

PUBLIC ACCOUNTS COMMITTEE
1950-51

REPORT ON THE ACCOUNTS OF 1947-48
(POST-PARTITION)



सत्यमेव जयते

PARLIAMENT SECRETARIAT
NEW DELHI
MARCH, 1951

CORRIGENDA

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE ACCOUNTS OF 1947-48 (POST-PARTITION).

- Page 53 Appendix II—Against Demand No. 88 under column 1—for 'Outly' read 'Outlay'.
- Page 55 Appendix II—Heading of Column 3—for 'Frant' read 'Grant'.
- Page 56 Appendix II—In the first item from top—for '70' read '10'.
- Page 61 Appendix VI—In the beginning of line 10 of Paragraph 5, for 'f' read 'if'.
- Page 64 Appendix IX—In the first line of the heading, for 'Accoun s' read 'Accounts'.
- Page 64 Appendix IX—In the last line of Paragraph 4, for 'esponsible' read 'responsible'.
- Page 72 Appendix XV—In the second line of Paragraph 1, for 'th' read 'the'.
- Page 73 Appendix XVI—In the second line of Paragraph 2, for 'continual' read 'continually'.
- Page 77 Appendix XVI—In the fourth, fifth and sixth lines of Paragraph 15, for 'suggestel', 'leve' and 'implem ente' read 'suggested', 'level' and 'implemented' respectively.
- Page 79 Appendix XVI—In the Heading, for '**Annexure E**' read '**Annexure B**'.
- Page 83 Appendix XVI—**Annexure C**, In the Heading—for 'Yard Sticks' read 'Yardsticks'.
- Page 85 Appendix XVI—For '*Appendix XVII*' read '*Appendix XVI*'.
- Page 91 Appendix XVIII—In Part II against item 3, for '5,061' read '5,064'.
- Page 94 Appendix XVIII—**Annexure**—In the last line of item 1—for 'vidul' read 'vidual'.
- Page 95 Appendix XVIII—**Annexure**—In item 25, for '57,5,522' read '5,75,522'.
- Page 105 Appendix XIX—In the sixth line, for 'bette' read 'better'.
- Page 108 Appendix XX—In the first line of Paragraph 1, for 'Publle' read 'Public'.
- Page 115 Appendix XXIV—In Para. 5, under the heading 'Subject' for 'Transpor' and 'al' read 'Transport' and 'all' respectively.
- Page 122 Appendix XXVIII—In the second line of 'Note (1)' for 'encement' read 'the commencement'.
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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE, 1950-51

Shri B. Das—*Chairman.*

MEMBERS

Srijut Kuladhar Chaliha.
Prof. K. T. Shah.
Shri M. L. Dwivedi.
Shri Hucheshwar Gurusidha Mudgal.
Pandit Krishna Chandra Sharma.
Pandit Munishwardatt Upadhyay.
Shri Tribhuan Narayan Singh.
Shri H. S. Rudrappa.
Shri S. N. Das.
Shri Bali Ram Bhagat.
Shri B. N. Munavalli.
Shri T. H. Sonavane.
Shri K. A. Damodara Menon.
Shri Bhaurao Sakharam Hiray.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*
Shri S. L. Shakhder—*Officer on Special Duty.*

INTRODUCTION

I THE Chairman of the Public Accounts Committee, having been authorized by the Committee to submit the report on their behalf, present this report on the Accounts of 1947-48 (post-partition), the first accounts of the Sovereign Republic of India.

The Committee was elected on the 10th April, 1950 and held a preliminary meeting the same evening which was addressed by the Honourable the Speaker.

The work of this Committee starts only after the Comptroller & Auditor-General presents his Audit Report on the accounts of the Government. The various accounts under report were circulated to the Members of the Committee immediately on receipt in the Parliament Secretariat in October and November 1950. The Committee held sittings in December 1950 and drew up its programme for the consideration of these accounts.

The meetings of the Committee for the examination of these accounts were held from the 8th to 19th January, 1951. The Committee examined the Accounts of the Defence Services, Railways and the Posts & Telegraphs Department. For want of time the Committee could examine the Civil Accounts relating only to the Ministries of Transport, Communications, Industry & Supply, Commerce and Finance (including Revenue Division). The State Trading and Manufacturing Schemes under the control of the Ministries of Works, Mines & Power, Agriculture and Industry & Supply were also scrutinised by the Committee.

A brief record of the proceedings of each meeting was kept separately and form part of the report. A statement showing the summary of recommendations of the Committee is appended at the end.

