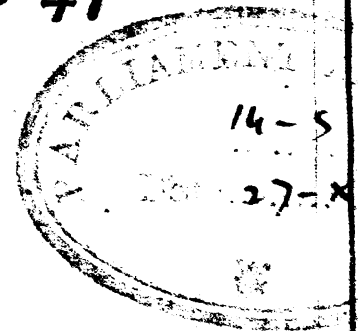


GOVERNMENT OF INDIA
MINISTRY OF FINANCE



सत्यमेव जयते

*Report of the
 Public Accounts Committee
 on the
 Accounts of 1946-47*



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Composition of the Public Accounts Committee.

Chairman

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

Members

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

In accordance with the arrangement agreed to by our predecessors the usual appropriation accounts and audit reports were not prepared for 1946-47 except for Defence Services but memoranda setting out the more important financial irregularities were prepared by the Auditor General and placed before us for consideration. We have examined these memoranda and the appropriation accounts of Defence Services and we append the minutes of the proceedings which we desire, as usual, to be treated as part of our report. It is only last September that we examined in detail the accounts for the previous year and our observations on the more important general points brought out by our examination are contained in our report on the accounts of that year. These general points apply equally to the accounts for 1946-47 and there is only one additional point arising out of our examination of the accounts for this year to which we should like to draw attention. More than one departmental witness who appeared before us expressed the view that the Classification Control and Appeal Rules made it almost impossible in most cases to take adequate disciplinary action. While we realise the need for providing adequate security and fair and impartial hearing to all Government servants we would stress the need, at the same time, for securing that the rules of procedure and the provision for appeals do not operate in such a way as to render it impossible to bring home to the Government servant the due responsibility for his actions. We understand that the Home Ministry are considering the question of amending these rules and we trust that they will bear in mind the aspect stressed by us. In a large number of cases we were repeatedly told that no disciplinary action could be taken because the officer concerned had left the service or the country. We feel that the machinery for pursuing an irregularity as soon as it is noticed should be speeded up so that adequate action, both remedial and disciplinary, could be taken as early as possible. We suggest that this should be brought to the notice of all the Ministries.

We desire to record our appreciation of the assistance rendered to us by the Auditor General and his staff and by our Secretary. The rest of us would also like to express our appreciation of the assistance rendered to the Committee by our colleague Shri Das who presided over some of our meetings in the absence of our Chairman.

JOHN MATTHAI
B. DAS
K. T. SHAH
SHIBBAN LAL SAKSENA
MAHAVIR TYAGI*
N. C. LASKAR
UPENDRANATH BARMAN

M. V. RANGACHARI, *Secretary*

The 20th December, 1949.

*In Hindi.

Proceedings of the first meeting of the Public Accounts Committee held on Wednesday the 9th November, 1949, at 10-30 A. M.

PRESENT

The Hon'ble Dr. John Matthai

Chairman

Shri B. Das

Shri Krishna Chandra Sharma

Shri Upendranath Barman

Shri Raj Bahadur

Members

Shri H. M. Patel, Secretary, Ministry of Defence

Shri J. D. Kapadia, Joint Secretary, Ministry of Defence.

Shri K. Bhawanishankar Rao, Financial Adviser, Military Finance.

Shri K. S. Sundararajan, Deputy Financial Adviser, Military Finance.

Major-General H. Williams, Engineer-in-Chief, Army Headquarters.

Brig. E. A. Rodrigues, Director of Ordnance Services, M. G. O. Branch.

Lt. Col. V. S. Sundaram, Quarter Master General's Branch.

Lt. Col. H. C. Verma, S. & T. Directorate, Q. M. G.'s Branch.

Capt. S. G. Karinarkar, Royal Indian Navy

Shri Joti Prashad Jain.

Shri L. M. Ghatak, Military Accountant General

Shri V. Narahari Rao, Auditor General of India.

Shri K. G. Ambegaokar, Secretary, Economic Affairs Deptt., Ministry of Finance.

Shri K. R. Rama Iyer, Director of Audit, Defence Services.

Shri K. K. Sen, Addl. Deputy Auditor General.

Witnesses

Defence Services.

The Committee first dealt with the suggestions made by the Auditor-General that some training should be imparted to Defence Services personnel in the fundamental principles of public expenditure, the care and custody of public property and the elementary principles of accounting. It was explained that under the peacetime procedure officers of the Ordnance, Engineering and Supply Services did receive training in accounting and financial matters but that in war time when there has necessarily to be a vast expansion in the strength of Defence Services, it would be impossible to provide a training for all the officers. It was also stated that in respect of Commissioned Officers of Defence Services an elementary knowledge of finance and accounts was given as part of their cadet training. It was agreed in principle that a systematic training to these officers would be of great advantage in strengthening

internal control and to that extent external audit would be made more effective. In war time the application of peacetime procedure was impossible but the Committee suggested that the Ministry of Defence should consider the Auditor General's suggestion further and see if more facilities could not be provided for the training of officers. The Committee then proceeded to examine the accounts.

