revised estimate of 100.61 crores.

Against the appropriation of 8.02 crores to the Railway Reserve Fund, there was a withdrawal of Rs. 5.54 crores against the revised estimate of 8.50 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 Rs. 2.48 crores and the balance therein at the end of the year was 39.96 crores against the revised estimate of 29.05 crores. Out of this, 74 lakhs represented investments in branch line shares and 9 lakhs to Branch Line Companies. The balance at the end of 1946-47 will in consequence be 28.02 crores against the budget figure of 17.11 crores.

The gross capital expenditure during the year was 15.38 crores against the revised estimate of 13.21 crores. Against this expenditure, there were credits of 3.10 crores on account of certain special adjustments, viz., 'Write-back, of the capital cost of dismantled lines and abandoned assets' (2.49 crores), and 'Write-off of the cost of military sidings' (.03) crore and 'Write-back of the inflationary element in expenditure on works after 1942-43' (.58) crores. The net capital expenditure was therefore, Rs. 12.28 crores. The capital-at-charge up to the end of the year was 700.28 crores.

The ratio of total working expenses (including contribution to depreciation reserve fund), to gross traffic receipts was 71 per cent. against 64.86 per cent. in the previous year.

The ratio of total working expenses (including contribution to depreciation reserve fund, but excluding special adjustments, to gross traffic receipts was 62.4 per cent. against 55.83 in the previous year and 60.96 per cent. in the Revised Estimates.

The ratio of net revenue to the capital-at-charge was 8.4 per cent. against 9.8 per cent. in the previous year and 7.5 per cent. in the Revised Estimates.

The following statement compares the results of the working for the year 1945-46 with the revised estimates for that year and the actual for the previous year:—

	1945-46 Actuals	(In crores of rupees 1945-46)	
		Revised Estimates	1945-46 (Provisional)
1. Gross Traffic Receipts	216.38	225.00	225.73
2. Ordinary Operating Expenses	123.34	149.91	143.25
3. Depreciation	17.01	17.05	17.05
4. Payments to worked lines	1.93	2.34	2.36
5. Net traffic receipts	74.10	55.70	63.07
6. Net Miscellaneous Receipts	3.24	3.73	4.17
7. Interest	27.45	27.36	27.22
8. Surplus	49.89	32.07	40.02
9. Share of General Revenues	32.00	32.00	32.00

APPENDIX IV

Memorandum regarding re-arrangement of Railway Demands for Grants

A Memorandum regarding the re-arrangement of Railway Demands for Grants together with the Annexures thereto, which was placed before the Standing Finance Committee for Railways at their meeting dated the 18th July 1946, will be found below.* The Standing Finance Committee for Railways approved the scheme after considerable discussion. The approval of the Public Accounts Committee is also sought to the introduction of the scheme.

*The Public Accounts Committee, which examined the accounts of the year 1943-44, criticised the convention agreed to in 1933 under which though each Abstract 6-A to 6-H under Working Expenses forms a separate demand and each Railway a sub-head under the demands, the savings under any one of the demands is considered as a set-off against an excess in another. The Committee considered that this arrangement was tantamount to reappropriation being allowed between eight different grants and was contrary to all canons of budgeting and financial control. They desired, however, before making any final recommendations, 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. Their observations are found in paragraph 19 of the report and paragraph 9 of the proceedings of their meeting on the 13th August 1945. Copies of these two paragraphs are given in Annexure A.

The matter was examined in considerable detail and a copy of the note prepared on the subject by the Financial Commissioner will be found at Annexure B.

The suggestions in the note have been examined by the Auditor General and he is of the opinion that the new scheme is worth a trial with the approval of the Standing Finance Committee. Most of the General Managers are also in favour of the proposals. The Railway Board would prefer to separate "Stores" from "Other Expenditure" *vide* para. 14 of the Financial Commissioner's note as not to be able to compare expenditure on Stores only is a great disadvantage to the Administration and if the Standing Finance Committee approve, they would put it to the Auditor General for concurrence.

It will be observed that the scheme not only meets the criticism of the Public Account Committee, but is also designed towards a more rational and effective control over expenditure.

The approval of the Standing Finance Committee is sought to the introduction of the scheme. After their approval, the scheme will be placed before the Public Accounts Committee at their meeting in August 1946 and if they also agree to it, the scheme can be introduced with effect from the budget for the year 1947-48 to be submitted to the Assembly in February 1947.

ANNEXURE A

Report of the Public Accounts Committee, 1945

19. *Authorisation 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 1938 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 Railways are authorised to exceed the budget allotments in one grant if they expect savings in another. This latter arrangement is, however, tantamount to reappropriation 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 peculi-

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 reappropriation 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.

* * * * *

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

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 Operations) 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 authorise 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 authorised 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 the 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.

ANNEXURE 'B'

Before 1924-25, all railway expenditure was divided into two demands, Capital and Revenue. With the separation of Railway Finance and General Finance in 1924-25, the revenue expenditure was divided as follows:—

Demand No. 1.—Railway Board.

Demand No. 2.—Inspection.

Demand No. 3.—Audit.

Demand No. 4.—Working Expenses—Administration.

Demand No. 5.—Working Expenses—Operation and Maintenance.

Demand No. 6.—Companies and Indian State's share of surplus profits and net earnings.

Demand No. 9.—Appropriation to Depreciation Fund.

Demand No. 11.—Miscellaneous.

Demand No. 12.—Appropriation to Depreciation Fund.

There were also demands for appropriation from Depreciation Fund and appropriation from Reserve Fund.

2. This arrangement was criticised by the Director of Railway Audit. His objections were that:—

- (i) The forms of grants and Appropriation Accounts did not follow the structure of the original accounts.

(i) For the purpose of effective control over expenditure the accounts had to be re-cast in the forms of Grants instead of the original accounts serving directly for the purpose, and

(iii) The control over expenditure by the sub-heads of the Grants during the course of the year not being efficient, there were delays and difficulties in obtaining explanations for variations at the close of the year.

The Director of Railway Audit suggested that there should be a separate Grant for Working Expenses of each Railway. This suggestion was rejected by the Financial Commissioner of Railways, Sir (then Mr.) P. R. Rau, because it lost sight of the essential unity of Indian Railways and because it would give the Railways far larger powers than were necessary or desirable and would make it impossible for the Railway Board to exercise any control over expenditure. From the point of view of control of expenditure it seemed to the Financial Commissioner of Railways that "the ideal arrangement would be to divide the Working Expenses of Railways into certain well defined groups, not too many in number, and to leave the Railway Administrations liberty to redistribute these sums over the detailed Accounts Heads at their discretion."

Sir P. R. Rau was at first inclined to the view that there should be a separate demand for each of the minor heads, 'Administration', 'Repairs and Maintenance' and 'Operation', with each Railway as sub-head, but later he decided that the balance of advantage lay in basing the demand on the abstracts, because

(i) The grouping of expenditure by Abstracts was more familiar to the ordinary railway official than other grouping and, it corresponded more or less to actual control of expenditure in the Railway Administration by Departments,

(ii) That it would lead to enormous simplification of the Appropriation Accounts, and

(iii) The division of Working Expenses by abstracts introduced a larger number of groups than division by minor heads and thereby made for better control.

3. There is no doubt that the grouping of railway expenditure by abstracts is the standard one on railways the world over and has stood the test of time. It is, however, doubtful if on Indian Government Railways as organised at present grouping by abstracts corresponds to actual control over expenditure. With a few exceptions, there is no one departmental authority responsible for controlling the entire expenditure under a particular abstract, or for giving explanation for variations between expenditure and grant under all the account heads contained therein. On Railways organised on a Divisional basis, the grant under each abstract is distributed among the Divisional Superintendents and some extra-Divisional Officers. The budget estimates are prepared by these officers, scrutinised in the Budget Branch of the G. M.'s office, (such scrutiny being mostly arithmetical) and unless for any reason a material change is made in the estimates submitted by a Divisional Superintendent the Principal Officers are seldom called upon to make any technical scrutiny of the estimates. The watch over the progress of expenditure is kept by the Deputy G. M. and F. A. & C. A. O., and a Principal Officer is referred to only for scrutiny, from a technical point of view, of the justification which a Divisional Superintendent or extra-Divisional Officer may have given for exceeding his allotment. Some of the abstracts like B. & E. concern more than one Principal Officers even on railways organised on a departmental basis. In fact in abstract E the expenditure on Commercial and Transportation staff is all booked together in the accounts. Abstract F concerns as many officers as there are departments included in that abstract. Again the account head 'losses on stores' appears in all abstracts. It represents such percentage as may be fixed by the General Manager of the losses and depreciation of stores in stock. The departmental officers have no control whatsoever over this item, which can be controlled only by the Controller of Stores.

4. The claim regarding the simplification of Appropriation Accounts is largely justified as the compiled accounts have no longer to be re-cast to suit the demands, and there is therefore no need for proving and agreeing two sets of accounts compilations—a formidable task and not without difficulties. However, some difficulties still remain. The units are too large and contain heterogeneous elements. Excesses under certain categories have to be linked and "explained" along with savings under others with which they have no organic connection, e.g., Administration, Fuel and Losses of Stores under abstract B are as disconnected as can be imagined. Consequently the so-called explanations get either too involved to be intelligible even to the departmental officers, or become a mere string of figures. As regards the third advantage claimed by Sir P. R. Rau for his arrangement it may be pointed out that it has completely disappeared as a result of the convention referred to in the paragraph 6.

5. Under the previous arrangement of only two Grants for Working Expenses the Railway Board had full powers of re-appropriation between the various abstracts in respect of General Administration and also between the various abstracts in respect of other expenditure. The powers of General Managers to make such re-appropriation were, however, curtailed by executive orders with effect from 1932-33. Under the Grant—Working Expenses—Administration—restrictions were placed on re-appropriation between establishment charges and other charges, while under the demand—Working Expenses, Repairs and Maintenance and Operation—restrictions were placed on re-appropriations between Repairs and Maintenance, Operation other than fuel, fuel

of funds and worked lines. Thus in respect of establishment charges a General Manager could utilize savings under, say, Abstract B to meet excesses under Abstract E. Similarly if a General Manager had savings under Repairs of Locomotives or Workshop Plant and Machinery he was free to use these savings to meet excesses in repairs to coaching stock or goods wagons. He could even use savings under Repairs and Maintenance to meet excesses in Running or Station Staff.

6. With the re-arrangement of Working Expenses into 8 demands according to the 8 revenue abstracts, the position according to strict principles of Parliamentary control would be as follows.

The Railway Board and General Managers would have complete powers of re-appropriation in each abstract between Administration, Repairs and Maintenance and Operation, which they did not possess before, but would have no power of re-appropriation between different abstracts under the same minor head, *e.g.*, neither would they be able to meet an excess under General Administration in, say, the Traffic Department from savings under General Administration in the Loco. or Carriage and Wagon Department, nor could they utilize savings under Repairs and Maintenance in Abstract B to meet excesses under similar expenditure in Abstract A or C. Thus the allotment for General Administration got split up into 8 pockets without any power to transfer funds from one pocket to another, but the two separate pockets representing allotments for "Administration" and "Repairs and Maintenance" and Operation in, say, Abstract 'B' got amalgamated. It was represented that this compartmentalisation of allotments into 8 units would place too great restrictions on the General Managers, and it was therefore decided by the Public Accounts Committee and the Railway Standing Finance Committee, on the recommendations of the Financial Commissioner of Railways, that to get round this difficulty a convention be adopted that a saving under one of these demands would be considered as a set off against an excess in another. The result is as follows. The General Managers have got the power, which they did not have before, of making formal re-appropriations between General Administration—Repairs and Maintenance and Operation under each abstract. They cannot make formal re-appropriations between one abstract and another even under the same minor head as they could previously, but can set off savings under one abstract against excesses in another. Practically the result is the same as if there had been one Grant only for the entire Working Expenses of each Railway. The Railway Board have powers of re-appropriation between railways under each abstract but no powers of re-appropriation between abstracts.

7. As a result of certain comments in paragraph 5 (e) of the report of the Director of Railway Audit, on the accounts for 1943-44, this convention came in for a good deal of criticism in the Public Accounts Committee who took the view that this arrangement was tantamount to re-appropriation being allowed between 8 different Grants, that it was quite contrary to all canons of budgeting and financial control and was nothing but a subterfuge, making the Assembly believe that they had control (which they did not have), and that it would be more honest if the headings were again grouped into one Grant. The Auditor General reminded the chairman that this arrangement had been made by the then Financial Commissioner of Railways with a view to ensuring from his point of view better financial control. The Chairman expressed the view that it did not give any financial control and on the chairman's suggestion the Committee recommended that the Railway Department re-examine the matter in detail in consultation with the Auditor General and present a report to the Committee.

8. I do not think we need take the Public Accounts Committee literally when they suggest that 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 re-appropriations would be allowed in the normal course. Sir P. R. Rau stated the objections to this course more than ten years ago although it does not seem to have struck him that when he suggested to the P. A. C. the convention which we are criticising now he was in effect adopting by subterfuge the suggestion which he had so categorically rejected when it was put forward by D. R. A. All that the Committee mean is that they would prefer this course to the existing arrangement not because it would give any control either to the Legislature or the Government of India but merely because to quote the words of the Chairman, "it will be more honest course" and would be legalising an illegal convention. One solution would be to abolish the Convention and retain the 8 demands. This need not be seriously considered in view of what has already been stated. We must therefore, re-arrange our Demands for Grants so as to secure a reasonable balance between the needs of Administrative flexibility on the one hand and efficient financial control on the other by dividing "Working Expenses of Railways into certain well-defined groups not too many in number and to leave the Railway Administrations liberty to redistribute these sums over the detailed accounts Heads at their discretion".

9. Before turning to my proposals for the re-arrangement of the demands to meet the criticism of the Public Accounts Committee I should mention one important point. It has been recognised that in a commercial concern more than anywhere else budgeting is more a guess or an expression of hope than anything else, as the expenditure is dependent on the revenue earned or other tangible results. On railways, control over certain items of expenditure, *e.g.*, Administration, Educational Grants, Health and Welfare Services, Contribution towards the cost of Order Police, etc., is somewhat similar to that in other departments of Government, but this is not so in regard to other items of expenditure. In the nature of things the expenditure under "Operation", for example, must vary with the volume of traffic offering. Thus whereas allotment under

certain heads should be treated as more or less fixed the variations from which should require to be carefully explained, the original estimate under other sub-heads should be treated as elastic and liable to be scaled up and down with the flow of traffic. By combining in one and the same Demand all such expenditure, viz., that which varies with the volume of traffic and that which does not so vary and authorising the Railway Administration to re-appropriate funds within that Grant this important aspect of budgeting for commercial expenditure is altogether lost sight of. Savings under "Repairs and Maintenance" and "Operation other than Staff" would generally be non-recurring, while excesses in "Administration" and "Staff" would ordinarily be recurring and an arrangement which permits any authority to use non-recurring savings to meet recurring addition to expenditure is not calculated to secure the tighter financial control over Railway Expenditure the necessity for which in the immediate post-war years has been stressed so much by the Chief Commissioner.

10. I have discussed this matter informally with the Director of Railway Audit and the Auditor General. They naturally attach great importance to facility in preparing the annual appropriation accounts and any re-arrangement of Demands which would make it more difficult to compile the Appropriation Accounts would not be looked upon by them with favour. Also any such scheme which would cause delay in the placing of the results of the month's transactions before the railway officials would be retrograde. I have in finalising my proposals given full consideration to their views.

11. The proposals I put forward in the subsequent paragraphs are aimed at securing a reasonable balance between Audit requirements and efficiency of control and the need for latitude to Railway Administrations so essential for running a commercial concern. Briefly, my proposals are that instead of there being one demand for each Abstract comprising different categories or groups of expenditure, there should be a separate demand for each well defined group. The sub-head under each demand should be the Railway and the detailed Heads under each sub-head should be well-defined portions of the Revenue Abstracts, expenditure for which may be available straightaway from Accounts without the necessity of any fresh compilation or proving.

12. I propose that the ordinary working expenses should be divided as follows :—

1. Administration.
2. Repairs and Maintenance.
3. Operation—Staff.
4. Operation—Fuel.
5. Operation—Other than staff and fuel.
6. Miscellaneous.