Consequent on the coming into force of the Constitution of India, one of the important changes that have occurred in the status of the Committee is that it has become a Parliamentary Committee with its own Chairman under the control of the Speaker and is assisted by the staff of the Parliament Secretariat. This has enabled the Committee to function in a freer atmosphere and to offer its criticism in an unrestricted manner.

NEW DELHI,
March 29, 1951.

B. DAS

REPORT OF THE PUBLIC ACCOUNTS COMMITTEE

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 of the year :

	Original Grant or Appropriation	Final grant or Appropriation	Actual Expenditure
(In lakhs of rupees)			
Expenditure on Revenue Account (voted)	193.81	199.52	128.77
Capital expenditure outside the Revenue Account (voted)	39.24	48.36	31.38
Disbursement of Loans and Advances (voted)	6.55	6.55	5.31
TOTAL (voted)	239.60	254.43	165.46
Expenditure on Revenue Account (charged)	22.04	22.07	33.70
Capital expenditure outside the Revenue Account (charged)	..	..	..
	22.04	22.07	33.70
Disbursements of Loans and Advances (charged)	26.50	26.50	18.99
TOTAL (charged)	48.54	48.57	52.69
Total expenditure on Revenue Account	215.85	221.59	162.47
Total capital expenditure outside the Revenue Account	39.24	48.36	31.38
Disbursements of Loans and Advances	33.05	33.05	24.30
GRAND TOTAL	288.14	303.00	218.15

There was thus a total saving of Rs. 84.85 lakhs or 28 per cent. over the final grant.

For facilitating a comparison of the results of the working of the year under review with those of the last five years, it has hitherto been the practice to show statistics for those years in the tabular statement of reviews in the form of percentage of savings (—) or excesses (+) compared to the final provision in the main sections of the budget. In the present review, however, no comparison has been made between the figures for 1947-48 which are for 7½ months only, i.e., from 15th August 1947 to 31st March, 1948 and those relating to the years before partition which are for whole years. Moreover, no Appropriation Accounts were compiled for the year 1946-47 and for the period from 1st April, 1947, to 14th August, 1947, and figures are available only for 1945-46 and those too, are in respect of undivided India.

2. In the following cases, actual expenditure exceeded the grants voted by the Constituent Assembly of India (Legislative) :

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
1.	19—Ministry of External Affairs and Commonwealth Relations	Rs. 21,27,000	Rs. 21,29,459	Rs. 2,459
2.	28—Ministry of Defence	16,94,000	16,94,535	535
3.	39—Ecclesiastical	2,21,000	2,74,630	53,630
4.	47—Archaeology	12,61,000	12,73,169	12,169
5.	81—Civil Defence	1,23,000	1,56,228	33,228
6.	82—Delhi	1,01,77,000	1,08,11,832	6,34,832
7.	97—Commuted value of Pensions	3,67,000	38,63,307	35,16,307
8.	99—Capital Outlay on Schemes of State Trading	10,85,96,000	10,97,79,218	11,83,218

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The reasons for the excesses are briefly explained below :

Item 1.—Petty excess.

Item 2.—Petty excess.

Item 3.—Mainly, completion of works to be handed over to the Church authorities.

Item 4.—Mainly, arrear payments due to revision of pay.

Item 5.—Increase in the rates of pensions and allowances under the War Injuries Scheme due to rise in the cost of living.

Item 6.—Mainly, adjustment of pre-partition charges.

Item 7.—Estimates based on actuals proved low.

Item 8.—Resultant of savings and excesses under various schemes.

We have noted the contents of the Ministry of Finance Memorandum No. D.5521-BII/50, dated the 6th June, 1950 (*c.f.* Appendix XXVII). In view of the conclusion arrived at therein, although no formal regularisation of the above excesses by Parliament is called for, we would urge that the recommendations contained in para 4 of this report should be strictly followed so that excesses of the nature referred to above are eliminated.