2. With reference to sub-para (3) of para 3 of the Appropriation Accounts it was explained that the heavy carry-over from the previous year could not be anticipated at the time the budget estimates for the following year were framed as the carry-over mostly related to the concluding months of the financial year.

2.A.—Paras 12 and 18 of the Appropriation Accounts and paras 7 and 24 of the Audit Report—

The reasons for issuing the war time orders mentioned in para 12 of the Appropriation Accounts were briefly explained to the Committee. It was pointed out that the value of objections dropped was only a little over Rs. 5½ crores against a total Defence expenditure of the order of Rs. 4,300 crores. In reply to an enquiry it was mentioned that Manuals laying down the accounting and other procedure in war time were maintained but these were sometimes not observed in war time. These Manuals were mainly based on the experience of previous wars and changing conditions in each war made some of them obsolete. These Manuals were in constant course of revision. The Committee desired that an analysis of the broad categories and amounts of objections dropped and pursued and a report on the results should be prepared by the Ministry to enable the Audit Department to see that the objections dropped were only those which could not be profitably pursued.

3. The Committee then briefly reviewed the financial irregularities mentioned in para 30 of the Appropriation Accounts and paras 8, 9 and 53 of the Audit Report. The Committee agreed that no further action need be taken in the case of the first irregularity mentioned in para 30 of the Appropriation Accounts if on further consideration in consultation with Audit, it was found that the financial results of the action were satisfactory although there may have been some technical irregularity in procedure. In the case, mentioned in para 53 of the Audit Report it was pointed out that the delay of two years in releasing the rented property was due to protracted negotiations regarding the disposal of the assets located in it with a Provincial Government and later with the Oil Companies both of whom were at one stage or another considered likely to be interested in them. In regard to the case mentioned in para 8 of the Audit Report it was explained that the procedure had since been revised and that similar irregularities were unlikely to occur in future.

4. The Committee then briefly reviewed the irregularities mentioned in Appendix A, Annexure to Appendix B and Appendix H, Part I, of the Appropriation Accounts. They were assured that adequate action had been taken to minimise such losses by tightening up the procedure and by taking disciplinary action wherever necessary. In the course of the discussion it was suggested that in peacetime it may be an advantage if cases of theft and fraud

could be shown separately from those involving only negligence. It was explained that it may not always be possible to separate these cases and it was agreed that on balance the advantage lay in continuing the present system of exhibiting them in the Appropriation Accounts.

5 With reference to para 6 of the Audit Report, the Committee wished to know the latest position regarding the progress of recoveries of the outstanding amounts due from the contractors and States. It was explained that so far as the States are concerned, the dues were recoverable from the State Governments and the amounts due had been or would be recovered from those Governments. Out of the sum of Rs. 3·12 lakhs stated as due from two States a sum of Rs. 2·97 lakhs had been recovered leaving a balance of Rs. 15,000 only. As regards outstandings from contractors, which represented mainly the cost of building stores supplied from Defence Stocks, the amounts were in process of recovery.

6. The cases mentioned in paras 9 and 52 of the Audit Report were then considered. The Committee wished to know what steps had been taken to avoid such losses in future. It was stated that instructions had been issued that no work was to be undertaken in future in Ordnance factories for outside parties until the rates had been accepted and a deposit against the order had been made in advance.

7. With reference to the cases mentioned in paras 20 and 21 of the Audit Report it was stated that the former was still under Police investigation and in the case of the latter no disciplinary action could be taken against the officer who had since left the country. Instructions to prevent the recurrence of similar cases had been issued.

8. In regard to the case mentioned in para 26 of the Audit Report, it was explained that one of the accused was still absconding and the other had been proceeded against. The matter was *sub-judice*.

9. The Committee then turned to the case mentioned in paras 27 and 28 of the Audit Report. It was explained that upto the 1st April, 1946 the R. A. F. were responsible for the accounting and the responsibility devolved on the Indian Defence Services only from that date. A new accounting system had been introduced with effect from the 1st November, 1948 and there had been considerable improvement in store accounting although some of the defects still continued. This was mainly due to the inexperience of the staff and the larger volume of stores involved. The Committee stressed the need for making adequate arrangements for the security and safe custody of stores and desired that a report should be submitted to them in due course regarding the progress made in bringing the accounts upto date.

10. In regard to the case mentioned in para 28 it was explained that the oil issued from Government stocks had since been replaced or paid for.