Under this arrangement the working expenses are divided into a smaller number of groups than at present, but each group comprises expenditure of the same character and is therefore more well-defined. The detailed arrangement is shown in the annexure to this note.

13. Under the proposed arrangement we shall be applying the ordinary methods of parliamentary control where they are appropriate and commercial methods of control where these are necessary and it will be possible both for the Legislature and Government to see how far the variations from the original estimate of expenditure are justified by the variations in traffic receipts on which the original estimate was based. A Railway Administration will not be held guilty of a misdemeanour if it exceeds its original estimate through more traffic having offered in the year and at the same time will not be able to escape blame where blame may be rightly due. From the point of view of the monthly control statements and the Appropriation Accounts, there will be no difficulty as the expenditure under each detailed Head will be available direct from the Revenue Abstracts. The figures under the corresponding heads in the various abstracts will no doubt have to be added together before the expenditure can be compared with Grant. But this will in no case require adding up more than eight figures and should therefore neither present any difficulty nor involve any appreciable additional work. Instead the preparation of the Appropriation Accounts should be further facilitated because the expenditure will be grouped under more compact units and there will be no question of combining variations in one group with those under another having no organic connection with it.

14. Personally I would be prepared in some cases to make a little departure from this principle and collect together expenditure of one category booked under various Abstracts. For example, under the proposed Demand—Ordinary Working Expenses, Operation—other than staff and fuel—I shall prefer to have on each railway a detailed Head 'Stores' which will collect the Stores expenditure under all Abstracts. I am, however, prepared not to press this proposal out of deference to the views of the Audit Department.

15. The most important point which we have to consider is whether the units into which the working expenses have to be divided under the proposed arrangements are of a reasonable size and whether the restriction of the General Manager's powers of re-appropriation within each unit will give rise to any difficulties in actual administration, and should they be so whether the advantage of a more efficient control will not more than compensate for any such difficulties. As

will be seen from the earlier portion of this note, we had at one time placed restrictions on the General Manager's re-appropriating funds from Fuel, Establishment, etc. The proposals now made merely restore that position and take away from the General Managers the very extensive powers which they should not have. There is no reason for example why a non-recurring saving under Fuel should be used for meeting a recurring expenditure under Administration or why any savings under Operation—Staff or Fuel or Stores should be used for making larger Grants or incurring more expenditure on Health Services. That the proposals will make for better financial control is to my mind beyond doubt.

16. Another alteration that I suggest is to divide the Works expenditure into three Demands instead of two as at present. Under the existing arrangements, there is one Demand for the construction of Branch Lines and another for Open Line Works. This assumes that the cost of all Branch Lines will be charged to Capital and the cost of all Open Line Works will be divided between Capital and the Depreciation Fund. This assumption is no longer correct. During the war, many Branch Lines were dismantled. Many of them will have to be relaid. From the point of view of control, it will be necessary to make an allotment to the railways separately for each Branch Line and to ask for funds from the Assembly in the same manner. The expenditure, however, will not be chargeable all to Capital, some of it will be chargeable to the Depreciation Fund also. This, however, should not prevent us from including all expenditure on Branch Lines, whether New or those involving restoration of dismantled Lines, in one Demand chargeable partly to Capital and partly to the Depreciation Fund.

17. The idea of combining in one Demand Capital and Depreciation Fund expenditure on Open Line Works was that for estimating purposes the two are taken together and that whereas the total expenditure is controllable, it is not so separately under Capital and Depreciation Fund. This is true in respect of replacement Works but the expenditure on New Works is charged entirely and there is no connection between the cost of such Works and the cost of replacement Works. With the institution of Betterment Fund, the position in regard to Open Line Works now is as follows. There will be some Works which are entirely New and which will be charged some to Capital and others to Betterment Fund. There will be replacement works which will necessarily involve the Depreciation Fund but some may involve Capital and Depreciation Fund and others Betterment Fund and Depreciation Fund. Our present view is that in deciding whether a particular work should or should not be charged to the Betterment Fund the criterion should be the work as a whole. If the work or scheme is sanctioned on financial grounds any portion thereof even though unremunerative should be charged to Capital but if the work is not undertaken on financial grounds but as an amenity or an operational necessity and is likely to be unremunerative it should go to the Betterment Fund. If such works were replacement works the expenditure should be divided between Capital and Depreciation Fund or between Betterment Fund and Depreciation Fund as the case may be. For our control purposes, we can include all replacement works in one Demand. Thus the division will be New Works, i.e., works involving no debit to the Depreciation Fund and replacement works involving a debit to the Depreciation Fund.

18. If C. C. approves of the proposals generally they will be circulated to General Managers for comments and will also be sent to the Auditor General for his views.

The 11th May 1946.

I. S. PURI.

APPENDIX TO THE NOTE *VIDE* ANNEXURE B.

Proposed Railway Demands.

Demand No. 1	Railway Board	No change
Demand No. 2	Audit	No change
Demand No. 3	Miscellaneous Expenditure	No change
Demand No. 4	Ordinary working expenses	

Administration.

Subheads.

Individual Railways.

Detailed heads under each Railway.

1. Engineering Department
2. Locomotive Department
3. Carriage & Wagon Department
4. Ferry Steamers and Harbour
5. Traffic
6. Electrical
7. General Management
8. Accounts and Cash & Pay
9. Stores
10. Other General Departments and Miscellaneous Expenses.

Demand No. 5

Ordinary Working Expenses—

Repairs and Maintenance

Subheads.

Individual Railways.

Detailed heads under each Railway.

1. Maintenance of Way & Works
2. Maintenance of Locomotives
3. Maintenance of Carriage & Wagon Stock
4. Maintenance of Ferry Steamers and Harbours
5. Maintenance of Electrical Services
6. Other Expenses

Demand No. 6

Ordinary Working Expenses— Operating Staff

1. Power
2. Carriage & Wagon
3. Steamers and Harbours
4. Traffic
5. Electric Traction Staff

Demand No. 7

Ordinary Working Expenses — Operation (fuel)

Subheads.

Individual Railways.

Detailed heads under each Railway.

1. Cost of coal
2. Excise Duty and Cess on coal
3. Cost of other fuel
4. Freight and handling charges on fuel
5. Cost of electrical current for traction purposes

Demand No. 8

Ordinary Working Expenses
Operation—Other than staff
and fuel.

Subheads.

Individual Railways.

1. Stationery, forms & tickets
2. Handling, collection of goods and expenses
at out-agencies
3. Compensation for goods lost or damaged
4. Electric services (other than staff and cur-
rent)
5. Payments to other Railways.
6. Clothing, Stores and other expenses

(including inland charges on
Stores)

Demand No. 9

Ordinary Working Expenses— Miscellaneous

Subheads.

Individual Railways.

Detailed subheads under each Railway.

1. Contribution to Provident Fund
2. Gratuities and special contribution to
Provident Fund

3. Health and Welfare Services.]
4. Contributions and grants, etc.
5. Compensation
6. Losses on Grain Shops]
7. Other Expenses
8. Suspense

Demand No. 10 Payments to Indian States and Companies
(the same as present demand No. 5)

Demand No. 11.—Appropriation to Depreciation Fund

Subheads]

Individual Railways

(as in present Demand No. 7)

Demand No. 12.—Interest charges (as present demand No. 8)

Demand No. 13.—Appropriation to Betterment Fund

Demand No. 14.—Appropriation to Railway Reserve

Demand No. 14.A—Withdrawal from Railway Reserve

Demand No. 15.—Construction of New Lines

Subheads

Individual Railways

Demand No. 16.—Open Lines Works—Additions
Subheads

Individual Railways
and special transactions
e.g. purchases of a
branch line.

Detailed subheads under each Railway.]

Locomotives
Boilers
Carriages
Wagons
Ferries
Machinery
Bridges
Other structural works
Collieries
Stores Suspense
Manufacture Suspense

Demand No. 17.—Open Line Works—Replacements

Subheads

Individual Railways

Detailed subheads under each railway.

Locomotives
Boilers
Carriages
Wagons
Ferries
Machinery
Bridges
Track Renewals
Other structural & engineering works.

APPENDIX V

Memorandum regarding the punishment of Officers found guilty of serious irregularities

In paragraph 15 of the proceedings of the Public Accounts Committee on the accounts for 1943-44, the Committee observed that the punishments meted out to officers and staff of Railways who were found guilty of misappropriation, fraud and sharp practice were unduly lenient. Again in para 22 of the report the Committee observed that they regarded it as very necessary that those against whom it was found possible successfully to prove an offence should be awarded exemplary punishment. They also expressed a desire that the Railway Department should give more attention to this aspect of the matter and should submit a report as to the action taken by them in this respect.

2. The Railway Department have always attached great importance to the imposition of adequate punishments in cases of serious financial irregularities and this point has been impressed upon the Railway Administrations from time to time in the past.

3. Further instructions have also been issued to General Managers of all Indian Government Railways in April of this year drawing their attention to para 22 of the Committee's report referred to in para 1 above and emphasising the importance of the Railway Administrations awarding punishments which are fully in consonance with the offences. They were also reminded of the desirability of avoiding the recurrence of cases of undue leniency and were asked that greater vigilance should be exercised in future in the matter of adequacy of punishments imposed on those railway employees who were found guilty of such irregularities. A copy of this general letter was also endorsed to the Financial advisers and Chief Accounts Officers of all Indian Government Railways and their particular attention was drawn to their special responsibility in the matter as laid down in para 375 of the State Railway Code for the Accounts Department, Vol. I, reproduced below for facility of reference:—

“ The Chief Accounts Officer should also consider whether adequate disciplinary action has been taken and if he considers that the action is not adequate he should bring it to the notice of higher authority. In cases of fraud, in particular, he should see that the desirability of a criminal prosecution of the individual responsible is considered, and competent legal advice obtained on the question whether the prosecution is likely to be successful ”.

APPENDIX VI

Memorandum on the Reordering of the Dufferin Bridge

On examining the Memorandum, printed as Appendix IV to the report of the Public Accounts Committee on the accounts of 1943-44, they desired that full information on the following points should be placed before them, namely, (1) did the tenderers not form a combine against Government thus forcing it to accept the only tender submitted, namely by Messrs Braithwaite Burn and Jessop Construction Company Ltd., (2) what was the difference between the terms offered by the contractor in May 1940 and the terms finally settled in December 1943 and (3) whether any disciplinary action had been taken in this case for the delay involved.

2. A brief chronological account of the main facts of the case is given below to facilitate appreciation of the case.

(i) Tenders for the work were called in May 1940 to be submitted in August 1940. Owing to certain subsequent modifications in the original tender drawings, the date for submission of tenders was extended to 3rd September 1940. Only one tender was received, that from Messrs Braithwaite, Burn and Jessop Construction Company Ltd., To decide whether the quotation of Rs. 39,96,190 was a reasonable one, an investigation was undertaken by the East Indian Railway administration at the instance of the Railway Board. This was succeeded by negotiations with the firm after which the latter revised the quotation in November 1940 to Rs. 38,07,320.

(ii) The revised tender was accepted and acceptance intimated to the firm on 8-2-41. On 12-2-41 the firm pointed out that their tender had lapsed on 29-1-41 and, while expressing their willingness to execute the work, they stated that they were in correspondence with their suppliers regarding the prices of steel, rivets, bolts and paint, on the basis of which the tender had been submitted and would communicate further regarding any revision necessitated by increase in cost since submission of their tender. In the course of the correspondence for the settlement of these matters certain other matters also were dealt with, which arose out of the Railway's anxiety to define and limit their liability and the contractors' attempts to introduce saving clauses for their protection against loss due to possible fluctuations in the cost of labour and material during the War. Correspondence on these issues continued throughout the whole of 1941 and upto October 1942. No priority could be accorded to this work due to the relative urgency of war projects, and it was not known when it would be possible for the contractors to commence the work, and hence they were loth to commit themselves in any direction without the fullest investigation of each individual issue, and the issues being complicated, the negotiations were very protracted, and correspondence voluminous in spite of frequent meetings.

(iii) By October 1942, a draft agreement had been formulated by the Bridge Engineer of the Railway, and after it had been considered by officers of the Engineering Department, the Financial Adviser and Chief Accounts Officer and the Law Officer of the Railway, it was sent to the Firm on the 14th February 1943. They returned it with their comments on the 15th July 1943.

It is relevant to mention that in April 1942, the East Indian Railway's Bridge Department was moved from Calcutta to Allahabad as a dispersal measure, and the Bridge Engineer's time was occupied by many urgent problems, such as denial works on bridges in the Eastern Zone occasioned by the progress of the Far Eastern war and the development of Calendar Hamilton bridges for railway purposes. From July to October 1943 the construction of pile bridging to restore communications after the devastation caused by the Damodar Floods occupied the Bridge Department's attention, and the Dufferin Bridge girders the fabrication of which had in fact commenced, had to stand over. The Railway's reply could in the circumstances, be sent only on the 14th December 1943. The Firm's final reply, was received on the 21st December 1943.

3. The answers to the specific questions referred to in para 1 above are given in the following paragraphs :—

(i) The answer to the enquiry whether the tenderers formed a combine against Government to force it to accept the only tender submitted, is that none of the three firms, namely, Messrs. Burn and Co. Ltd., Messrs. Braithwaite and Co. (India) Ltd. and Messrs. Jessop Co. Ltd., were individually capable of taking up the fabrication of girders involved, and that they had to pool their resources under the name of Messrs. Braithwaite Burn and Jessop Construction Co. Ltd. to be able to tender for the above work and, had they not done so, no tender would, most likely have been received from any firm in India. It is clear that in this case they cannot reasonably be suspected of having combined for the purpose of raising prices. It may also be mentioned that this group of companies has also tendered in recent years for other large works, such as the new Howrah Bridge, heavy steel work for the Steel corporation, etc. It is also understood that, in view of their heavy war commitments, they evinced no keenness at any time to undertake this work, and were in fact ready to discuss analyses of rates and costs in reasonable detail.

(ii) Secondly, the Committee desired to know the difference between the terms offered by the contractor in May 1940 and the terms finally settled in December 1943. The following table gives the details of the difference between the quantities of steel which were required for fabrication as well as the rates quoted from time to time.

	September 1940			November 1940			December 1943		
	Tonnage	Rates		Tonnage	Rates		Tonnage	Rates	
(a) Steel work in main spans.	7430	403 14 0		7430	383 6 0		6852	384 1 0	
(b) Steel work in secondary spans.	1603	394 12 0		1603	375 11 0		1417	376 5 0	
(c) Steel trestles etc.	161	405 8 0		161	386 13 0		148	386 13 0	

The difference between the rates now appearing in the contract and those in the original tender submitted by the contractor on the 3rd September 1940 represents a saving to the Government of Rs. 1,66,786 on the quantities appearing in the schedule of the final contract.

The other main differences between the terms offered in September 1940 and those finally settled in December 1943 are with regard to (a) prices for steel, rivets, bolts and paint, (b) rise in cost of labour and (c) preservation of raw steel.

As regards (a) whereas in the original tender the rates were subject to confirmation at the time of placing the order they were specified in the final contract documents, subject to the condition that any increase or decrease in the actual cost to the contractors would be passed on the Railway.

As regards (b), according to the original tender, the rise in the actual cost of labour over that in the contract was to have been paid on certification by Chartered Accountants, while in the final contract it has been stipulated that any such increase will be investigated by the Railway before it is admitted for payment and, in case of disagreement between the two parties, submitted to arbitration.

As regards (c)-there was no provision in the original tender to cover the cost of oiling the raw steel that might be in the custody of the contractor awaiting commencement of work. As, by the time the contract was finalised, the Government had agreed to make an 'on-account' payment at 90% of the average price of steel, was considered that a provision should be made in the contract for the oiling etc. of the raw steel and the Railway agreed to pay at the rate of Rs. 2 per ton to cover oiling, handling and stacking charges, the contractors to be responsible for reimbursing any loss to Government due to deterioration or theft of the steel.