3. *Minutes of proceedings.*—We append to this 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 of expenditure.*—We did not notice any appreciable improvement in the standards of budgeting and control over expenditure during the period under review. While we recognise that many cataclysmic changes followed in the wake of the partition of the country and uncertain conditions prevailed during the post-partition period, we cannot regard the overall budgetary control as satisfactory. On the civil side (excluding the P. & T. Estimates) there have been voted excesses under 8 grants involving Rs. 54,36,478. The supplementary schedule of authorized expenditure authenticated by H. E. the Governor-General included twenty-seven supplementary demands for grants amounting to Rs. 13,78,14,000. Savings occurred in 84 out of 95 grants. The percentage of the total voted amount surrendered to the total actual savings in all the voted grants is 67.41. The corresponding percentage, which the final unsurrendered savings bear to the total grant is 13.93. In the charged Section, the position is on the whole satisfactory. On the Defence side, we notice that savings amounting to Rs. 17½ crores which accrued towards the close of the financial year 1947-48 (post-partition) were not surrendered in time. While we appreciate that the abnormal conditions prevailed during the period under review and considerable dislocation was caused as a result of Kashmir operations, we regret to express our dissatisfaction over the lack of foresight and proper control and laxity of perception on the part of the Defence Ministry in not having surrendered such a huge amount which naturally has had serious repercussion on the overall ways and means position of the Government of India. Our predecessors have on many occasions in the past emphasized the need for correct budgeting. We would urge that the question of control over expenditure should be regarded as something 'very sacred' and the spending departments should exercise due vigilance in order to ensure that no expenditure in excess of the sum voted is incurred nor large savings are kept in hand and not surrendered in time.

During the examination of the Ministry of Finance, we pursued the question of the control of expenditure by that Ministry. It must be remembered that under the provisions of the Constitution of India no expenditure can be incurred unless it is voted by Parliament and, therefore, we asked what measures had been taken to devise suitable machinery to enforce this stipulation. We were told that this matter which involved a thorough overhauling of the existing machinery for the control of expenditure was being studied in all its implications both in the Ministry of Finance and by the Comptroller and Auditor-General. We emphasize that the

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need for the tightening up of the budgetary and appropriation control by the various Ministries is paramount. In cases where one grant was operated upon by more than one Ministry, the Ministry in control of the grant should exercise strict vigilance to check the tendency of over or under-budgeting on the part of the other Ministries. An overall obligation is cast on the Ministry of Finance to see that the spending Ministries exercise proper checks and show complete responsibility in the matter of budgeting and keeping control over expenditure and in cases of laxity it should be the duty of the Ministry of Finance to pull up the erring parties in a suitable manner. We should be glad if necessary rules and regulations are made for the purpose and their compliance secured.

5. *Debits for supplies and Services.*—During our examination of the Appropriation Accounts we came across a very large number of cases in which huge amounts of final savings were attributed to the non-receipt of debits for supplies made by other Departments. The Public Accounts Committee of the year 1944-45 also commented on the apparent lack of co-ordination between the receiving departments and the departments rendering the services or supplies which resulted in large lapses of funds due to non-receipt of debits for supplies and suggested that if a close liaison between the two departments was maintained such lapses could be eliminated. We suggest that the Ministry of Finance should once again draw the attention of all the Ministries to this vital aspect of the matter, and a procedure should be devised in consultation with the Comptroller and Auditor-General whereby the indenting Department should ascertain telegraphically the precise position in regard to supplies within the year and estimate as accurately as possible the total expenditure against its appropriations.

6. *Defective contracts.*—We came across a number of instances in which the contracts entered into by the Ministry of Defence were defective and did not contain adequate provision to safeguard the interests of Government. To remedy this state of affairs, we suggest that a Committee consisting of representatives of the Ministries of Finance, Defence and Law should be constituted to go into the existing contract forms in use by the Defence Services with a view to drawing up standardised contract forms which should be strictly adhered to and no deviation therefrom made except under the express orders of the Government of India. At all events every contract should be entered into only after competent legal and technical advice has been taken.

Arbitration.—We also noted that in the matter of arbitration between the Government and the other contracting parties, it was generally the practice to refer cases to one-man-arbitration for settlement. This is unsatisfactory. We feel that in the matter of arbitration and appointment of arbitrators, the arbitration clause should provide for arbitration by a tribunal of not less than three persons one of whom should be a high ranking judicial officer. In certain cases, however, if it is necessary to associate Departmental Officers, with the arbitration in order that the facts of the case might be properly appreciated by the tribunal, we have no objection to one of the members of the tribunal being a departmental official.

We also suggest that similar action should be taken in respect of other Ministries of the Government of India.

7. *Capital Outlay on State Trading and Manufacturing Schemes.*—We reviewed the accounts of the various State Trading Schemes started during the war to facilitate production of war supplies, control over internal production, import and distribution of certain essential commodities, for maintaining the national economy. The working of the various schemes launched upon by the Ministry of Agriculture *viz.*, the scheme for the purchase of Fertilisers and the Rehabilitation and Utilisation of used Tractors etc., engaged our particular attention. We regret to note that the accounts relating to the import and distribution of fertilisers which involved an expenditure of about Rs. 22 crores were not being maintained on a commercial basis. Our attention

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was also drawn by the Comptroller and Auditor-General to the chaotic state of affairs that prevailed in the Central Tractor Organisation in so far as the maintenance of Accounts was concerned. We are constrained to observe that in the absence of any methodical and proper accounting system having been followed by the C. T. O., it is not possible to assess whether this State enterprise in which a sum of Rs. 5 crores had been invested was being run at a loss or profit. There also did not exist any safeguard to ensure that the cost of each tractor had been properly fixed. We express our dissatisfaction over the working of the State Trading Schemes in the manner described above.