11. The Committee then considered the case mentioned in para 30 of the Audit Report. It was explained that the grain shops in question had since been closed and adequate steps had been taken against the staff responsible for the irregularities. Remedial measures had also been taken for preventing similar occurrences,

12. The attention of the Committee was then drawn to the defects in the maintenance of pay accounts, a matter which had been repeatedly brought to notice in previous Audit Reports. The Committee decided that the Ministry of Finance (Defence) should review the position in detail and submit a report indicating the action taken or proposed to be taken to prevent their recurrence.

13. The Committee then considered the accounting arrangements in the R. I. N. Dockyard. It was stated that the peacetime costing system had proved unsuitable during the war. The whole matter had been reconsidered in the light of the experience gained and a revised system had been devised which would be introduced shortly.

14. The Committee then considered the case mentioned in para 56 of the Audit Report. It was stated that no disciplinary action could be taken against the officers concerned as none of them was in service. The question of what matters should go to arbitration had been gone into and the form of the contract had since been amended limiting the right to invoke arbitration only to matters arising out of the terms of the contract. A time limit had also been prescribed for invoking the arbitration clauses. In reply to an enquiry if any of the awards by the arbitrators had been taken to the courts it was stated that the matter had been examined in consultation with the Ministry of Law and action taken on their advice. Out of five cases taken to court three had been settled and two were still pending.

15. The Committee then considered the point raised in para 61 of the Audit Report. It was explained that until April 1946, the R. A. F. was responsible for the accounting of the stores and the R. I. A. F. became responsible only after that date. The fixation of rates for R. A. F stores was a very complicated matter covering approximately 550 sub-sections and 250,000 items. Machinery had been set up for this purpose and the work was in hand. In the meantime in respect of items for which it was necessary to fix rates in advance, this had been done. The matter was under constant review and steps had been taken to fix the rates as early as possible.

16. The attention of the Committee was drawn to the case mentioned in para 4 of the Audit Report on the Commercial Accounts of the Defence Services. It was stated that the amount of the loss mentioned in the paragraph was actually the accumulated loss of two or three years and had been somewhat inflated by the heavy overheads of the factory which was new. The Committee drew attention to the need for improving the quality of inspection to avoid recurrence of such cases in future.

17. The Committee decided to take up the further examination of the Defence Services Accounts, so far as they concerned the Ministry of Industry and Supply, in the afternoon.

Proceedings of the second meeting of the Public Accounts Committee held on Wednesday the 9th November, 1949, at 2-30 P. M.

PRESENT

Shri B. Das

Chairman

Shri Upendranath Barman

Professor Shibban Lal Saksena

Members

Shri Raj Bahadur

Shri Krishna Chandra Sharma

Shri A. K. Chanda, Financial Commissioner, Railways.

Shri K. C. Bhakhle, Chief Commissioner, Railways.

Shri N. C. Deb, Director of Finance (Budget), Railways.

Shri Krishna Prasad, Director General, Posts and Telegraphs.

Shri B. R. Batra, Chief Engineer, Posts & Telegraphs.

Witnesses.

Shri R. Narayanaswamy, Joint Secretary, (Communications) Ministry of Finance.

Shri S. A. Venkataraman, Secretary, Ministry of Industry & Supply.

Shri A. K. Roy, Joint Secretary (Industry & Commerce Division) Ministry of Finance.

Shri K. S. Sundra Rajan, Deputy Financial Adviser (Budget), Military Finance.

Shri V. Narahari Rao, Auditor General of India.

Shri K. G. Ambegaokar, Secretary, Economic Affairs Deptt. Ministry of Finance.

Shri K. K. Sen, Deputy Auditor General.

Shri P. M. Joseph, Director of Railway Audit.

Shri P. C. Das Gupta, Accountant General, Posts & Telegraphs.

Shri V. N. Avdai, Accountant General, Food, Rehabilitation and Supply.

18. The Auditor General first drew the attention of the Committee to the position relating to the prepartition Appropriation Accounts and the Audit Report. He recalled the decision, taken with the approval of the previous Committee, that so far as the year 1946-47 and the period 1st April 1947 to 14th August 1947 were concerned the Appropriation Accounts in the usual form need not be prepared and that it would suffice if a memorandum showing the more important financial irregularities, which ordinarily appear in the Audit Report, is compiled for the consideration of the Committee. He explained that this decision was due to the difficulty in getting the necessary explanations for the Appropriation Accounts from officers who had retired from Service or had gone to Pakistan and also the difficulty in getting detailed accounts from

the accounts officers now in Pakistan. In reply to a question it was stated that the Finance Accounts for the period would however be prepared in the usual form. The position, therefore, was that, so far as departments other than Defence Services were concerned the Committee would merely deal with the more important financial irregularities brought to their notice by the Auditor General.