(iii) From the brief history of the case as given in paragraph 2 it will be quite clear that the delay in finalising and executing the contract was not due to the negligence of any Officer of the Railway. Further the fabrication of girders was held up on account of the firm's commitments regarding military works and the Railway Officers concerned and the contractors alike had more urgent works on hand arising out of the war so that they could only give this project a very low priority. The Railway Board are satisfied with the conclusion of the General Manager, East Indian Railway, that the question of taking disciplinary action against any Officer of the railway does not arise.

APPENDIX VII

Memorandum on the case referred to in Para 14 of the Proceedings of the Public Accounts Committee on the accounts of the Railways for 1943-44

The facts of the case are briefly as follows :—

Mr. Mowbray, an officer of the Department of the Secretary of State, before retiring on 30-6-43 held two posts :—

(a) Government Director of Indian Railway Companies.

(b) Railway Adviser to the Secretary of State. On retirement he was succeeded only in post (a). Post (b) was allowed to lapse.

Prior to his retirement it was agreed between the Government of India (Railway Department) and the Secretary of State, that Mr. Mowbray, on retirement, should be appointed Technical Adviser in respect of negotiations of purchase with Railway Companies (Bengal & North Western, Rohilkhand & Kumaon, South Indian, Madras & Southern Mahratta and Bengal Nagpur Railways still pending, being re-employed on a part time basis on payment of a free of £ 300 per annum (exclusive of pension) to be borne by Indian Revenues.

His successor in post (a) died in February 1944, and the Secretary of State proposed to appoint Mr. Mowbray to it on the ground that without a Director, the Assistant Director could not function. He also proposed that as his work as Technical Adviser was heavy the fee of £300 should be raised to £ 600. This was agreed to by the Government of India.

The Auditor of Indian Home Accounts took objection (as reproduced in para 6 of the Director Railway Audit's report on the Accounts of 1943-44) to the decision to charge the fee of £600 to Indian Revenues being inconsistent with Section 280(1) of the Government of India Act, 1935, and also held that since in the calculation of India's contribution to the Treasury under Section 280 (3) of the Act, the railway work of the Financial Department of the Secretary of State's Office was taken to be predominantly agency, there was a double charge against India in respect of such railway work.

2. The India Office, however, did not agree with the views of the Auditor of Indian Home Accounts and maintained that these arrangements did not infringe any of the provisions of the Government of India Act, as they did not debar the Government of India from making such arrangements as they thought fit for the performance of any particular task, and the Governor General actually agreed, in this case to meet the expenses from Indian revenues. If Mr. Mowbray had not been available, the Government of India would have been obliged to depute one of their own officers for conducting negotiations with the Railway Companies in liquidation and there could have been no question of his being a member of the Secretary of State's Department.

3. The Legislative Department and the Reforms Commissioner, who were consulted, gave the following opinion :—

Any argument as to whether Mr. Mowbray was or was not a member of the Secretary of State's staff within the meaning of the sub-section (1) of Section 280 of the Government of India Act, 1935, is profitless. Nor does the fact that the railway work of the Financial Department of the Secretary of State was taken to be predominantly agency, as pointed out by the Auditor of Home Accounts, seem to affect the position. Apart from the absence of any statement whether

the Government Director is a member of Secretary of State's staff or not or is simply a consultant, the correspondence between the Railway Department and the Secretary of State showed that there was agreement between the Governor General and the Treasury to pay agreed sums in respect of Technical Advisership—first £ 300 a year and then £ 600 a year—irrespective of the fact, that Mr. Mowbray, the Technical Adviser, was reappointed to the post of Government Director of Indian Railway Companies. This agreement was such as would be hit by Section 280(3) of the Government of India Act.

4. The Director of Railway Audit and the Auditor General of India agreed with the above views and the latter agreed to address the Auditor of Indian Home Accounts. The India Office was advised on these lines in December 1945.

The Auditor of Indian Home Accounts who was addressed by the Auditor General of India was still of the opinion that there has been double charge on Indian revenues, is inclined not to pursue the matter if it can properly be allowed to drop. In view of the advice given by the Legislative Department and the Reforms Commissioner referred to above, the approval of the Public Accounts Committee is requested to the matter being dropped.

APPENDIX VIII

Memorandum on the abolition of Annexure F to the detailed Appropriation Accounts of Railways in India, Part II

Annexure F to the Appropriation Accounts of Railways in India, Part II, which summarises (in units of rupees) the Appropriation Accounts by grants and appropriations was introduced for the first time in 1931-32 to supply additional information to the P.A.C. in regard to the control of expenditure by individual railways. At that time, the demand heads for grants were "General Administration", "Repairs and Maintenance" and "Operation", etc., and the Revenue Abstracts (A to H) were the subheads and the "Railways" the detailed heads. As the main Appropriation Accounts did not show the expenditure under each detailed heads, but only under each sub-head, it was not possible to know how the control of money placed at the disposal of the railways was exercised by them and hence the necessity for a separate Annexure to give this information.

After the re-arrangement of the demands for grants in 1934-35, the Revenue Abstracts (A to H) became the demand heads and the "Railways" the sub-heads, and the variations are now available (though in thousands of rupees) in the Appropriation Accounts themselves. The Railway Board, therefore, consider that the preparation of this Annexure now involves an unnecessary duplication.

Annexure F, however, contains figures in respect of certain grants, viz., Grants 2, 3 and 5 by each railway, which are not available in the Appropriation Accounts. While in the case of Grant 2-Audit—the control is not exercised by the railways but by the D.R.A., in the case of the other two grants, viz., 3 and 5, the expenditure is comparatively small. The retention of this Annexure for the sake of these three grants only is not considered necessary. It is accordingly, proposed to discontinue its compilation with effect from the Appropriation Accounts for 1946-46, subject to the approval of the P.A.C. The Auditor General agrees with the Railway Boards' view.

APPENDIX IX

Memorandum on the amplification of the existing Annexure D to the Appropriation Accounts

In 1943 the Director of Railway Audit raised the point that whilst the Standing Finance Committee for Railways made a detailed scrutiny of all works costing over one lakh which were included in the budget, certain new works were undertaken during the year which were not brought to their notice unless they extended into the subsequent year and were included in the next year's budget as "works in progress", and suggested that all works costing more than one lakh each which were not included in the budget voted by the Assembly and which were found necessary during the course of the year should be placed before the committee for its approval. He subsequently raised the limit from one lakh to five lakhs.

2. It was pointed out that this was not obligatory. The Railway Separation Convention Resolution of 1924 under which the Standing Finance Committee for Railways was constituted merely requires that "the Railway Department shall place the estimate of railway expenditure before the Standing Finance Committee for Railways on some date prior to the date for discussion of the demands for grants for railways in the Assembly. The form the budget shall take, the details it shall give and the number of demands for grants into which the total vote shall be divided, shall be considered by the Railway Board in consultation with the Standing Finance Committee for Railways". In practice, however, the Standing Finance Committee has been furnished information regarding all important projects of open line works, the capital expenditure on which exceeded 20 lakhs.

3. On further consideration the Director of Railway Audit stated that "the increase over the budget due to new works undertaken during the year is only mentioned in the course of composite and more or less uninformative explanations under the various railways concerned in the" Appropriation Account of Grant No. 12, and that there is a lacuna in the legislative control, and as an alternative to bringing such works to the notice of the Standing Finance Committee suggested bringing such works to the notice of the Public Accounts Committee when it considered the Appropriation Accounts.

4. The Scrutiny mentioned by the Director of Railway Audit as exercised by the Standing Finance Committee for Railways is the one exercised by it on the list of works included in the Pink Books on the basis of which the budget is framed. The status of the Pink Book was considered by the Public Accounts Committee and defined by it in para. 9 of the Proceedings of the Public Accounts Committee on the Accounts for 1931-32 as merely explanatory memoranda which should not be considered as having had the approval of the Legislature.

5. The scope of examination of the Appropriation Accounts by the Public Accounts Committee is laid down in Rule 52 of the Indian Legislative Rules, which reads as under :—

" The examination of the Appropriation Accounts and of the Audit Report thereon on behalf of the Central Legislature is conducted by their Committee on Public Accounts. It is the duty of the Committee.—

(a) to satisfy itself that the money voted by the Legislature has been spent within the scope of the demand granted by the Legislature ;

(b) to bring to the notice of the Legislature

(i) every case of a breach of the principle that no reappropriation may be made from one grant to another ;

(ii) every reappropriation within a grant which is not made in accordance with the rules prescribed by the Railway Board, or has the effect of increasing the expenditure on an item, the provision for which has been specifically reduced by a vote of the Legislature ;

and

(iii) all expenditure which the Railway Board has requested should be brought to the notice of the Legislature."

Under these requirements, appropriation or reappropriation audit is only against the grant and not against the details of works under a grant given in explanatory memoranda. Thus it was felt that any change in the lists of works did not bring the matter within the scope of examination by the Public Accounts Committee.

6. The matter was referred to the Legislative as well as to the Finance Departments and they concurred in the view held above that the existing procedure did not contain any lacuna in the legislative control.

7. In deference, however, to the wishes of the Director of Railway Audit and the Auditor General, it has been decided that, with effect from the Appropriation Accounts for 1945-46, Annexure D to the Appropriation Accounts should be modified by including therein all items of works costing five lakhs and over which were not originally included in the Pink Book.

8. The Auditor General and the Director of Railway Audit have agreed to this amplification of Annexure D to the Appropriation Accounts, but desired that the matter should be brought to the notice of the Public Accounts Committee, so that opportunity may be taken to get the views expressed by the Public Accounts Committee when examining the accounts for 1931-32 reiterated. Hence this memorandum.

APPENDIX X

Memorandum on the pricing of coal issued to Railways from the Railway Collieries

In para. 21 of their report of 6-11-1943 on the Appropriation Accounts for 1941-42, the Public Accounts Committee, while criticising the basis for charging coal supplies to the Railways, (*viz.* at the actual cost of raising to the railways owning the collieries and at current market rates to other railways) desired that the Railway Department should investigate and report on what they consider to be the correct principle according to which the collieries should charge for coal supplied by them to the Railways. In this connection the Committee raised the following questions ;

- (i) whether it would be justifiable to continue the system of charging different rates for coal, one for the owning railways and another for the foreign railways ;
- (ii) whether coal should be issued to the railways at actual cost price or at market price ;
- (iii) whichever system is adopted, the cost (including overhead charges, interest and depreciation) at which the collieries owned by the State are able to supply coal to the railways should be available from the accounts ; and
- (iv) this cost should, as far as possible, be lower than the market price.

2. These questions have been carefully considered and the conclusions reached by the Railway Department are detailed below.

3. During the war the railway collieries were transferred to the control of the Supply Department and have not yet come back to the Railway Department. During this period the coal is issued to the party at the price specified by the Coal Controller. When the Collieries revert to the Railway Department, it is proposed that the supply of coal to all the railways should be made at a uniform rate, i.e. the market price. Information regarding the cost price (including all the elements of overhead charges) is even now available in the accounts presented to the Public Accounts Committee and will continue to be so available.

4. As in the past every effort will be made to keep the production costs including overhead charges as low as possible but it will be appreciated that it is not possible to give an assurance that these will be lower than the market price. The position will be constantly kept under review and in any case the future policy may be affected by the recommendations of the Coal Committee.

APPENDIX XI

Memorandum on the outstanding suspense balances

While examining the Appropriation Accounts for 1943-44, the Public Accounts Committee desired, *vide* para. 9 of their Report, that they should be informed every year how the Suspense balances are progressing. The Committee also desired that in future a statement should be embodied in the Appropriation Accounts showing how much money there is in suspense at the end of the year under review and how long it has been there.

2. The form in which the statement should be prepared was settled in consultation with the Auditor General and the Railways were asked in May, 1946 to furnish the requisite information. From the replies received the statement in question has been compiled, but as the Appropriation Accounts had already been finally printed off, it was not possible to incorporate it in those Accounts. Further, owing to the late receipt of the information it has not been possible to obtain a complete analysis of the balance relating to the period prior to 1943-44, but from the information received an attempt has been made to classify the items still outstanding under certain main heads. In the foot-notes to the statement the main causes for the amounts remaining outstanding and the steps taken for their adjustment have been mentioned.

3. Steps will be taken to ensure that the statement for the year ending 31-3-1946 should be incorporated in the Appropriation Accounts and should give full information.

Statement showing balances outstanding under Suspense on 31st March 1945

S. No.	Suspense Heads	Balance outstanding on 31-3-1945		Relating to 1944-45		Relating to 1943-44		Relating to the period prior to 1943-44		Adjusted in 1945-46	
		Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
1.	Misc. Advances (Revenue).	1,18,59,570	3,93,70,301	20,95,632	2,35,64,774	93,47,365	1,20,56,658	4,16,573	37,48,879	4,76,879	1,91,97,132
2.	Misc. Advances (Capital).	91,55,849	4,88,65,925	87,16,785	4,47,85,329	4,82,674	86,55,256	6,390	4,25,340	6,92,320	2,71,58,412
3.	Purchases	10,67,51,992	6,01,82,120	7,54,30,908	4,64,80,287	2,57,53,322	1,10,23,196	55,67,762	26,88,637	3,92,95,760	2,08,47,474

REMARKS

Item 1.—The balance relating to the period prior to 1943-44 is Rs. 33,82,296 (Dr.) made up of debit balance of Rs. 37,48,869 and a credit balance of Rs. 4,16,573. The main items comprising the debit balance are :—

- (i) Cost of works done and services rendered to other Government Departments (Rs. 17-1/2 lakhs).
- (ii) Items awaiting adjustments to final heads for want of allocation, particulars, connected vouchers etc. (Rs. 16 lakhs).
- (iii) Evacuation and other advances (Rs. 2-1/2 lakhs).
- (iv) Payment of wages to discharged staff from station earnings on the G.I.P. Railway (Rs. 1 lakh) and Advances to contractors (Rs. 1/2 lakh).

2. Out of the credit balance of Rs. 4-1/4 lakhs a sum of Rs. 3-3/4 lakhs relates to the E.I. Railway, for which no details have been received from that railway. Other main items comprise one of Rs. 25,314 on the B.N. Railway representing the cost of sleepers supplied by the Forest Department, Central Provinces, the debit for which is awaited, and two items on the N.W. Railway amounting to Rs. 6,243 and 1,461 respectively, sufficient particulars relating to which are not yet available to enable credit to be afforded to the final heads.

3. The Railway Administrations have sanctioned additional staff to review the suspense registers and clear the items as quickly as possible.

Item 2.—The balance relating to the period prior to 1943-44 is Rs. 4,18,950 (Debit). This is made up of a debit balance of Rs. 4,25,340 and a credit balance of Rs. 6,390.

2. The main items comprising the debit balance are :—

- (i) Advance of payments to firms (Rs. 2 lakhs).

(ii) Value of materials issued to contractors, wagon building firms, and advances to Provincial Governments for purchase of food grains etc. (Rs. 1-1/2 lakhs), and

(iii) items adjusted under suspense for want of allocation, particulars, connected vouchers etc. (Rs. 3/3 lakhs).

Item (i) add a portion of item (iii) have been cleared in the accounts for 1945-46.

3. Out of the credit balance of Rs. 6,390, the main item, viz. Rs. 6,000, relates to the E.I. Railway, from which no details have been received.

4. The Railway have taken necessary steps to clear the items as quickly as possible.

Item 3.—The balance relating to the period prior to 1943-44 is Rs. 28,79,125 (credit). This consists of a credit of Rs. 55,67,762 and a debit of Rs. 26,88,687.

2. The debit items are mostly due to failure to record full particulars and consequent difficulty in connecting credits with relevant debits. This is due to the dilution of staff and increase of work. The debit items which are current are due to (i) advance payments made to supplies either direct or through the Supply Department and (ii) difference between the provisional value of stores taken on books and the payment actually made.

3. Credit items are outstanding due to (a) failure to link them with the debits received, (b) non receipt of bills for material received and (c) in a few cases to receipt of material without full particulars owing to frequent diversions due to military traffic.

APPENDIX XII.