Ministry of Railways

19. The Committee first dealt with the case mentioned in para 4 of the Railway Audit Report. It was explained that the staff whose increments had been with-held for three months, was really not junior staff but staff getting pay in the region of Rs. 300 or so. Although the Railway rules provided for the taking of security deposits, in actual practice this had proved difficult. Ordinarily the Railways relied upon the hold they had on the Government contribution to the Provident Fund as sufficient security, particularly in the case of officers who in the middle reaches of their service are promoted to posts involving the custody of stores etc. There had actually been two enquiries in the cases mentioned in the Audit Report, the first to establish the facts of the case and the second to enquire into the allegations against the Railway servants involved. It had not been possible to establish that these officers had been guilty of any non-observance of specific rules. The procedure had since been tightened up and a Manual of Instructions issued to the staff to prevent the recurrence of similar cases. The Committee felt that the disciplinary action taken was inadequate and sufficient care had not been taken in the handling of important stores like tin ingots.

20. In regard to the case mentioned in para 5 of the Report it was stated that the officer concerned had since been convicted on another charge. The Committee decided that this need not be further pursued.

21. The Committee then considered the cases mentioned in paras 6 and 7 of the Audit Report. In regard to the first case there had been some misunderstanding about the orders in force and this had subsequently been cleared up. In the second case the administration had decided that as the change involved the revision of over 36,000 ration cards it should be postponed pending their renewal due within a short period. In both the cases the point was raised whether the advice given by Audit should not have been provisionally accepted pending reference to higher authorities. The Committee endorsed the suggestion of the Auditor General that a directive should be issued that unless there are strong reasons in the view of the Financial Advisor and Chief Accounts Officer and the Railway Administration the audit view should normally be accepted by the administration and acted upon provisionally, pending a decision by the higher authorities.

22. The Committee then considered the cases mentioned in para 9 of the Audit Report. They expressed some concern at the number of cases of losses of money on this Railway and the view was expressed that unless serious deterrent action was taken in cases of this kind it was likely to result in continuing laxity and loss of public funds. It was explained that there had been some lacuna in the procedure which had since been filled and necessary instructions

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

23. In regard to the case mentioned in para 11 of the Audit Report it was agreed that it had been a bad case but the officer concerned had retired and no action could be taken. The Committee noted that the displeasure of the Board had already been communicated to the officer concerned and decided that the matter may be treated as closed.

24. The question of the efficiency of internal check in the Railway Account Offices was then considered. The Financial Commissioner explained that the deterioration in the standard of work in the accounts offices was only one phase of the general deterioration in most branches of the administration following the dilution of the staff and the enormous increase of work in war years. Steps were being taken to effect an improvement in the position but this would necessarily take some time. The position had also been complicated by the recent accession of a number of Company Railways with a slightly different pattern of accounting which had to be brought under a uniform pattern. In regard to the change made in 1940 of placing the Financial Adviser and Chief Accounts Officer under the administrative control of the General Manager it was explained that the whole position was under review in the light of subsequent experience. Stress was in this connection laid on the need for securing a sufficiently independent financial advice, but the Committee made no recommendation at this stage as the matter was under the consideration of the Railway Board.

Posts and Telegraphs Department.

25. The Committee first dealt with the case mentioned in para 6 of the Audit Report. It was explained that the system of employing daily paid caretakers had been discontinued from the 1st January, 1947 and the question of having a suitable watch and ward service was under consideration. The Committee commented on the delay in reporting the case to the police ; it was essential that as soon as any loss or theft came to notice it should be promptly reported to Police for investigation.

26. The attention of the Committee was drawn to the types of irregularities mentioned in para 8 of the Audit Report which continued from year to year. These indicated that the initial accounts were not being maintained properly. It was stated that the administration was fully alive to the unsatisfactory position and that an officer had recently been deputed to visit various units and examine on the spot the reason for the occurrence of these irregularities and the failure of the normal inspecting staff of the Department to prevent them. The position had been made difficult in recent years by the paucity of trained accountants and action was being taken to train the requisite staff. The Auditor General drew attention to the absence of the authorised codes in many Offices which made it difficult for the staff to conform to the rules. He also referred to the absence of standardised printed forms which led to a number of accounts

being rendered on forms prepared in manuscript. It was explained that the revision of the codes and forms was in hand and that the defects pointed out would be remedied shortly.

27. The Committee then considered the irregularities mentioned in the Annexure to the Audit Report. In regard to Item 14 it was stated that the action of the Branch Post Master in entrusting 33 money-orders amounting to Rs. 2,100 to a village post-man was clearly against the prescribed rules and there was nothing to be said in extenuation. Action had since been taken against the offending officer. In regard to Item 15 it was stated that action had been taken against the officer responsible for the delays.

28. The Committee also considered the case mentioned in para 7 of the Audit Report. They commented in this case also on the delay in reporting the loss to the Police. The view was expressed that the partial verification of stock was inadequate and it was explained that the procedure had since been altered and a cent percent verification of stocks was now provided for.

29. A general point was then raised regarding the adequacy of disciplinary action taken in this and other Departments. It was pointed out that the Classification, Control and Appeal Rules made it difficult in most cases to take disciplinary action as the procedure was cumbersome and dilatory. While it was obviously necessary to secure adequate security and fairplay for the staff, the Committee felt that there was room for considering whether the procedure could not be modified and simplified to secure that adequate disciplinary action could be taken against delinquents.

Ministry of Industry and Supply

30. The Committee then resumed the consideration of the Defence Appropriation Accounts and Audit Report.

31. In regard to para 14 of the Audit Report, it was stated that out of 19 outstanding cases, 11 cases involving a sum of Rs. 10·36 lakhs had been disposed of, 2 cases involving Rs. 4·22 lakhs were before Arbitrators and 6 cases involving Rs. 7·3 lakhs were under consideration. The Committee desired that a report should be submitted to them in due course regarding the disposal of the outstanding cases.

32. The committee then considered the case mentioned in para 15 of the Audit Report. It was explained that conflicting financial advice had been given at one stage and the officer concerned had left service. Some doubt was felt as to the competence of the officer who effected the sale to do so and also whether adequate notice had been given of the auction which was originally held and which failed. The Committee desired that the case should be re-examined in consultation with the law advisers of Government to consider if any legal action could be taken at this stage against those at fault.

33. In regard to the case mentioned in para 17 of the Audit Report it was stated that bulk sales had been effected in accordance with the orders then in force. It was difficult to establish the loss on the basis of prices realised in earlier disposals of small lots. The officers concerned had either retired or gone over to Pakistan and no action could now be taken. The Committee felt that the disposal of these vehicles by negotiations had not been satisfactory and enquired if this system still continued. It was stated that sales by private negotiations without the prior approval of Government were not now permitted.

33-A. In regard to the case mentioned in para 18 of the Defence Audit Report it was stated that the officers were not in service and were not traceable and that therefore no disciplinary action could be taken.

34. The Committee then considered the point raised in para 66 of the Audit Report. It was stated that the outstandings related to the period prior to 30th September 1946 when the procedure had been changed. Adjustments were now made on the basis of issue vouchers and not on the basis of Sale accounts. The difficulty in the settlement of this matter was due to the fact that a number of depots from which these sales had been made were not now in existence while some of them were located in Pakistan. The latest position was that against a total outstanding of Rs. 24 crores only Rs. 11 crores were now unadjusted. These outstandings related to 1,674 cases of sales to private parties and 1,476 cases of issues to Government Departments. The Committee desired that the further progress should be reported to them when they meet to consider the accounts for 1947-48.

35. The Committee then adjourned to meet at 10·30 A. M on the following day.

Proceedings of the third meeting of the Public Accounts Committee held on Thursday the 10th November, 1949, at 10-30 A. M.

PRESENT

Shri B. Das

Chairman.

Shri Krishna Chandra Sharma

Shri Upendranath Barman

Prof. Shibban Lal Saksena

Shri Raj Bahadur

Shri K.G. Ambegaokar, Secretary, Economic Affairs Department, Ministry of Finance.

Shri M. V. Rangachari, Deputy Secretary, Ministry of Finance.

Shri Maharaja Nagendra Singh, Deputy Secretary, Ministry of Information and Broadcasting.

Shri R. Narayanaswami, Joint Secretary (Communications) Ministry of Finance.

Shri E.C. Gaynor, Deputy Secretary, Ministry of Home Affairs.

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

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

Shri P. N. Krishnaswamy, Deputy Secretary, Ministry of External Affairs.

Shri Y. N. Sukhthankar, Secretary, Ministry of Transport.

Shri V. Narahari Rao, Auditor General of India.

Shri K.K. Sen, Additional Deputy Auditor General.

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

Members.

Witnesses.

36. The Committee took up the consideration of the important irregularities relating to the various civil Departments.

Ministry of Finance.

37. The Committee reviewed the Commercial accounts of the India Security Press. Attention was drawn to the heavy percentage of the loss said to be due to abnormal shrinkage, dryage of firewood and shortage of coal and coal dust and it was suggested that the margin of loss was unduly high. It was explained that it had been ascertained from the Forest Department that the margin of loss owing to dryage was round about 40% over a period of about three months while the percentage of the average loss over a longer period might be higher. It was suggested that the issue price should be adjusted to cover such losses but the point was only of academic interest at this stage as the Grain shops had since been closed.