Memorandum regarding Special Police Establishments for dealing with corruption

The special Police Establishment is under the War Department and the Railway Department bears 20% of the total expenditure incurred. The total expenditure of the Special Police is given below :—

Year.	Lakhs of rupees.
1941-42	2.49
1942-43	2.17
1943-44	4.89
1944-45	6.49
1945-46	6.38
1946-47	8.61
	(Budget figure)

2. The total staff consisted of—

	On 1-8-1945	On 1-7-1946.
Gazetted Officers	11	20
Non-Gazetted Officers	76	97
Head Constables and Foot Constables	121	152

The staff is employed at various places like Bombay, Calcutta, Delhi, Jubbulpore, Karachi Lahore, Madras, Bangalore, Rawalpindi, Peshawar and Quetta.

3. The following five Tribunals are functioning at present :—

2 were set up in Sept. 1943 at Lahore and Calcutta.

1 was set up in May 1944 at Lucknow.

2 were set up in December 1944—One at Amraoti and the other at Lahore.

4. The table given below shows the number of cases taken up year by year and their disposal:—

	Nov. Dec. 1942	1943	1944	1945	half year end- ing 1946	Total
1. Cases taken up	12	139	126	86	57	420
2. Cases sent up for trial in Courts or before Tribunals . . . . .	...	82	43	98	45	268
3. No. of persons convicted as a result of (2) . . . . .	...	45	74	57	20	196
4. No. of persons acquitted as a result of (2) . . . . .	...	14	28	55	14	111
5. Cases referred to Adms. for departmental action . . . . .	...	33	25	20	15	91
6. No. of Railway employees discharged as a result of		14	3	2	7	26

Information regarding categories of staff implicated or convicted is not readily available.

5. It has now been decided to intensify the measures adopted to stop corruption on railways and the first step taken has been to issue a stern warning to the staff of all ranks that very severe action will be taken against any railway servant found guilty of having received illegal gratification or of having indulged in corrupt practices. It is further proposed to introduce new legislation to make bribery a cognizable offence and to set up special sections both in the Railway Board and in Railway Administrations to effect the rapid disposal of complaints and enquiries. Publicity has also been given in the Press to the measures taken and proposed and the attention of the public drawn to the fact that both the acceptor and tenderer of bribes are liable to punishment and that under the new law both will be liable to arrest by the Police.

6. An amendment to the discipline and appeal rules has been referred to the Home Department for approval, which will have the effect of simplifying the procedure for dealing with Railway servants charged with corruption, so that more expeditious action against them may be possible.

APPENDIX XIII

Memorandum regarding the accounting of Unanticipated Credits

In paragraph 8 of their report on the accounts for 1943-44 the Public Accounts Committee suggested that the question of the accounting of unanticipated credits should be re-examined in consultation with the Auditor General with a view to ascertaining if there is any serious objection to the adoption of the English system under which all recoveries in excess of those taken in the budget in reduction of expenditure are adjusted as receipts.

2. The question has been carefully considered as suggested by the Committee. As explained on a previous occasion, the English system is open to the fundamental objection that the mere fact that a recovery is unforeseen cannot form a basis for classification and if adopted, will result in recoveries of the same nature being accounted for sometimes as receipts and sometimes as reduction of expenditure. It will also involve double voting as the recoveries of the receiving department are the expenditure of the paying department and the same amount will, in the case of voted expenditure be voted in both the departments. It is also felt that the existing scheme of classification which is based on years of practice and experience and which applies to both Central and Provincial transactions should not be lightly discarded. The difficulty of the change would be all the greater if Provincial Governments dissent from it or propose some other modification. After carefully weighing the objections, it has been decided with the concurrence of the Auditor General, that the English system is not suitable for Indian conditions and should not be adopted.

3. The possibility of devising some alternative method of securing, within the frame work of the existing accounting system, a positive assent by the Legislature to the utilisation of unanticipated credits by the executive authorities has also been explored. A token vote by the Legislature will secure this positive assent but as the Legislature will not be in continuous session this will, in most cases, be an *ex post facto* assent, taken towards the end of the financial year. From the point of view of Parliamentary control there is therefore no particular advantage in providing for such *ex post facto* approval by the Legislature.

4. After a careful consideration of the matter in all its aspects, it has been decided that it is not desirable particularly in view of the impending constitutional changes, to make any change in the existing accounting and budgetary arrangements. Instances of the utilisation of unanticipated credits by the executive will continue to be brought to the notice of the Legislature through the Explanatory Memorandum on the budget or the Appropriation Accounts as the case may be.

APPENDIX XIV

Memorandum regarding introduction of the British Convention in India regarding Advance Debits

In paragraph 21 of their report on the accounts for 1943-44, the Public Accounts Committee recommended that the Finance Department should investigate and report whether a convention should not be introduced in India similar to the English one 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. The Committee's suggestion has been examined in consultation with the Auditor General and it has been decided to introduce on the Railways a convention on the lines suggested by the Committee. Instructions have accordingly been issued that if for any reason the supplying department has not been able to raise a debit for supplies made to the Railways in time for adjustment in the accounts of that year and it is felt that the non-adjustment of the transactions will have an appreciable effect on the budget anticipations, the Railway administration should bring the transactions into account by itself taking the initiative in affording anticipatory credits to the supplying departments, on an estimated or approximate basis if necessary, subject to readjustment in the accounts of the following year of any under or overcharge disclosed on the basis of actuals. So far as the other departments of the Central Government are concerned, it has been decided that it is unnecessary to introduce such a convention as the accounts are kept open for adjustments for some months after the end of the financial year and there is ordinarily ample time for advising adjustments on the basis of actuals.

APPENDIX XV

Memorandum regarding revision of the existing method of accounting for Stores transactions under "Civil Works"

While considering the appropriation account of the Civil Works grant for 1943-44 the Public Accounts Committee desired that the existing method of accounting for stores transactions should be reconsidered so as to evolve, if possible, some alternative method designed to avoid the upsetting effect which their inclusion in the Civil Works grant has on the grant as a whole.

An examination of the actuals for the ten years ending with 1943-44 disclosed that the variations between the actuals and estimates had been substantial only in the last three years. This deterioration does not appear to be due to any defect in accounting or budgeting but to the special difficulties created by the war. During the war years, the stores operations of the Central Public Works Department have had to be regulated not by careful planning but by the exigencies of war and the urgent requirements of Defence Services and of civil departments engaged in the war effort. Also, owing to the enormous strain on the accounts offices and the special difficulties experienced in the accounting of imported stores, there had been unavoidable delays in raising debits for supplies. With the termination of the war, it may reasonably be expected that the planning and accounting of stores operations will revert to peacetime standards. It has accordingly been decided, with the concurrence of the Auditor General, that no change need be made in the existing procedure at this stage and the position should be watched for a year or two to see if with the return of normal conditions, the wide fluctuations of the war years disappear. Meanwhile, every effort will be made to improve estimating and control and to secure that debits for supplies are adjusted expeditiously.

APPENDIX XVI

Memorandum regarding a separate provision for the amortisation of Railway Debt

In paragraph 9 of the Report on the accounts of 1937-38 the Public Accounts Committee suggested that the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for the reduction or avoidance of debt there should not be a separate provision for the amortisation of the Railway debt once the first quinquennium under the Niemeyer Award was over. The point raised by the Committee was further considered in 1942 when it was decided that in view of the changed circumstances brought about by the outbreak of war and the very heavy burden imposed upon Central revenues by war time increase in expenditure, it was not possible to come to any decision as regards a separate provision for the amortisation of Railway debt and the Committee was informed that the consideration of this question had been postponed to a more suitable occasion. The Government of India have recently reviewed the position again more especially in the light of policies to be pursued for a successful prosecution of intensive post-war development of India. They have come to the conclusion that it is not only proper but necessary that the capital expenditure on productive or self-financing projects which are of the nature of lasting assets should remain a charge on the permanent debt, since the return on such projects is adequate to cover the charges on account of interest, maintenance and depreciation. This is the only way of spreading the benefits and liabilities resulting from the projects equitably amongst the present and future generations. Any attempt to discharge loans for lasting productive assets will retard development besides being unfair to the present generation. The suggestion should, therefore, not be pursued.

The Government of India have, however, increased the provision of Rs. 3 crores for the amortisation of debt to Rs. 5 crores with effect from the current year in view of the growth of the public debt in recent years.

APPENDIX XVII

Memorandum regarding the feasibility of adding a note to the account of the Area Grants showing the total receipts and expenditure of the Area (excluding receipts from purely Central Source-revenue)

In paragraph 62 of their proceedings on the accounts for 1943-44, the Public Accounts Committee desired the Auditor General to consider the feasibility of adding a note to the account of the Delhi Area Grant (and those of the other Centrally Administered Areas as well to show the total receipts and expenditure of the Area (excluding receipts from purely central sources of revenue). Such a note, the Committee considered, would enable them to discover at a glance to what extent the Centrally Administered Areas were self-supporting.

2. Prior to 1936-37, a statement of actual receipts by Major heads only used to be appended to each appropriation account relating to the various Area Demands. In pursuance, however, of a suggestion made in paragraph 115 of the Public Accounts Committee Proceedings on the Accounts for 1935-36, about the preparation of a *pro forma* account for each Area showing the

expenditure and receipts of a provincial character, a note was inserted in the accounts for 1936-37 below the appropriation account of each of the Area grants on the following lines in lieu of the statement of receipts :—

“The total receipts in this area amounted to Rs. lakhs roundly. The expenditure corresponding to the receipts of about Rs. lakhs stands included in the subject grants concerned.”

The difficulties in preparing *pro forma* accounts of sufficient accuracy were explained in a note submitted to the Public Accounts Committee (*vide* Appendix XVI to the Report of the Public Accounts Committee on the accounts for 1936-37). Thereupon the Committee desired that the note on the receipts and expenditure of the Delhi Province should be elaborated in future. In the accounts for 1937-38 the note was amplified as below :—

“The following table furnishes a comparative statement of receipts and expenditure relating to this Area :—

	In lakhs of Rupees.
(a) Receipts corresponding to the expenditure shown in the above appropriation account
(b) Total receipts adjusted in the accounts of the Area
(c) Total expenditure in the above appropriation account (Voted and Non-voted)
(d) Total expenditure adjusted in the accounts of the Area (Voted and Non-voted)

The Committee were not satisfied with this note considering it irrelevant to the purpose they had in view. It was suggested that, notwithstanding the undoubted difficulties in the preparation of *pro forma* accounts, it would be advantageous to know the extent to which the administration of the Chief Commissioners' Provinces was subsidised by the general revenues of the Central Government. The Auditor General undertook to have a further enquiry made and to report the results to the Finance Dept. and the Committee agreed to let the matter be pursued departmentally.

The matter was examined by the Auditor General in consultation with the Finance Department and in view of the difficulties and the cost involved in instituting a separate accounting arrangement, it was decided that a separate account, real or *pro forma*, need not be opened for Delhi and that if the question of making Delhi a separate Province should however become a live issue, an *ad hoc* statement of the financial position could be obtained. The statement of receipts and expenditure appended till then to the appropriation accounts was discontinued as the information contained therein had no financial significance.

3. In deference to the renewed desire of the Public Accounts Committee in this matter as expressed in paragraph 62 of their Proceedings on the accounts for 1943-44, the question has been examined again *de novo* and statements have been prepared to show the receipts and expenditure by various Major heads pertaining to Delhi, Ajmer-Merwara and Baluchistan. These statements are contained in Appendices A, B and C respectively.

4. It would not be right, however, to come to any definite conclusions about the financial position of any of these Areas on the basis of the figures contained in these statements alone, as the following comments will show that in many instances they fall short of reflecting the position accurately :—

(i) Receipts booked in the Area accounts under the heads 'XLV.—Stationery and Printing' and "XLVI.—Receipts in aid of Superannuation", have been left out as the amounts correctly relevant to the Areas concerned could not be estimated. Similarly, expenditure under "55.—Superannuation Allowances etc." in the Area accounts has been excluded as only a very small percentage of the amounts paid in or out of the treasuries in these Areas would be debitable to them : for example, the entire amount of pensions, which is disbursed from the Delhi treasury, does not pertain to the Delhi Province alone ; since certain Central Government pensioners also draw their pensions from the Delhi Treasury : on the other hand, some pensioners of the Delhi Province may be drawing pensions from other Central and Provincial treasuries.

(ii) As regards 'Interest', the receipts in Delhi include interest on loans granted by the Central Government to local bodies in Delhi : as for instance, amounts paid by the Delhi Joint Water Board and the Delhi Municipality as interest on loans granted to them by the Central Government. These are not receipts of the Delhi Province though they are shown as receipts of the Area. On the other hand, if Delhi Province were to be treated as a financial unit, a portion of the loan which is at present serviced by Central finances may have to be allocated to the Delhi Province which may thus become liable for servicing this portion of the loan.

(iii) Receipts under 'II —Taxes on Income' booked in the Area accounts have been excluded as the Government of India (Distribution of Revenues) Order 1936 do not contain any provision for the determination of the share of Centrally Administered Areas. Similarly, transactions relating to Central Excises, Ecclesiastical, External Affairs and Payments to the Crown Representative which appear in these Areas have been omitted as these appertain to the Central Government proper.

(iv) At present no adjustments are effected in respect of services rendered or supplies made by non-commercial departments of one Administration to any such department of another Administration or of the Central Government or *vice versa*. Adjustment is also not made in respect of the maintenance charges of prisoners transferred from one administered Area and confined in a jail in another such Area, nor in respect of the cost of printing work done and the articles of stationery supplied to the offices under the minor local Administrations by the Central Printing and Stationery Department.

(v) The rules for the apportionment of leave and pensionary charges do not apply to these Administrations as they are treated as parts of the Central Government.

(vi) No adjustment is made at present on account of Agency costs for the services rendered to the Central Government by the Law, Police and other officers of these Administrations.

(vii) The receipts and expenditure originating in the accounts of the treasury of an Administration are, to the extent laid down in Article 66 of Account Code, Volume IV, adjusted in the accounts of that Administration, irrespective of the Area to which they should actually relate for example if an amount representing 'Land Revenue' due to the Delhi Administration is credited by a tenant in the Ajmer Treasury, the credit is finally booked in the accounts of the Ajmer-Merwara Administration and not allocated to the Delhi Administration.

5. It will be seen from what has been stated above that the figures of receipts and expenditure relating to an Area as shown in these statements cannot be taken to reflect (with full accuracy) the financial position of the Area but the general picture conveyed is a fair one; the only satisfactory way of making a fully correct appreciation would be to have a separate account prepared for the Area concerned, but this would involve a radical change in the present accounting arrangements.

APPENDIX 'A'

Receipts and Expenditure by Major Heads pertaining to the Centrally Administered Areas in respect of the Year 1944-45

DELHI CIVIL ADMINISTRATION

	Receipts	Expenditure
	Rs.	Rs.
VII/7.—Land Revenue	5,61,237	44,684
VIII/8.—Provincial Excise	41,16,804	58,606
IX/9.—Stamps	13,99,395	22,154
X/10.—Forest . . . . .	...	4,375
XI/11.—Registration	1,39,911	7,058
XII/12.—Motor Vehicles Act	6,08,130	4,34,506
XIII/13.—Other Taxes & Duties	5,98,354	11,514
XVII/XVIII/17/18/19—Irrigation	5,135	2,30,402
25.—General Administration . . . . .	...	7,39,510
XXI/27.—Administration of Justice	2,28,959	3,05,718
XXII/28.—Jails and Convict Settlements	23,716	2,37,973
XXIII/29.—Police	67,126	24,58,452
XXVI/37.—Education	81,288	18,24,929
XXVII/38.—Medical	1,27,642	8,62,222
XXVIII/39.—Public Health	26,075	3,69,620
XXIX/40.—Agriculture	46,824	69,966
XXX/41.—Veterinary . . . . .	...	32,515
XXXI/42.—Co-operation	635	26,653
XXXII/43.—Industries	4,65,096	1,90,360
XXXVI/47.—Miscellaneous Departments	78,574	28,677
XXXIX/50.—Civil Works	9,14,302	23,86,505*
XLVI/57.—Miscellaneous	1,97,385	15,36,127
LII.B/64.—Civil Defence	2,19,073	2,09,412
	99,05,661	1,20,91,968

*This figure has been taken from the subject grant as pertaining to Delhi Province but excludes about Rs. 4,94,000 spent by the Central Public Works Department on the up-keep and maintenance of lawns, historical gardens, etc., in Delhi.