38. Measures proposed to be taken by the Finance Ministry to secure a more adequate control of expenditure were then discussed. It was stated that the Finance Ministry in consultation with the Auditor General would in due course lay down the procedure for the control of expenditure, particularly with reference to the provisions in the new Constitution, which would take full effect from the budget for next year. In reply to an enquiry it was stated that the new financial provisions in the Constitution were expected to take effect from the 1st April 1950 and the budget for that year would be framed on the new basis. Regarding new expenditure sanctioned during the year it was mentioned that instructions had already been issued that all proposals involving expenditure not provided in the budget should be brought before the S.F.C. (and the Legislature where a supplementary demand was involved) at the earliest possible date. A suggestion was made that all new expenditure not provided in the budget and sanctioned during the year should be reported to the Legislature for information but after some discussion the suggestion was dropped as likely to prove unworkable. In this connection the Auditor General pointed out that the existing procedure under which expenditure for new services was brought before the Legislature by means of a token demand and supplementary grants for meeting additional expenditure obtained, secured sufficient Parliamentary control of new expenditure.

Ministry of Information and Broadcasting.

39. With reference to the case mentioned in para 2 of the Audit Report the Committee were informed that the practice which gave rise to the loss had since been completely stopped. The material for foreign publicity was distributed through the various Embassies and missions abroad. The view was expressed that in some cases more material was being prepared than was necessary and the Committee endorsed the suggestion of the Auditor General that a *pro forma* account of the production and distribution of the various publications should be maintained which could be audited by the Audit Department. If this audit indicated any extravagance in the production of these documents, the matter would be brought to the notice of Government.

Ministry of Home Affairs.

40. With reference to the case mentioned in para 3 of the Audit Report the Committee enquired whether the Government of India were satisfied that the departmental action taken was adequate. It was explained that the official concerned had been removed from office in spite of his acquittal by the High Court but had been reinstated on appeal. Government were satisfied that the action taken was adequate.

In this connection the point was again made that the Classification Control and Appeal Rules should be amended to secure that prompt disciplinary action was taken against Government servants responsible for committing irregularities etc.

Ministry of Agriculture.

41. The Committee enquired whether the sum of Rs. 2 lakhs shown as outstanding against Government of Siam in the accounts of the Indian Veterinary Research Institute Izatnagar had since been recovered. A report on this point was promised to the Committee.

Ministry of External Affairs.

42. In regard to the case mentioned in para 4 of the Audit Report the Committee asked the reasons for failure to fix the responsibility for the irregularity. It was explained that although no technical authority had been consulted on the question of whether the losses disclosed were normal losses it was felt that part of this may have been due to leakage of drums. It was disclosed that although the irregularity had been reported in May 1945 the matter had not been taken up with the higher authorities by the officer concerned till he left in April 1946. The Committee wished to record their dissatisfaction with the failure of the officer concerned to refer the point taken by Audit to higher authorities for their orders. The question why an enquiry was not instituted in the case was raised and it was stated that it had not been possible to have an enquiry as the officer concerned had gone on leave preparatory to retirement from the 1st April 1946 and the Military Organisation which had supplied the petrol had also been disbanded.

43. The Committee then considered the cases mentioned in para 5 of the Audit Report. In the case of stocks of tinned food which had been condemned it was stated that on receipt from the Military Stocks the stores were found unfit for consumption and had to be condemned. In reply to an enquiry it was stated that the requirements of publicity material for use in overseas countries were based on estimates received from Indian Embassies and Missions abroad. The expenditure had recently been cut down as a measure of economy.

44. The audit of foreign expenditure was then raised. The Auditor General mentioned that he expected to go abroad early next year to look in to the matter on the spot and lay down a suitable procedure. The External Affairs Ministry intended to have their own Training Inspectorate to inspect the Embassies and Missions but the matter was not being pursued for the present in view of the financial stringency.

Ministry of Transport.

45. The Committee briefly reviewed the State Trading Schemes under the control of the Ministry of Transport. In regard to the scheme for the purchase and Construction of Lighters, it was stated that for the two barges transferred to the Commander of HMS Braganza the cost was being debited to the Defence Estimates. The net profit on the scheme for Civil Transport was expected to be of the order of Rs. 3·7 crores. Certain adjustments were still pending and the question of finally adjusting the profit will be considered in consultation with the Finance Ministry after these are completed. The Committee desired that these and other similar schemes which were no longer in force should be closed down as early as possible and the outstandings adjusted.

Proceedings of the fourth meeting of the Public Accounts Committee held on Thursday the 10th November, 1949, at 2-30 P. M.

PRESENT

Shri B. Das

Shri Krishna Chandra Sharma

Shri Upendranath Barman

Shri Raj Bahadur

Prof. Shibban Lal Saksena

Shri Mahavir Tyagi

Shri R. L. Gupta, Secretary, Ministry of Food.

Shri G. Swaminathan, J.F.A. (Food).

Shri B. K. Gokhale, Secretary, Ministry of Works Mines and Power.

Shri M. P. Pai, Joint Secretary, Ministry of Works Mines and Power.

Shri B.B. Paymaster, Jt. Secretary, Ministry of Works Mines & Power.

Shri H.C. Gupta, Deputy Secretary, Ministry of Works Mines & Power.

Shri B. S. Puri, Chief Engineer, P.W.D.

Shri E. V. Gregory, Controller of Printing & Stationary.

Shri S. A. Venkataraman, Secretary, (Industry and Supply) Ministry.

A. K. Roy, Jt. Secretary (I & C), Ministry of Finance.

Shri K. N. Subramanian, Jt. Secretary, Labour Ministry

Shri B. N. Das, Director-General Resettlement and Employment.

Shri P. M. Menon, Jt. Secretary, Ministry of Health.

Dr. A. C. Sen, Assistant Director-General, Health Services.

Shri V. Narahari Rao, Auditor-General of India.

Shri K. K. Sen, Addl. Deputy Auditor-General.

Shri B. N. Sengupta, A. G. Central Revenues.

Shri V. N. Adavi, A. G., F.R. & S.

Shri K. G. Ambegaokar, Secretary, Economic Affairs Dept., Ministry of Finance.

Chairman.

Members

Witnesses.

46. The Committee resumed the examination of the remaining Ministries.

Ministry of Food.

47. The case mentioned in para 6 of the Audit Report was first taken up. The Committee were informed that the agency system was not now in force and irregularities like those mentioned in this paragraph were unlikely to occur in future. As regards the allowance for deterioration in the stock of ghee it was stated that normally only 9 points of acidity were allowed by the Army and this had been relaxed to 12 points during the war years. It was difficult to say at this stage whether there had been any collusion between the departmental officers and the procuring agency in the matter. The officers concerned were no longer in service and no disciplinary action had been taken against them. The matter was however being reopened and a report on the action taken will be submitted to the Committee in due course. So far as the Agent was concerned, Government had been advised that no civil action against him was possible and no action was accordingly taken; proceedings had, however, been taken against the Agent on another count.

48. Regarding the case mentioned in para 7 of the Report it was pointed out that although the amount of loss involved was by itself substantial the proportion it bore to the total quantity of ghee handled was very small and well below the normal loss allowed in the trade.

49. The question of the loss incurred in foodgrains imported during the war was then considered. The arrangements in force for the purchase of foodgrains overseas; their shipment and handling on landing in this country were explained in detail to the Committee. Some of the countries from whom purchases were made have selling organisations and Government Inspectorates and all buyers have to conform to the procedure set up by these agencies in those countries. In some countries these agencies work very efficiently while in one or two countries the system is not so efficient. The purchasing arrangements by this country abroad were similar to those adopted by the United Kingdom. It had not been possible to arrange for a complete weighment of foodgrains at the port of landing. Recently a system of complete weighment had been introduced in Bombay and there was a partial system of weighment in Calcutta and Madras. A committee had recently gone into the question of the handling of these imports at the Ports to devise measures to avoid waste and their report which was under print, will shortly be made available. On the whole there was no reason to suppose that the percentage of loss was unduly high taking into account the very substantial quantity of foodgrains handled and the position had improved in recent months.

Ministry of Works, Mines and Power.

50. The Committee first dealt with the irregularity mentioned in paragraph 10 of the Audit Report. It was conceded that there had been considerable delay in dealing with this matter but it was explained that this had been due to the mixing up of the problem of the temporary staff required with the related problem of determining the permanent staff for the Central Public Works Depart-

ment, particularly in the fluid conditions which developed from 1946. The position had since been rectified and the necessary sanction issued. The Committee were not satisfied that the delay in dealing with this matter was justified and wished to record their grave dissatisfaction at this. They wished to draw the attention of Government to the danger of allowing such irregular payments to continue over long periods as it was bound to lead to a loss of public funds.

51. The Auditor General drew the attention of the Committee to the case mentioned in para 11 which was being reported in accordance with the decision of his predecessor who had been consulted on it. The Committee felt that there was no justification for a part of the loss being borne by India but the matter had been decided between the two Governments and was now a closed matter.

Ministry of Industry & Supply.