Note.—The figures relating to this Area included in the Subject Demands, which can be isolated, have been included in this statement.

APPENDIX 'B'.

Receipts and Expenditure by Major Heads pertaining to the Centrally Administered Areas
in respect of the Year 1944-45.

AJMER MERWARA

	Receipts.	Expenditure
	Rs.	Rs.
VII/7.—Land Revenue	3,45,911	2,73,812
VIII/8.—Provincial Excise	13,39,475	1,31,484
IX/9.—Stamps	3,49,435	6,618
XI/11.—Registration	19,446	3,617
XII/12.—Receipts under Motor Vehicles Act	18,281	4,536
XVII/XVIII/17/18.—Irrigation	78,662	[3,30,598
25.—General Administration . . . . .	...	3,07,229
XXI/27.—Administration of Justice	29,368	1,87,762
XXII/28.—Jails and Convict Settlements	16,445	1,11,921
XXIII/29.—Police	38,066	8,90,125
XXVI/37.—Education	67,013	6,87,875
XXVII/38.—Medical	5,747	1,36,313
XXVIII/39.—Public Health	6,761	8,367
XXIX/40.—Agriculture	30,598	26,423
XXX/41.—Veterinary	5,364	39,141
XXXI/42.—Co-operation	113	40,059
XXXVI/47.—Miscellaneous Departments	16,493	7,658
XXXIX/50.—Civil Works	24,673	4,85,473
54-A.—Famine Relief . . . . .	...	1,241
XLVI/57.—Miscellaneous	22,401	2,57,000
64-B.—Civil Defence . . . . .	...	6,818
	24,14,252	39,44,070

Note.—The figures relating to this Area included in the Subject Demands, which can be isolated, have been included in this statement.

APPENDIX 'C'.

Receipts and Expenditure by Major Heads pertaining to the Centrally Administered Areas in
respect of the Year 1944-45.

BALUCHISTAN.

	Receipts.	Expenditure
	Rs.	Rs.
VII/7.—Land Revenue	17,55,448	6,53,229
VIII/8.—Provincial Excise	12,33,087	58,475
IX/9.—Stamps	2,18,790	6,074
X/10.—Forest	3,55,806	3,75,767
XI/11.—Registration	11,251	5,486
XII/12.—Receipts under Motor Vehicles Act	28,849	...
XIII/13.—Other Taxes and Duties	1,12,478	...
XVII/XVIII/17/18/19.—Irrigation	3,04,688	6,22,647
25.—General Administration . . . . .	...	13,34,977
XXI/27.—Administration of Justice	1,61,624	1,28,386
XXII/28.—Jails and Convict Settlements	35,124	3,89,983
XXIII/29.—Police	9,565	16,20,119
36.—Scientific Departments . . . . .	...	462
XXVI/37.—Education	1,65,601	5,35,836
XXVII/38.—Medical	18,644	4,70,147
XXVIII/39.—Public Health	—69	14,082
XXIX/40.—Agriculture	56,895	1,96,769
XXX/41.—Veterinary	1,841	59,755
XXXVI/47.—Miscellaneous Departments	5,229	9,098
XXXIX/50.—Civil Works	3,28,886	20,36,587
XLVI/57.—Miscellaneous	65,715	2,64,056
LII.B/64-B.—Civil Defence	5,590	10,671
	48,83,862	87,72,606

Note.—The figures relating to this Area included in the Subject Demands, which can be isolated, have been included in this statement.

APPENDIX XVIII

Notes regarding types of cases involving remissions of revenue covered by the item "Assessees having left behind no assets."

Cases in which revenue had been remitted on the ground that it was irrecoverable because the assessees had left behind no assets are not covered by the head "Assessees having left India". This latter head is intended to include only those cases in which the assessees have left British India and the tax due from them cannot be recovered either because they have no property in British India or because their whereabouts are unknown or because the amount due being negligible it is not worthwhile pursuing the matter. The item "assessees having left behind no assets" cover the following types of cases:—

- (1) Assessees died leaving behind no assets.
- (2) Companies and firms which went into liquidation or closed their business.
- (3) Assessees who became insolvent.
- (4) Assessees who having no property or other assets from which tax could be recovered.

The first three of these items make up the bulk of the revenue remitted in these cases. Particulars of some of the more important cases are given below:

Amount of tax remitted.	Reasons for remission.
<i>Bengal.</i>	
10,725	The assessee who was once quite a wealthy man met with various misfortunes and died leaving no assets for which the tax could be recovered.
3,219	The company went into liquidation under order of the High Court. Part payment was made by the liquidator and the balance was written off.
<i>Bombay.</i>	
2,699	Business taken over by mortgagees.
2,557	The defaulter died without leaving any assets.
2,482	The assessee being heavily involved became insolvent. The official assignee stated that there were no assets.
7,117	The company went into liquidation. There were no assets from which the tax could be recovered.
1,345	The assessees died leaving no assets.
2,166	
11,240	
2,471	The company was dissolved and no sources of income for attachment could be found.
1,984	No sources of income for attachment could be discovered.
1,315	
1,258	Went into liquidation. No assets.
<i>United Provinces.</i>	
7,628	The defaulter's total property was put up to sale and was purchased for Rs. 1,000 by another person subject to other encumbrances. Before the sale was confirmed, the department and the assessee came to an agreement whereby the department accepted Rs. 4,000 in full satisfaction of the tax outstanding. The balance due was remitted.
2,209	The arrear relates to the assessment year 1941-42. The assessee sustained heavy losses in subsequent years and transferred the property to his relation within a fortnight of the completion of assessment. The Collector ordered the attachment of the property so transferred but to avoid litigation in the Civil Court the case was compromised on payment of Rs. 3,000/- by the assessee, the balance being remitted.

The total amount remitted under this head during 1944-45 was Rs. 75,639/-.

2. A few examples of the cases coming under the head "Assessee having left India" are given below :

Amount of tax remitted.	Reasons for remission.	
	<i>Bengal.</i>	
1,020	Left India. No possibility of realization.	
	<i>United Provinces.</i>	
1,409	The assessee left India and his present whereabouts not known.	
1,359	The assessee gave up business and took up employment in an Indian State. Recovery certificate was ineffective as there was no property in British India.	
	<i>Bombay.</i>	
469 } 469 } 75 } 52 }	Business closed and the assessee left Bombay for good. Demand for 2 years.	
1,139 } 315 }		
1,083 } 2,709 }		Ditto 280 military officers. Demand not exceeding Rs. 50 in each case.

The total amount remitted under this head was Rs. 9,150/-.

APPENDIX XIX.

Memorandum regarding pricing of Survey Maps Supplied to Defence Services etc.

The Public Accounts Committee at its meeting held on the 20th August 1945 recommended that the Department should submit a report indicating fully how, and on what basis, the charge of six annas per map supplied by the Survey of India 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.

2. The Survey of India being a service Department does not maintain commercial accounts and it is therefore not possible to examine the question on a proper cost-accounting basis. The price of maps has hitherto been fixed at a figure based on a general rough computation of the cost of the civil budget of the production of maps for the Army and from the data given below it will be observed that the price charged has not been excessive compared to the cost of production if all the overhead and indirect charges are taken into account.

3. From April 1941 onwards the Survey of India had practically suspended all normal activities and was wholly engaged on survey and map production work for the Army. It is therefore proposed to examine the position in respect of the four financial years 1941-45 on the basis of the appropriation accounts for those years. During this period the cost of the Department can be divided into the following six groups.—

- I. Works wholly paid for by outside agency, the cost of which was credited to the Survey of India, under the deduct sub-head 'E'.
- II. Contributions from Provinces, States etc. for routine services carried out for them also credited under deduct sub-head 'E'. These must be assumed to equal the cost of providing such services.
- III. Cost of Mathematical Instrument Office from 1-4-41 to 30-4-41 transferred to the Department of Supply from 1-5-41.
- IV. Training of personnel for the Army. This is very closely offset by the Army annual contribution of Rs. 3.5 lakhs credited under sub-head 'E'.
- V. Cost of Plant, instruments and stores.
- VI. Cost of preparation of maps supplied to the Army.

Elimination of groups I to V will isolate group VI which will give a rough idea of the expenditure incurred by the Survey of India on the production of maps supplied to the Army during 1941-45. On the basis outlined above the position is as follows:—

Lakhs.

Gross Expenditure 1941-45- (Appropriation Accounts) 237·7

<i>Deduct.</i>	Lakhs.
Group I	41·8
Group II	1·1
Group III	1·3
Group IV	14·0
Group V	62·0
	<u>120·2</u> <u>120·2</u>
<hr/>	
Total cost debited to the Survey of India for preparation of maps excluding stores	117·5
<i>Add</i>	
Rough estimates of the cost of stores (ink, chemicals etc.) purchased from the budget of the Survey of India that were used in the production of maps supplied to the Army	20·0
Total cost debited to the Survey of India	<u>137·5</u>
<i>Add.</i>	
Amount debited to the budget of the Controller of Printing and Stationery.	
Paper at the rate of anna 1 per map	30·1
Other stationery	1·2
	<u>31·3</u> <u>31·3</u>
Total seen cost	<u>168·8</u>

This does not, however, include the following indirect charges incurred in connection with the production of maps.—

(i) Cost of temporary buildings at Dehra Dun expressly built with the object of increasing the supply of maps to the Army and debited to the Demand head "50—Civil Works—Central" (Rs. 70 Lakhs approx.)

(ii) Pensionary charges etc. of the staff employed in the map production offices (Rs. 2·5 Lakhs approx.)

(iii) Interest on capital, depreciation on buildings and plants etc. (No estimates available)

In view of the difficulty of determining the cost of depreciation etc., and the fact that the temporary buildings at Hathibarkala will continue to be used by the Survey of India for some time to come, it is not possible to calculate the exact amount debitable on account of the above items. It is therefore proposed to add 20% of the cost of production as calculated above on account of over head charges to cover the above items. The total cost of production on this basis will be as follows.—

$$\frac{168·8 \times 120}{100} = \text{Rs. } 202·56 \text{ Lakhs.}$$

During the period under review the Army has accepted debit for 490 Lakhs maps. The cost of production per map is therefore.

$$\frac{202·56 \times 16}{490} = \text{Rs } 6·6 \text{ annas per map approx.}$$

as against 6 annas fixed by Government and does not represent any element of profit. The Military Finance Department who were consulted in the matter, agree that the charge of 6 annas per map is not excessive.

APPENDIX XX.

Memorandum on the scheme of open Cut Coal Mining

During the years 1935 to 1937 the output of coal in British India ranged between 20 to 22 million tons per annum. In 1938, the raisings increased to 25 million tons. This improvement was maintained and even bettered during the first three years of the war. By 1943, however, when the demands had further increased, there was a sharp decline in production owing largely to shortage of labour. Steps were taken to import labour from outside areas but it became evident that the desired improvement in coal raisings could not be secured by importing labour which was mostly unskilled or by adhering to orthodox methods of underground mining. There were large areas where coal occurred practically on the surface and it was decided to adopt in those areas mechanical methods of open cut mining successfully introduced in U.K. and USA to tide over a similar coal shortage in those countries. Initially, the operations were started with the assistance of military units with certain equipment loaned by the Engineer-in-Chief. At the same time \$3,613,300 (Rs. 120.44 lakhs) was sanctioned for the purchase of equipment (including spares) from USA. An expert drawn from the Army was sent to that country early in 1944 to purchase equipment second-hand if need be. Actually most of the equipment that could be secured was second-hand and at various stages of repair. Accordingly an agreement was concluded with an USA firm who undertook to help in the procurement, reconditioning, repairs, erection and working of the plant and machinery, to provide a team of technicians to work the machinery and to train Indian personnel, in return for a payment of \$96,000 (Rs. 3.2 lakhs) for the first six months and \$6,000 (Rs. 0.2 lakhs) per month thereafter. The bulk of the machinery together with the American technicians to erect and train operators arrived in India early in 1945. The actual expenditure on purchase or reconditioning etc. amounted to Rs. 145 lakhs approximately. In addition capital expenditure of about Rs. 93 lakhs was incurred in India in erection and providing accommodation for personnel etc.

2. The expert referred to remained in charge of the operations upto the 30th November 1945. The operations were carried out both in Railway and Private Collieries and heavy expenditure was incurred in personnel, fuel and other stores. The results of the departmental working of the operations did not prove upto expectation. This was due to delay in the arrival and erection of machines, difficulties on account of the often unsatisfactory performance of the reconditioned equipment, lack of adequate and experienced technical staff and workshop facilities and occasional non-availability of spares. According to the report of a Departmental Committee appointed to review the operations during the period from 1-2-45 to 30-11-45 the total expenditure and recoveries including outstanding liabilities and dues on the 30th November 1945 were estimated as follows:—

	Lakhs Rs.	Lakhs Rs.
1. Capital Expenditure.		
(a) Plant and equipment	213	
(b) Building, Roads etc.	25	238
2. Revenue expenditure during 1st February to 30th November 1945 . . . . .	...	52
3 Losses due to working prior to 1-2-45 . . . . .	...	15
	...	305
Recoveries.		
Coal raised (478,421 tons)	24	
Overburden removed (15,918,622 cft.)	11	
Estimated credit for incomplete work	5	40
	Deficit	265
Residual value of plant equipment, stores, buildings, etc. . . . .	...	175
	Net Loss	90

These estimates are however based on very rough data. For instance, in the absence of qualified valuers the residual value of the Plant and Machinery has been taken on the basis of a three-years life whereas a later assessment has placed the residual value at a substantially lower figure. Further, records of receipt and issues of stores were not properly maintained during the period and in the absence of actual stock verification, the figures for stores may not be accurate. The net loss is therefore likely to be more.

3. By September 1945 it was fairly clear that although the coal that was being produced was a very valuable addition to the country's resources at a critical time, the costs of production were proving unduly high. The contract with the USA firm was also due to expire at the end of November 1945. Opportunity was accordingly taken to negotiate a new contract with a U. K. firm of great repute to take executive charge of the operations and to abolish the previous departmental organisation. The contract with this firm which was executed for an initial period of four months (1st December 1945 to 31st March 1946) required the firm to supply from the U. K. about 40 Senior Technicians, to engage other operators and workmen capable of operation and maintaining the machinery efficiently and also to train Indian operators and technicians. The firm were to be paid the actual expenses incurred on personnel *plus* a bonus on a sliding scale calculated on outturn. For the four months in question these expenses including bonus payments amounted to approximately 11 lakhs. The sites of operations remained the same. The total quantity of coal won during this period of four months was 557,168 tons and the amount of overburden removed was 8,074,386 cubic feet.

4. This contract has now been extended on a modified basis for a further period of two years with effect from 1-4-46 with an option for Government to extend it for a further period of one year. During the war years there was consistent demand for extracting as much coal as possible from the Railway Collieries. This resulted in a greater concentration on the extraction of coal already uncovered than on the uncovering of coal further afield. The normal working reserves therefore disappeared and it was considered that unless arrangements could be made for the removal of overburden on large scale, despatches from Railway Collieries would be greatly reduced in future, resulting in a greater crisis in any future emergency. It was estimated that at least 2 million tons (54 million cft) of rock per annum must be removed in the next two years from the Railway Collieries, if the production of coal was to be maintained at the existing rate and a reserve of 2½ million tons of uncovered coal built up. This scheme has received the approval of the Railway Standing Finance Committee, and the extended contract provides for this work being executed in an economical manner.

5. It was also decided that there was no justification for Government continuing to bear the loss which was resulting in the operations conducted in private collieries. The extended contract accordingly only confines itself to work in the Railway Collieries leaving the contractor to make his own arrangements with private collieries.

6. The main provisions of the extended contract are :—

(a) the taking over by the contractor of all plant and equipment belonging to Government on hire at a rental of Rs. 1,62,500 per month ;

(b) the removal of overburden at the State Railway Collieries at Bermo, at the minimum rate of 54,000,000 c.ft. per annum during the currency of the contract, the contractor receiving payment at the rate of Rs. 125 (inclusive of all load and lift) per thousand cft.;

(c) the raising of coal at the State Railway Collieries at Bermo, if required by Government, to be paid for at Rs. 2/15/-per ton of run-of-mine ; the rate to cover digging, loading and transportation to railway disposal points ;

(d) the revision of rates in (b) and (c) above at the end of first 12 months ;

(e) the sale of plant and equipment to the contractor, should Government so decide at the end of the initial period of two years, on a payment by the contractor of Rs. 1 lakh. In the event of Government deciding not to sell the plant and equipment, the contractor to be reimbursed the agreed cost of all major repairs, renewals and replacements ;

(f) the insurance, at the cost of the contractor, of plant and staff ;

(g) the recruitment and training of Indian technicians and operators by the contractor.

7. The total quantity of coal estimated to be uncovered in two years is about 5½ million tons out of which 2½ million tons of coal will be extracted, leaving a reserve of 2½ million tons of uncovered coal. Cost of extraction will be Rs. 5 per ton as against the present controlled price of Rs. 11/8/0 per ton. This works out in two years to a profit of Rs. 132 lakhs to the Railway Collieries.

8. The form of the extended contract now enables Government to close the open cut coal mining scheme in its original form. The net deficit on the scheme when it is finally closed is proposed to be met from the Coal Production Fund.

9. As a matter of interest it may be mentioned that the contracting firm have now been able to conclude direct contract with four of the five collieries that were being worked by Government (the fifth having been worked out).

APPENDIX XXI

Memorandum on the improvement of the Stores organisation and the verification of Stores.

1. The following steps have been taken to improve the Stores Organisation :—

(1) In order to avoid irregularities in the purchase of stores, orders were issued in August 1944 that repeated purchases of the same item of stores should not be made by the Controller of Telegraph Stores more frequently than once a week without a report to the Director-General. It has already been reported that all such irregular purchases ceased early in October 1944.

(2) In consultation with the Supply Department, orders were issued in March 1945, placing annual limits of Rs. 4,00,000 (four lakhs) for petty purchases (Rs. 500/- in each case) and Rs. 6,00,000 (six lakhs) for emergent purchases (Rs. 2,000, in each case) for the entire stores and workshops organisation of the Posts and Telegraphs Department. These limits are being watched by the Accounts Officers.

(3) The Stores and Workshops organisation has been split into two parts and placed under the Chief Controller of Telegraph Stores and the Director, Telegraph Workshops respectively from April 1945. This has enabled the purchasing organisation to be independent of the manufacturing side. This has shown marked improvement in the provisioning of stores.

(4) An officer of the Indian Audit and Accounts Service has been appointed as the Chief Accounts Officer, Stores and Workshops from December, 1944. This officer who is of the rank of a Deputy Accountant General, is with the help of Assistant Accounts Officers, exercising an effective check over the transactions of the storeyard and workshops.

(5) A Purchase Committee consisting of the Chief Controller of Telegraph Stores, Director Telegraph Workshops, Electrical Engineer-in-Chief and the Chief Accounts Officer, Stores and Workshops has been set up with effect from September 1945. This Committee advises the Chief Controller of Telegraph Stores in respect of the exercise of his powers of direct purchase of Stores. Tenders are opened by this Committee. All direct purchases not within the powers of the Chief Controller of Telegraph Stores are also considered by this Committee and the Chief Controller of Telegraph Stores cannot place orders against the decision of the Committee and without prior concurrence of the Director-General. The Chief Accounts Officer, who is a member of the Committee has discretion to refer to the Director-General any matters having financial implications on which he disagrees with the majority decision of the Committee.

(6) Closer co-ordination has been arranged with the Industries and Supplies Department in Calcutta for determining reasonable market rates in cases in which that Department is unable to arrange supplies.

(7) A resident audit party has been employed by the Accountant General, Posts and Telegraphs, at the Storeyard since June 1945 to function under the Deputy Accountant General, Posts and Telegraphs, Calcutta. Most of the irregularities connected with the Stores Organisation noticed in the Audit Report 1945 were detected in resident audit.

(8) A committee consisting of Justice Sir George Thomas, Mr. O. W. P. Fermé and Mr. T. K. Nana Rao has been appointed to enquire into the past irregularities and to suggest measures for the proper planning, provisioning, stocking and issue of stores. The Committee has commenced its work from 1st August, 1946.

2. As regards physical verification of stores, this was gone into, in detail, during January 1946 by a special officer who has drawn up in consultation with the Chief Accounts Officer, a programme for the verification of stores. Extra posts of stock verifiers have been sanctioned in March 1946 and most of the stores with the exception of certain specified items were verified by the end of March 1946. The Chief Accounts Officer is furnishing a monthly progress report on the physical verification of stores and it is expected that all the stores will be verified during this year.

APPENDIX XXII

Memorandum containing a review of the Renewals Reserve Fund of the Posts and Telegraphs Department :—

The Renewals Reserve Fund of the Posts and Telegraphs Department was constituted with effect from 1st April 1936 with an opening balance of about Rs. 3 crores which was carried forward from the previous Depreciation Reserve Fund which it replaced. Whereas the Depreciation Reserve Fund bore the cost of renewals and replacements up to a maximum of the original cost the excess, if any, being treated as fresh capital outlay, the new Renewals Reserve Fund was designed to meet the cost of all replacements (irrespective of their being higher or lower

than the original cost) and of abandoned assets. The contributions to the new fund from revenue have varied from year to year as shown in the following table :—

Statement showing the position of Renewal Reserve Fund.

Year	Opening balance of R.R. Fund	Contribution from Revenue	Withdrawal from the Fund	Closing balance at the end of the year	Capital at charge in respect of fixed assets	Proportion which closing balance bears to capital at charge
1	2	3	4	5	6	7
1936-37	3,03,79	25,00	21,88	3,06,91	17,62,71	17·41%
1937-38	2,83,30*	23,13	15,30	2,91,13	16,71,88†	17·41%
1938-39	1,89,13‡	23,13	16,36	1,95,90	17,07,03	11·47%
1939-40	1,95,90	23,05	20,89	1,98,06	17,36,06	11·41%
1940-41	1,98,06	23,05	26,40	1,94,71	17,59,24	11·06%
1941-42	1,94,71	25,00	27,13	1,92,58	17,73,04	10·86%
1942-43	1,92,58	1,75,00	39,84	3,27,74	19,06,18	17·19%
1943-44	3,27,74	25,00	29,25	3,23,49	19,59,56	16·51%
1944-45	3,23,49	1,25,00	31,90	4,16,59	22,04,41	18·90%
1945-46 (R.E.).	4,16,59	75,00	38,98	4,52,61	25,80,81	17·50%
1946-47 (B.E.) with special contribution of 50,00	4,52,61	75,00	42,63	4,84,98	32,32,37	15%

* 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 Telephone Districts. These will be taken into consideration when the final review is carried out.

2. It will be seen that, in addition to the ordinary annual contribution of the order of Rs. 25 lakhs, special *ad hoc* contributions of Rs. 150 lakhs, 100 lakhs and 50 lakhs were made in 1942-43, 1944-45, and 1945-46 respectively. These special contributions were consequent upon the heavy programme of works for the development of Tele-communications undertaken during the war period and have been reported to the Public Accounts Committee from time to time.

3. It was decided with the approval of the Public Accounts Committee that a review of the ordinary annual contributions of Rs. 25 lakhs should be undertaken at the end of 1945-46, but there are certain factors necessitating the postponement of this review to the end of 1946-47. The question of the incorporation of the capital accounts of the Telephone Districts in the accounts for 1945-46 is under examination in consultation with the audit authorities. The Department has undertaken a large scheme for the improvement of railway Tele-communications which is expected to be completed by the end of 1946-47. It has also been decided to take over in 1946-47 the bulk of the assets of the War Department which were included in the Telecommunication Development Scheme. The general review will, therefore, be carried out at the end of the current year when conditions will be stabilized. Pending this general review it has been decided to make a special contribution from Revenue of Rs. 50 lakhs in 1946-47 in addition to the usual contribution of Rs. 25 lakhs. This will raise the Fund balance to 15% of the Capital at charge including Rs. 4,00 lakhs for the purchase of War Department assets. Excluding this sum of Rs. 400 lakhs the balance in the Fund will be 17·1% of the Capital at charge at the end of 1946-47.

4. For the reasons stated above, it has also been decided to postpone till the end of 1946-47 the review of the departmental rules of allocation of works expenditure and of the basis of apportionment of petty works between Working expenses and Renewals Reserve Fund.

APPENDIX XXIII

Memorandum regarding the system of employing contractors and group leaders for piece work jobs in the Telegraphs Workshops, Alipore.

Reference para 93 of the proceedings of the ninth meeting of the Public Accounts Committee held on 28th August, 1945.

2. The actual procedure in regard to the employment of piece work contractors in the Alipore Workshop is that labourers are collected by the contractors and produced before the Foreman of the Shop concerned, who assesses the capacity or skill of each man and then assigns to each one of them a certain number of shares, the number of shares to each man varying according to his skill or experience in relation to the particular job or process for which the contract is going to be entered into. The Contractor and his men then form a definite group and the total wages of the group are billed for in the name of the contractor who prepares a share statement distributing the amount to the individual men in accordance with the number of shares assigned to each labourer. Payment is made in the presence of the Foreman and the acquittances of these employess are kept by the Workshops.

3. The number of men to be employed by each contractor is fixed by the Superintendent of the workshops who approves of the assessment made by the foreman, in respect of the capacity, skill, and wages of each workman brought by the Contractor. The workers have to work in the Departmental Workshop and on the machinery supplied by the Workshop and should attend and leave at hours specified by the Superintendent. It will be thus be seen that except for the contract made with the contractor and the payment of wages through the contractor, the piece work contractor and his men are similar to daily wage employees.

4. The piece work system in Jubbulpore Workshops is that there is a direct contract with the workers and payment is made direct to the workers and not through any contractor. This system has certain advantages over the piece work contractors' system in force in Alipore Workshops. As an experimental measure the Jubbulpore system of piece work was introduced in two sections of the Alipore Workshops. The workers resented this innovation, refused their wages and threatened to go on strike. A conference of workers, management and Labour Conciliation Officer (Central) was held on the 1st February 1946 at Calcutta and it was agreed that the Jubbulpore piece work system should be adopted provided that:—

(a) no worker would get less than his basic rate for no fault of his own and that Government should accept liability to reimburse such shortage, if any.

(b) the workers to get the same privileges e.g., gratuity, leave, Provident Fund as the daily wage employees in the Workshops.

5. This arrangement has been accepted subject to the following conditions being satisfied (1) the numbers of workers to be regulated in such a way that there is full work for each, (2) that there should be strict supervision to see that there is no fall in outturn of each piece worker, (3) Basic rate to be fixed in consultation with the local authorities, (4) the existing piece work rate should not be increased and the position will be further reviewed after six months of its working.

APPENDIX XXIV

Memorandum regarding taking over of the War Department's assets constructed under the Telecommunications Development Scheme (Main net work portion).

In 1942 the Government of India undertook a Tele-communications Development Scheme finally estimated to cost Rs. 15.14 lakhs, for the development of telegraph and telephone communications to meet both Civil and Defence requirements. It was agreed that the War Department should be debited directly with the cost of the assets erected for their use, and that the War Department would continue to own these assets and pay the prescribed charges to the Posts and Telegraphs Department for the maintenance of the assets. This arrangement was approved as a war-time measure as the War Department required complete operational control of their Tele-communication circuits, although ordinarily such assets would be owned by the Posts and Telegraphs Department and rented to the user. With the cessation of hostilities the position has changed and it is now desired to revert to the normal peace-time arrangement and to bring all the assets of the Tele-communications system in India under a unified control and reorganise the system to meet the post-war tele-communications needs of the country. It has therefore been decided in agreement with War Department that all the assets erected under the Tele-communications Development Scheme and belonging to the War Department which are required by the Posts and Telegraphs Department to meet post-war needs should be transferred to the Posts and Telegraphs Department. The policy Committee has approved the post-war plans of the Posts and Telegraphs Department in which this transfer of assets is included.

2. The Tele-communication Development Scheme assets were constructed under great urgency involving the payment of rates higher than normal for materials, labour and transport. In

certain case stores which do not strictly conform to the normal Post and Telegraphs standard had to be used to meet urgent requirements. Taking into account these factors it has been decided in agreement with the War Department that the War Department assets in the Telecommunications Development Scheme—Main Network portion—to be taken over by the Post and Telegraphs Department should be valued at 60% of the original cost on an average and credit afforded to the Defence Services estimates—on this basis. The total amount debited to War Department to the end of March (Final) 1946 in respect of such assets is 611 lakhs and about 60 lakhs more is expected to be debited in 1946-47 bringing the total amount to 671 lakhs. The purchase price would therefore be of the order of 4 crores.

3. The question of acquiring War Department assets constructed under the Regional portion of the Telecommunication Development Scheme at a suitable price, is also under consideration.

APPENDIX XXV

Memorandum regarding taking over the assets of the Bombay, Bengal and Madras Telephone Companies.

The Bengal Telephone Corporation Ltd., the Bombay Telephone Company Ltd., and the Madras Telephone Company Ltd., worked telephone system in certain towns in India under licenses granted by Government. Under the terms of these licenses Government had the option of acquiring the assets of these companies in 1943. These companies represented that although under the terms of the agreement Government were not bound to disclose their intention earlier than 1942 regarding the continuance of these licenses, it would be of considerable advantage to all concerned if they were not left in complete doubt as to the future intentions of Government. In uncertain circumstances the Companies did not feel justified in incurring capital expenditure on extensions and improvements the benefits of which would accrue to the owners of the systems after 1943. It was, therefore, in the interests of every one concerned that the normal development of these undertakings continued regardless of any change in ownership.

2. The Government of India, therefore, with the approval of the Standing Finance Committee decided to purchase the systems by negotiation in 1941. In order to avoid certain legal and other complications the expedient of purchasing the shares of these Companies through a Company was adopted for the purpose. A company known as the Government Telephones Board Ltd., was formed in November 1940, of which the shares are held by the Governor General in Council and certain Government officers in their public capacity. (A reference is invited to para. 9 of Director-General's Financial Review 1944-45 in P. & T. Appropriation Accounts, 1944-45).

3. The following advances were made by Government to the Board for the purpose:—

	Rs.
1940-41. Purchase price of shares discounted at 3 1/3 % and average estimated profits of the Companies upto 1943	4,75,00,000
1942-43. Payment to the Bombay Telephone Company as part payment for the value of assets taken over on 1-4-43	20,00,000
1943-44. Payment to the Bombay Telephone Company to meet their current liabilities and for redemption of their Debenture Stock	95,80,000
Payment to the Madras Telephone Company as interim award to be adjusted against the purchase price of assets	33,00,000
Payment to the Calcutta Telephone Corporation to meet their current liabilities	1,50,000
TOTAL	6,25,30,000

These payments were debited to Capital

4. The assets were acquired by Government on 1st April, 1943, in the case of Bombay, Calcutta and Madras Telephone Systems, and on 1st September, 1943, in the case of Karachi and Ahmedabad Systems. But the value of assets had not so long been incorporated in the Block accounts of the different categories of the assets of the Department as the proper value at which such assets should be included in the Block Accounts were under discussion with the Management of the acquired systems and the Audit Authorities. It has now been decided with the concurrence of the Auditor General of India that the assets should be included in the Block Capital Account at their depreciated value as on the dates of acquisition. The total amount at which the assets will be so brought on the Block accounts comes to 5,30,53,973 excluding Rs. 13,62,730 on account of interest on capital outlay during the period of construction, as detailed in the statements attached.

5. In the departmental accounts the values will appear under the different categories of assets as follows :—

	Rs.
Lands and Buildings	46,01,815
Lines and Wires	2,68,85,314
Apparatus and Plant	1,50,20,780
Furniture and Fittings	4,64,308
Loose Tools and Plant	4,36,258
Stores and Manufacture Suspense	56,45,501

The above classification has been adopted on the basis of the allocation rules in force in Telephone Companies.

Necessary adjustments to bring the assets on the Block Account will be carried out by the Accountant General, Posts and Telegraphs, in the Finance and Revenue Accounts for 1945-46.