52. The Committee first dealt with the case mentioned in para 13 of the Audit Report. It was explained that the purchase referred to in this paragraph was the first to be made after the decontrol of Jute. The jute was very urgently required to meet the Governments commitments to the Argentine Government and in the highly speculative conditions in the jute market it was not possible to make the purchases by open tender. The prices actually paid by the Jute Adviser compared favourably with the market prices on the dates of the purchases and it was unlikely that Government could have got a better price by resorting to purchases through other channels. In all subsequent purchases both Finance and Administrative officers were being associated. After some discussion the Committee agreed that no further action was necessary but stressed the need for associating some high powered Government officer when such large deals were put through. In reply to a question whether for purposes of meeting the commitments to the Argentine Government and similar commitments Government could not have taken over a number of jute mills, it was pointed out this was impracticable and apart from this problems of management would have opened Government to heavy risks incidental to business.

53. The attention of the Committee was then drawn to the cases mentioned in paras 15 and 16 of the Audit Report. In regard to the case mentioned in the former paragraph it was stated that Government were satisfied that the reversion of the officer concerned was sufficient disciplinary action as no malafides had been established. In the case mentioned in paragraph 16 further action was being taken. The Committee desired that a report on this case should be submitted to them in due course. It was incidentally mentioned that the system of sales by negotiation had now been stopped.

54. In regard to the case mentioned in paragraph 18 the point was raised if no action could have been taken against the officers concerned. It was stated that these officers had left the service and their whereabouts were not traceable.

55. The Committee then discussed in detail the arrangements for the disposal of surplus aircraft stores mentioned in paragraph 19 of the Audit Report. Against a turnover of Rs. 7 crores odd the commission paid was only 25 lakhs over a period of 3 years. The rate of commission had been reduced during the recent extension of the contract. The firm in question was under the control of

Government in a variety of ways. Their budget had to be passed by Government and all appointments carrying salaries in excess of Rs. 1,500 had to receive the approval of Government. Their general disposal policy was also subject to the Government's approval and a consultative Committee had been appointed to assist the firm in the disposal. Their Auditors were also appointed subject to Government approval and Government reserved the right to have a Government test audit. It was conceded that it was desirable to have a Government officer directly working with the firm although some doubt was expressed if this would have been accepted by the firm when the contract was negotiated. The contract was due for renewal in March 1950 and the point raised by the Committee would then be borne in mind.

Ministry of Labour.

56. The losses sustained in the schemes for training and rehabilitation of ex-servicemen and mentioned in para 21 of the Audit Report were considered. It was explained that the total amount waived was only Rs. 10.5 lakhs from 1941-42. Out of approximately 1,04,000 trainees only about 12,000 had left before they had completed their training. From about 60 percent to 70 percent of these sums due had been recovered. From the rest attempts were made at least thrice to recover the amounts through the District Authorities before they were written off. The question of taking legal action was considered and was given up as it was likely to be very costly.

Ministry of Health.

57. The loss of Rs. 2.09 lakhs in Stores held in the Madras Medical Stores Depot was brought to the notice of the Committee. It was stated that the figure was made up of a large number of small losses due to a variety of causes such as losses in transit, losses in retailing and losses due to evaporation. Some of the Stores have also to be written off due to their being unfit for use. In each case of loss an enquiry was made and Government or the other authorities competent to write off the loss satisfied themselves that there had been no irregularity. The Committee suggested that each depot should keep a list of the losses written off for scrutiny by the administrative authorities during their inspection of the depots. These accounts will also be available to audit at the time of the local audit of the depots.

58. The Committee then considered paragraph 57 of the Commercial Appendix. They wished to know the reasons for the reduction in the price of mepacrine from Rs. 25/- per thousand tablets to Rs. 13-8-0 and were informed that this was due to the fall in market prices immediately after the termination of the war when the supply became easier. The refund of Rs. 26 lakhs made to Provincial Government was in response to representation from them that they had bought the stocks earlier at higher prices.

The Committee were not satisfied that this refund was reasonable as in the converse case of an increase in prices the Provincial Governments would not have paid the difference to the Centre. They suggested that when the state undertook

a trading activity it should conform to business principles and not reopen old cases and give retrospective effect to price reduction.

59. The large increase in incidental and miscellaneous expenditure in the Bombay Medical Stores Depot mentioned in the Audit Comment on the Commercial Accounts of the Medical Stores Depot was brought to the notice of the Committee. It was explained that this was a mistake in the accounting office. The Auditor General undertook to look into the matter and report the result to the Committee in due course.

60. The Committee then concluded their examination of the various Ministries. They had no comments on the accounts concerning the Ministries of Education, Finance (Revenue Division), Communications, States, Commerce, Law, Defence (Civil Grants) and the Constituent Assembly of India (Legislative).