6. After adjustment of Rs. 5,30,53,976 in the Capital Account there will remain a balance of Rs. 94,76,024 out of the total payments of Rs. 6,25,30,000 made to the Board. This includes Rs. 13,62,730 on account of interest paid to the Telephone Companies on capital outlay during the period of construction and average estimated profits of the Companies upto 1943, paid by Government as compensation, amounting to about Rs. 74 lakhs for earlier purchase of the undertakings, less a sum of about Rs. 28 lakhs on account of discount received at 3 1/3 % for payment two years in advance of the due date.

This balance of Rs. 94,76,024 will be set off against the receipts from the Companies on account of current assets (cash, securities and other credit balances) acquired and the cash assets of the Government Telephones Board Ltd., which will be transferred to Government on liquidation of the Board and any balance remaining after that will be adjusted in consultation with the Accountant General, Posts and Telegraphs. This balance is likely to be of the order of Rs. 30 lakhs.

Note. The value of Stores and Manufacture Suspense has been shown as Rs. 56,45,501 in para. 5 above, but in the Finance and Revenue Accounts for 1943-44 the value has been shown as Rs. 55,91,284. The small discrepancy is the figures in being reconciled.

TELEPHONE COMPANIES.

Summary of total depreciated value of assets on 31-3-43 for Bombay, Bengal and Madras Telephone Companies.

Name of Company.	Depreciated value of assets on 31-3-43.
Bombay Telephone Company Ltd. (Depreciated value of assets for Karachi and Ahmedabad has been worked upto 31-8-43.)	Rs. 3,38,80,805
Bengal Telephone Corporation Ltd.	1,51,44,247
Madras Telephone Company Ltd.	40,28,924
	<u>5,30,53,976</u>
<hr/>	
<i>Interest on Capital during construction.</i>	
	Rs.
Bombay Telephone Company Limited.	9,12,799
Bengal Telephone Corporation Ltd.	3,63,532
Madras Telephone Company Limited	86,399
	<u>13,62,730</u>

MADRAS TELEPHONE COMPANY LIMITED.

Statement showing the depreciated value of assets on 31-3-43.

Name of assets.	Depreciated value on 31-3-43.
	Rs.
<i>Lands and Buildings—</i>	
Land (No depreciation deducted).	57,535
Buildings.	2,15,394
<i>Lines and Wires—</i>	
Underground cables.	15,73,159
Overhead construction.	9,64,110
<i>Apparatus and Plant—</i>	
Exchange Equipment.	6,43,192
Subscribers apparatus.	3,79,135
Dehydrating Plant.	26,877
Teams and Garage.	21,703
<i>Furniture and Fittings—</i>	
Office Furniture.	9,707
Electric Fittings.	7,588
<i>Loose Tools and Plant.</i>	2,500
Stores (No depreciation deducted).	1,28,024
	<u>40,28,924</u>
<hr/>	
Interest on Capital during construction.	86,399

BOMBAY TELEPHONE COMPANY LTD.

Statement showing depreciated value on 31-3-43 (in case of assets of Karachi and Ahmedalad Telephone systems upto 31-8-43).

Name of Assets	Depreciated value on 31-3-43.
Lands and Buildings.—	
Land freehold (No depreciation deducted)	Rs. 56,257.
Land held under Land Revenue Code (do)	50,640.
Leasehold Land Ditto	1,06,993.
Buildings I Class	23,39,115
Buildings II Class	1,52,349.
Lines and Wires.—	
General Construction	50,96,429
Underground Cables	92,70,507
Submarine Cables	60,434
Apparatus and Plant.—	
Subscriber apparatus	30,17,769
Auto. Exchange Equipment	69,01,352
P. A. B. X.	3,84,099.
Manual Exchange Equipment including A.R.P.	1,42,225
Air conditioning Plant	2,02,401
Machinery and Plant	4,24,670
Motor Vehicles	19,049.
Furniture and Fittings	3,59,685
Loose Tools and Plant	4,33,758
Stores Balance	
*Stores at cost and under (do.)	36,46,734
Value of work in progress and Stationery (do.)	14,18,462
	3,40,82,928
Deduct—	
Cost of obsolete instruments	1,76,542
10% of above for increase in prices	17,654
Amount recovered from Government of Bombay under Furniture and Fittings	7,927
	2,02,123
	3,38,80,805
Interest on Capital during construction	9,12,799

BENGAL TELEPHONE CORPORATION LIMITED

Statement showing the depreciated value of assets on 31-3-43.

Name of Assets.	Depreciated value on 31-3-43.
Lands and Buildings.—	
Land (No depreciation deducted)	Rs. 7,14,436
Buildings	9,09,096.
Lines and Wires.—	
Underground Cables	59,97,713
General construction	39,22,962
Apparatus and Plant.—	
Subscribers apparatus	15,17,127
Exchange Equipment	13,38,294
Teams and Garage	2,887
Furniture and Fittings	95,255
Stores and Stationery (No depreciation deducted)	5,43,945
Stores in Transit do.	1,02,532
	1,51,44,247

Interest on Capital during construction. Rs. 3,63,532

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APPENDIX XXVI.

Memorandum explaining the excess over the voted amount under Grant No. 79 (referred to in para. 8, page 14 of the Appropriation Accounts 1944-45.)

The following is an analysis of the figures classified under the broad headings under the Stores Suspense Account :—

Debits	Original Grant	Final Grant.	Actuals
<i>In thousands of rupees.</i>			
	Rs.	Rs.	Rs.
Purchases	2,85,60	6,03,90	7,27,70
Materials returned from works	11,95	40,00	46,40
Workshop labour and on cost	98,97	1,09,72	1,12,13
Total debits	3,96,52	7,53,62	8,86,23
<i>Credits.</i> —			
Issues to P. & T. War and other Departments	4,50,32	8,34,41	8,38,40
Net debits/credits	—53,80	—80,79	+ 47,83

Owing to unforeseen increases in Defence and other requirements, the original budget provision for purchases and issues had to be increased in the Final Estimates, and a net credit of 80,79 was provided for. The nominal grant of 1 was not affected. The following unanticipated debits under Purchases (aggregating Rs. 124 lakhs) however entirely altered the position :

(1) Advance payments (Rs.46 lakhs) made by the Controller of Supply Accounts to supplying firms and contractors in March 1945, on proof of despatch of stores, for stores which had not actually been received and accounted for in the Storeyard on or before 31-3-45. C.C.T.S. had no timely intimation of this ;

(2) Debits raised by the C.A.O. American Purchase, in the accounts for March 1945 and March Supplementary (without any vouchers and without any details) on account of Land/Lease stores (Rs. 15 lakhs). There were no particulars to enable the Controller of Telegraph Stores to locate the stores and to assess the liability within the year 1944-45 :

(3) The capacity of the Telegraph Workshops was inadequate to cope with the demands for line stores for operational purposes required by the Defence Department etc. It became necessary, therefore, to "Farm out" orders to outside factories which were given the necessary raw materials for fabrication. In March 1945 considerable quantities of finished articles in respect of these farmed out orders were received from the D.D.G.Production. The deliveries in March 1945 were much heavier than in previous months, and the debits raised by the Controller of Supply Accounts on this account in the Supplementary Accounts for March 45 exceeded the anticipated amount by about Rs. 45 lakhs.

(4) An unanticipated debit to the extent of Rs. 10 lakhs on account of Electrolytic Zinc supplied by the Gun-Carriage Factory, Jubbulpore. This was expected to be supplied in the following year.

(5) The balance of Rs. 8 lakhs represents freight charges on excess stores received in March 45 and re-adjustment of Customs duty on stores imported from England, and other minor items.

2. It will be seen that the excess was due to abnormal circumstances and unforeseen causes. Steps are, however, being taken to ensure more effective co-ordination between the P. and T. Department and the Supply Department in the matter of supply of stores and the resulting financial adjustments.

APPENDIX XXVII

Report relating to the Store accounting at the Central Ordnance Depot at Dehu

The situation existing in the C.O.D. Dehu was investigated by a special Committee consisting of Director of Economy, the Inspector of Indian Army Ordnance Services and a representative of the Military Finance Department. The Committee was of the opinion that the difficulties which the Depot had to overcome were insurmountable and only practical solution for placing the store accounting of the Depot on a sound footing was by correct stock location followed by 100% stocktaking.

The Committee estimated that the work involved in the location of stocks alone would take at least eight months but as a result of special measures adopted, stocks were located and stock-taking completed in six of the seven sub-depots of this vast organisation by December 1945.

The Commandant of the Depot reported that he was satisfied that the stock-taking and accounts were reasonably accurate except for a small margin of error due to the human element. On the basis of this assurance, the Government of India accorded necessary sanction to the extension of the red line period for this Depot, to December 1945.

Analysis of items in the Consolidated Trading Accounts and consolidated Profit and Loss

I—Trading

Dr.

Particulars	Okara Farm	N. C.	O. C. (other than Okara Farm)	S. C.	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
To stock on 1st April 1944—					
Dairy produce	169	39,211	2,74,010	44,089	3,57,479
Ice- salt, acid, etc.	795	14,484	18,323	12,840	46,442
Fodder	1,84,425	11,89,108	38,70,414	32,81,932	85,25,879
Other Miscellaneous stores	10,45,939	10,40,462	16,33,233	6,65,083	43,84,717
To purchases—					
Ice, salt, acid, etc.	36,925	59,140	3,08,580	1,47,090	5,51,735
Customs duty on imported materials . . . . .	...	...	(—)21	...	(—)21
Dairy produce and hire of cattle	2,53,539	22,70,314	1,35,60,812	1,21,86,308	2,82,70,973
To cultivation charges	4,09,946	8,11,849	15,03,263	8,21,439	35,46,497
To rent of land . . . . .	...	21,988	1,13,917	24,238	1,60,143
To feed of animals including rent of grazing land and grazing charges	6,13,900	84,42,800	2,14,19,970	1,11,77,418	4,16,54,088
To Rail and other trans- portation charges	2,05,210	7,73,152	17,86,553	15,23,833	42,88,748
To Gross Profit carried for- ward	9,03,365	26,78,249	99,32,116	28,32,848	1,63,46,578
Total	36,54,213	1,73,40,757	5,44,21,170	3,27,17,118	10,81,33,258
 Percentage of Gross Profit on turnover	 35.2	 19.5	 21.9	 10.6	 18.5

XXVIII
Account of Military Farms for the year 1944-45 by Commands and Okara Farm
Accounts

Particulars	Cr.				
	Okara Farm	N. C.	C. C. (other than Okara Farm)	S. C.	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
By sale of Dairy produce	11,14,585	1,00,46,958	3,45,55,084	2,04,22,614	6,61,39,241
By sale of Agricultural produce	14,49,813	36,88,508	1,06,76,722	63,71,921	2,21,86,964
By sale of development farms . . . . .	...	...	14,107	...	14,107
By value of stocks on 31st March 1945—					
Dairy produce	33,253	26,365	4,55,951	36,830	5,52,399
Ice, Salt, Acid, etc.	779	20,164	23,114	18,991	63,048
Fodder	2,43,109	23,41,396	52,28,844	43,17,668	1,21,31,017
Other Miscellaneous stores	8,12,674	12,17,049	34,66,982	15,48,757	70,45,462
Bad Debts . . . . .	...	317	366	337	1,020
Total	36,54,213	1,73,40,757	5,44,21,170	3,27,17,118	10,81,33,258

DR.

Particulars	Okara Farm	N. C.	C. C. (other than Okara Farm)	S. C.	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
To Administrative Staff, etc.	35,423	1,52,507	3,57,323	1,44,886	6,90,139
To Pay and allowances of staff and officers	4,25,396	16,78,577	42,25,523	14,74,482	78,03,978
To Mily. Accts. Dept. charges for internal check	67,709	1,10,319	4,16,429	1,62,200	7,56,657
To Leave and superannuation allowances	1,760	19,511	39,282	12,893	73,446
To Travelling allowances, etc.	3,495	29,315	75,737	53,446	1,61,993
To Accommodation—					
(i) Deferred revenue expenditure brought forward from previous year	...	3,84,455	26,74,731	12,36,663	42,95,849
(ii) Expenditure during the year	28,63,461	11,35,674	68,02,705	15,46,450	1,23,48,290
(iii) Total (i)+(ii)	28,63,461	15,20,129	94,77,436	27,83,113	1,66,44,139
(iv) Loss deferred revenue expenditure carried forward to next year	18,41,036	10,80,383	53,12,070	18,31,277	1,00,64,766
(v) Net expenditure—					
(iii)—(iv)	10,22,425	4,39,746	41,65,366	2,51,836	65,79,373
To Water and Electricity	5,519	1,25,440	1,34,601	81,168	3,46,728
To Conservancy charges	...	5,510	33,942	276	39,728
To Telephone charges	925	4,411	8,501	1,767	15,604
To Part cost of Central Veterinary Laboratory	57	4,984	6,247	2,376	13,664
To cost of free medical treatment	...	79	1,824	...	1,903
To Plant and Machinery Repairs, etc.—					
(i) Value of stock spare parts at beginning of the period	74,698	1,69,023	6,90,260	3,47,563	12,81,544
(ii) Expenditure during the year	2,66,898	3,34,228	18,03,343	3,42,679	27,47,148
(iii) Total (i)+(ii)	3,41,596	5,03,251	24,93,603	6,90,242	40,28,692
(iv) Less value of stock spare parts at end of the period	1,08,854	3,30,593	9,09,584	2,61,583	16,10,614
(v) Net expenditure—					
(iii)—(iv)	2,32,742	1,72,658	15,84,019	4,28,659	24,18,078
To Miscellaneous stores (stationery, etc.)—					
To Depreciation	33,27,325	11,63,174	39,87,400	15,42,120	1,00,20,019
(i) Buildings	12,510	30,616	45,237	14,976	1,03,339
(ii) Live Stock	3,12,730	10,40,558	26,34,609	14,61,613	54,49,510
(iii) Plant & Machinery	36,000	45,288	1,84,148	60,125	3,25,561
To Casualties of cattle etc.	30,638	2,22,446	3,08,599	1,38,608	7,00,291
To Condemnations of cattle, etc.	15,623	90,491	2,04,319	87,821	3,98,254
To Interest on Capital	29,431	1,46,206	4,10,139	1,71,036	7,56,812
To Bad Debts	...	317	366	337	1,020
To Development Farms	...	23,428	2,82,430	...	3,05,858
Total	55,59,708	55,05,581	1,91,06,041	67,90,625	3,69,61,955

Account

Particulars	Cr.				
	Okara Farm	N. C.	C. C. (other than Okara Farm)	S. C.	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
By Gross profit brought forward	9,03,365	26,78,249	99,32,116	28,32,848	1,63,46,578
By Miscellaneous receipts .	47,34,690	8,11,484	61,56,606	6,47,001	1,23,49,781
By Interest on Renewals Reserve and Reserve Fund . . . . .	...	(—)13,850	(—)2,12,303	7,941	(—)2,18,212
By Receipts from casualties and condemnations .	4,36,390	90,751	1,45,192	77,406	7,49,739
By Transfer of stores from Revenue to Capital .	7,475	66,257	1,54,805	39,150	2,67,687
By Net Loss	(—)5,22,212	18,72,690	29,29,625	31,86,279	*74,66,382

Total	55,59,708	55,05,581	1,91,06,041	67,90,625	3,69,61,955
Percentage of net loss on turnover	(—)20.3	13.6	6.5	11.9	8.4

*Consolidated Profit and Loss account published in the Appendix shows a loss of Rs. 73,97,789 as against of Rs. 74,66,382. The difference of Rs. 68,593 is due to the adjustment made in the all India Profit and Loss Account on account of Military Accounts Department Changes for internal check.

APPENDIX XXIX

STATEMENT OF ITEMS OF INFLECTUOUS EXPENDITURE IN EXCESS OF RS. 20,000 IN EACH CASE SANCTIONED DURING 1944-45

Statement I—Abandoned Works

Serial No.	Brief particulars of work abandoned	Reasons for the abandonment of the work	Estimate of cost administratively approved	Inflectuous expenditure incurred	Net inflectuous expenditure i.e., after allowing credit of sale proceeds realised from salvaged materials etc.	Remarks
1	KIRANA—Punjab— Construction of satellite landingground at	Change in the strategical situation	1,39,500	97,268	97,268	
2	TANDUR—Hyderabad State— Development of a lay back airfield at	Constructional difficulties and change in strategical situation.	1,37,000	*53,329	[39,554	*Certain additional claims are still under consideration.
3	UDASTAR (DEVIKUND)—Punjab— Development of a lay back airfield at	Change in the strategical situation	1,80,000	1,76,032	† 1,76,032	†Kankar, bujri and mooram are still lying at site, as these could not be transferred to other jobs owing to the cost of transportation being higher than the cost of these materials.
4	BOLEPUR—Bengal— Development of an airfield at	Change in the strategical situation	10,10,000	13,18,866	13,17,153	
5	HAVELI (Site)—Punjab— Development of an airfield at	Ditto	22,030	[22,030	22,030	
6	GANTI—Bengal— Construction of a landing strip at	Ditto	[28,000	30,709	30,709	
7	DEGANGA—(Dirty Dick)—Bengal— Construction of a landing strip at	Ditto	35,500	42,104	42,104	
8	USTA—Sind— Development of an airfield at	Ditto	2,39,000	[2,28,199	2,28,199	

9	SAKRAND—Sind. Construction of an aerodrome site at				
10	PATNA (Site)—Bihar— Development of an airfield site at .	The site was selected by the Local Civil Authorities for the development of an airfield but disapproved by the Selection Syndicate.	33,310	19,190	19,190
11	SINGBHUM—Bihar— Development of an airfield site at .	Ditto	1,49,000	1,87,865	1,85,908
12	GIDHNI—Bengal— Development of a Very Long Range airfield at.	Ditto	34,028	10,054	10,054
13	JHARGRAM—Bengal— Development of a Very Long Range airfield.	This site was selected for the development as a Very Long Range airfield for use by USA, AF but subsequently abandoned due to change in operational plan.	2,28,408	65,340	65,340
14	ELEPHANT—Bengal— Initial development of the aerodrome site at.	Ditto	3,00,000	89,553	81,646
		This site was selected for the development of an airfield but subsequently abandoned due to advance of the enemy.	92,740	92,740	92,740

Statement II—Other Items

Serial No.	Particulars	Amount
		Rs.
1	Infructuous expenditure caused by the Cancellation of orders for the manufacture of certain Electrical Stores, subsequently found to be not up to the mark owing to inexperience in the manufacture of the articles both by the manufacturers and the inspectorate and the faulty imported material utilised in the manufacture	50,415
2	Shells manufactured by the firm with whom a contract for its supply was entered into were found to be defective due to the firm being new to the work and had to be sent to another firm for 'finishing', thus involving extra expenditure to the State. The expenditure so incurred was sanctioned by Government as an item of infructuous expenditure	26,308
3	An order for the fabrication and supply of camouflage nets was placed on the Director of Industries, Bihar. Owing to curtailment in the demand for such nets, certain raw materials purchased by the Director of Industries based on the production programme for 9 months had to be disposed of at reduced rates, thus resulting in a loss of Rs. 23,782-12-0 to the State. The claim was settled with the Bihar Government by a payment of Rs. 22,000 which was sanctioned by Government as an infructuous expenditure	22,000
4	Loss due to the abandonment for operational reasons of a project for an Ordnance M. T. Depot at Bhusaval, after an initial expenditure has actually been incurred. Out of a sum of Rs. 13,71,814 which was spent, a sum of Rs. 1,06,672 due to damage to timber, poles etc., had to be written off under Government orders as infructuous expenditure. The balance of the expenditure incurred was taken over to a new project for the construction of an I.R.B.S.D. (POL) at the same site	1,06,672

APPENDIX XXX

Note by the Master General, Ordnance regarding defective stock-taking and the time taken to remedy the state of affairs referred to in paras 45 and 48 of the Audit Report, Defence Services 1946

1. Both the paras under review concern the DEHU Depots and both relate in the main to defective stock-taking and the time taken to remedy this state of affairs. In addition, attention is drawn to the large loss statements due to deterioration.

2. To appreciate the problem it will be convenient firstly to give an idea as to the magnitude of the task confronting the depot personnel. Although great difficulties occurred in the depot as a whole, due to overloading and bad conditions of storage, these difficulties were overcome and the stock-taking was dealt with satisfactorily. The outstanding problem lies in the M. T. Stores Depot.

3. The M. T. Stores Depot DEHU consists of six sub-depots housed in 44 storesheds and covering an Area of 334 acres. The stores are contained in 1,108,000 sq. ft. of covered accommodation, and in 843,500 sq. ft. of open storage. The covered accommodation would, in the terms of one single building, be comparable in size with more than three times the superficial area of North Block of the Secretariat. The number of items of the various stores held in the depot is 73,500. These represent spare parts of motor vehicles of 128 different makes, types and models, many of which are extremely alike in appearance, yet differ in minor but essential details, so that spares for one model are not necessarily suitable for another.

4. The brief history of this depot is that it was started in 1942 when the buildings were erected on black cotton soil at the greatest possible speed and were of the cheapest possible wartime construction. It had perforce to receive large quantities of stores before the buildings were ready and before its full complement of staff had been assembled or trained. The depot's history may be divided into three phases:—

Phase I.—When the first rush of stores, largely from frustrated and diverted cargoes, was received.

Phase II.—When imports came in unheralded spates, the consignments being very largely unaccompanied and badly marked. At this period the majority of the cases received were 'multi-item', i.e. boxes whose contents were of a large number of different items. There were also at this time masses of cases of spares which were meant for the maintenance of a given number of vehicles with the arrival of which they should have been, but were not, contemporaneous.

Phase III.—The main difficulty in Phase III was the back-loading from forward areas of stores which had been hurriedly re-packed and sent back to India from the forward areas where they had been exposed to all sorts of bad weather, appalling storage conditions and damage in transit. These stores also arrived largely undocumented, largely in a state of confusion of makes and types in boxes whose markings were not related to the contents, and in a condition generally which militated against the possibility of identification or of taking into stock in accordance with normal procedure.

This state of affairs arose largely from the rapid advance of our forces in Burma and the very bad conditions in which storage had to be carried out in this country.

5. These circumstances led to overloading the depot's capabilities and the necessity for storing receipts in the open. The storerooms were of wartime construction, far from suitable for storing such articles as M. T. spares and their construction was such that, whenever there was rain, they leaked heavily, so necessitating the removal of the stores inside them while repairs were carried out.

It should be realised that at the time Engineer building resources were strained to the utmost, particularly in respect of the vast programme of aerodrome construction.

6. The normal Ordnance Depot is designed to receive and issue stores and from time to time to take stock, a process which in normal circumstances can be done by the depot establishment as a matter of routine. It will be realised from the foregoing that there was enormous pressure due to the vast outgoings and incomings, the latter in a form not susceptible for taking on charge because they were not readily identifiable; for example in June 1945, 112,470 cases (multi-item) were received of these 562,500 were not readily identifiable in the that they either—

- (i) bore no markings as to contents, or
- (ii) had original markings obliterated through much handling in transit.

7. It should be understood that stock-taking in an Ordnance Depot involves the physical count of every item. Articles may be stored in bins or contained in standard packages with homogeneous contents, such packages being clearly marked. Thus, if the contents of packages vary in quantity or the markings are suspect, a stock taking involves the opening of all such and a physical check of bulk stocks which should have been unnecessary in normal circumstances. It is estimated that, under the 73,500 different headings in the M.T. stores Depot DEHU, there were some 70 million items to count.

8. (a) The circumstances outlined above led to a situation which called for strong remedial action and in February 1945 a Committee was appointed by G. H. Q. to visit the M. T. Stores Depot at DEHU to report on the situation there. The conclusions of the Committee were noted in a report which agreed that the problem facing the depot had been insuperable. It made number of recommendations as a result of which action taken and help was given in the form of special staff and extraordinary facilities which resulted in a very rapid improvement of the position generally.

(b) The Committee found that three out of the six Sub-Depots were in a reasonably satisfactory state because the types of stores which they held were more easily identifiable and could thus be taken on charge and accounted for without difficulty. Such stores were, for example tyres, major assemblies, etc.

(c) Nos. 1, 2 and 5 Sub-Depots contained the stores which formed the crux of the problem these stores being the smaller items whose identity could not be so readily determined.

9. Eventually it was decided that, for the purpose of the "red-line" (the date before which adjustments necessitated by discrepancies found at stock-taking did not need to be carried out) dates could be allocated to the different depots according to the progress of the stock taking, which again depended upon the progress of the depot in overcoming its difficulties. The red-line dates were agreed and Government of India authority was issued, vide War Department letter No. 0301/41/MG/OS-10 dated 11th March 1946.

10. (a) As regards the second class of sub-depots referred to in para 8(c) above, it was agreed that the stock-taking should be taken on the basis of stocks which were already binned as being still in their packing cases, could be readily identified from clear markings on new boxes i.e. such portions of the stocks which could readily be counted.

(b) There remained the 'bad' stocks, i.e. boxes the contents of which could be checked only by opening them and removing, identifying and counting the contents. It was agreed that these 'bad' stocks could be taken into account for Provision purposes from an intelligent estimate of what they might be expected to contain. The stock-taking itself was completed by 31st December 1945 with the exception of those items which could not be identified. The items so far found to be unidentifiable amount to about 3,000 tons. The matter of trying to determine the identity of these stores had been, and still is under expert examination.

11. To sum up, the depot has had a history of overloading in every direction with restrictive limitations of skilled personnel and of the conditions under which it has had to work. It has now caught up with its work with the exceptions noted above. Its staff is diminishing through demobilisation and repatriation and it has formidable difficulties before it, but it may be said with confidence that there has been a vast improvement in its condition which has been effected by the devotion to duty of all ranks concerned.

APPENDIX XXXI

Memorandum describing the measures adopted by the Supply Department (now the Department of Industries and Supplies) to meet the demands of the Defence Services.

A memorandum explaining the nature and the scope of the measures adopted by the Supply Department to meet the demands of the Defence Services was presented to the Military Accounts committee at their meeting held on 10th August, 1944. This was supplemented by a further memorandum presented to the Committee at their meeting held on 9th August, 1945. Subject to modifications necessitated by the improvement in the War situation and the eventual cessation of hostilities, the arrangements described in the above cited memoranda have generally remained in force.

2. The value of contracts (other than those for Cotton Textiles and Food-stuffs) placed by the Supply Department during the last 3 years is given below :—

	<i>Rs. Crores</i>
1943/44	146.71
1944/45	175.44
1945/46	162.45

The fall in 1945/46 is attributable to the large-scale cancellation of contracts during the latter part of the year consequent on the cessation of hostilities.

3. The small organisation set up in July 1945 to study the problems of large-scale cancellation of contracts, to which reference was made in the last year's memo. mentioned above, has been abolished with effect from the 1st November 1945, as the main task for which it was created had been accomplished and as the Purchase Organisations had become familiar with the problems arising from reduction in demands and cancellation of contracts.

4. Reduction demands received up to 6th July represent 10,528 items valued at Rs. 25.77 crores and the number of items finally settled up to 6th July 1946 were 9642 items the value of which is Rs. 22.55 crores. Total compensation amounting to Rs. 9.76 lakhs has been paid in respect of items finally settled.

As a result of heavy cancellations a considerable number of claims have been preferred by firms and a special Claims Committee has been set up to investigate these claims.

The Break-clause introduced as a War time measure in all important contracts remained in force in connection with contracts concluded up to the 31st March 1946. The incorporation of this clause in *all* contracts subsequent to this date has been discontinued.

5. The termination of hostilities naturally entailed a substantial reduction in the output on Munitions and Ordnance stores. A technical committee was, therefore, set up to consider the future of the Ordnance Factories. As a result of this examination, a few factories are being released for disposal as being surplus to requirements. The demand for munitions being negligible, it was decided to employ the factories which are being retained in civilian production, as a temporary measure, to fill the gaps in indigenous production. This also secured the retention of technically skilled personnel and the beneficial use of plant and machinery. The Ordnance Factories are now engaged in the manufacture for Civil requirements of a certain amount of steel which would otherwise require to be imported, of tools, jigs, fixtures and gauges and a number of miscellaneous items. The Ordnance Factories are also playing an important part in the establishment of production of road-rollers for which a large indent had been placed by the War Transport Department in connection with Central and Provincial post-war road development schemes. Another important class which is receiving attention comprises Textile Machinery and parts. It is, of course, not intended that the Ordnance Factories should compete with private industry.

6. The Hindustan Aircraft Ltd. whose entire control was temporarily taken over by Government in 1942 has reverted to its normal status on the 1st April 1946. It is proposed to utilise it as a civil factory for the manufacture of Aircraft and also of Railway Coaches. The factory is also undertaking the repair and overhaul of engines and Aircraft on behalf of Commercial Companies.

7. The measures for increasing the production of coal mentioned in para. 5 of the last year's Memorandum referred to above have generally continued. The departmental working of the Open-cut Coal Mining operations has, however, come to an end and these operations have been entrusted to a Company from the 1st April 1946. Government plant and equipment having been hired to it on a monthly rental for an initial period of 2 years.

8. The tempo of disposal work is now rapidly increasing and this important subject is receiving the constant attention of the Department and of the Disposals Board.

The general policy regarding disposals is to use normal trade channels to the greatest extent possible. In addition to 14 advisory panels representing particular trades, one central and two regional advisory committees have been set up at Delhi, Calcutta and Bombay.

9. The Disposals Organization is also responsible now for disposal of U.S.A. surpluses in India, which under the recent agreement between India and U.S.A. have become Government of India's property. The approximate tonnage of American surpluses is over 600,000, of which nearly half represents Engineering and Quarter-master stores and one-third Ordnance stores. Indian surpluses declared up to the 31st March 1946 total 200,000 tons.

Catalogues of the stores available for disposal are being issued monthly. Stores are made available to the public after Government Departments have had a month to decide what they want.

10. The figures of disposals are given below :—

	<i>Rs. Lakhs</i>
1943/44	42 (Nov. 43 to Mar. 44)
1944/45	324
1945/46	1157
1946/47	2561 (Apr. to Jul. 46)

APPENDIX XXXII

Report regarding (a) the system of 100 per cent. advance payment to Contractors on proof of inspection and despatch (b) the system of making advances of working capital to Contractors against the security of goods in the process of manufacture.

In paragraph 8 of their Report and in paragraph 22 of their Proceedings on the Appropriation Accounts of the Defence Services for the year 1943-44, the Military Accounts Committee suggested that the Department should consider whether 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, it would not now be possible to discontinue the system of 100 per cent advance payment to contractors on proof of inspection and despatch and 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 consignees. The matter has already been considered by the Department and with effect from the 15th September, 1945, the old system of payment whereby 90 per cent of the contract price is paid on proof of inspection and despatch and 10 per cent on receipt of stores in good condition by the consignees has, as a normal rule, been reintroduced in the contracts entered into by the Department.

2. Another suggestion made by the Committee was that the Department should consider and report whether it is not practicable to introduce the system of making advances of working capital to contractors against the security of goods in the process of manufacture as they considered that this system might enable the Government to obtain the goods at cheaper rates part

ularly in cases where the cycle of manufacture is long and where the contractors include in their tender prices, the interest charges which they have to pay on borrowed capital. In this connection it might be brought to the Committees' notice that a system is already in existence since September 1942 whereby under certain circumstances and particularly when the amount involved is considerable and overstrains the contractors' normal banking credit facilities. 'Progress Payments' are allowed to contractors upto 90 per cent of the total expenditure incurred to date by them on the production of a certificate from their auditors that the expenditure has been incurred and properly accounted for against the relevant contract. The contractors agree in such cases to hypothecate to Government their entire stock of goods or works in progress and completed, as the case may be, against which progress payments are claimed. The financial standing and technical efficiency of a contractor has naturally to be considered before admitting him to this concession to ensure that in the case of faulty supplies or rejections, Government can secure refunds of money or replacement of articles and, of course, due allowance is made for this concession in fixing the rate of profit or price. The experience of the Department has been that very few firms have availed themselves of this concession. Accordingly, this Department is of the opinion that it is unnecessary to extend or modify the present procedure.