We also considered in general terms the policy followed by the Government in regard to the State Trading and Manufacturing Schemes. We feel that there has been a tendency on the part of the Government to start all sorts of schemes without adequate planning or even ensuring the initial or regular supply of the requisite technical staff whether on the administrative or on the accounts side and it consequently gave rise to confusion. The lack of proper appraisal of commercial accounting principles made the confusion worse confounded. We suggest that the Government of India should review the existing State Trading Schemes under their control with a view to seeing that they were not sustaining any loss and that an adequate return commensurate with the capital invested in the scheme was forthcoming. We also urge that before starting any big projects in future, they should be properly planned and appropriate arrangements should be made in good time for accounting and audit in consultation with the Comptroller and Auditor-General.

8. *Audit of Statutory Corporations.*—During the examination of the Accounts, we raised the question of the scope of audit control to be exercised by the Comptroller and Auditor-General over the accounts of the two Corporations set up by the Ministry of Finance *viz.*, the Rehabilitation Finance Administration and the Industrial Finance Corporation. Although the provisions made for their day-to-day audit appeared to be satisfactory, we suggest that in order to enable the Comptroller and Auditor-General to bring to the notice of Parliament certain important matters relating to their working, he should be empowered to conduct a test-audit of their accounts. As regards the audit of other Corporations either financed entirely or partly by the Central Government, we share the views held by the Comptroller and Auditor-General that his functions and responsibilities should be defined in explicit terms in the Statute itself providing for the setting up of a Corporation. We would also recommend that before statutory Corporations involving financial commitments by Government are created, the Comptroller and Auditor-General should be consulted in regard to the provisions for accounting and audit control. In this connection we also attach considerable importance to the necessity of safeguarding against any whittling away of Parliamentary control by the participation of Government in private Companies. (*c. f.* Para. 76 of the Proceedings of the Seventh Meeting).

9. *Audit Objections—Delay in the disposal of.*—It was brought to our notice that there had been a tendency on the part of the various Executive Departments to delay the disposal of audit objections. In one case reported in Para 21 of the Audit Report on the P. & T. Accounts, the alleged non-accounting of amounts collected as Customs Duty on Foreign Inward Parcels, which was facilitated by dodging the disposal of audit objections, had resulted in a loss of Rs. 16,562 to Government. We desire that the Government of India should impress upon the Heads of Departments that replies to Audit objections should be sent with the utmost promptitude and that immediate steps should be taken to remove defects in the administrative system existing in their departments which may be brought to their notice through the Audit Notes.

10. *Administrative Audit.*—While discussing the case mentioned in Para 21(i) (3) of the Audit Report on Civil Accounts, we accepted the suggestion of the Comp-

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troller and Auditor-General that in order to obviate such cases in future a system on the pattern of an administrative audit in vogue in the M. E. S. should, in addition to the audit exercised by his Officers, be introduced in all the large spending Departments such as the C. P. W. D. We suggest that the Ministry of Finance should formulate comprehensive rules and regulations in this respect in consultation with the Comptroller and Auditor-General and incorporate them in the existing Codes etc. We should like to know in due course the action taken in the matter.

11. *Separation of Treasury Functions.*—We were glad to know that the Ministry of Finance had accepted the principle enunciated in Para 27 of the Audit Report on Civil Accounts that Treasury functions should be separated from audit functions and that necessary preliminaries to implement the scheme at the Centre were being worked out. We desire that a beginning in this direction should be made as early as possible and the efficiency of audit enhanced. We consider it bad enough that the Comptroller and Auditor-General of India is responsible not only for audit but also for the compilation of final accounts from the initial accounts rendered by the executive, except in the case of Defence and Railways, and we wholly agree with the Comptroller and Auditor-General that it is extremely improper to continue any longer the practice under which his officers also pass bills and make payments at the headquarters of certain State Governments. From every point of view this practice is objectionable and should be terminated without delay.

We heard an account of the measures adopted by the Comptroller and Auditor-General to strengthen the Audit Department which had suffered a serious set-back during the War in order to restore and improve its efficiency. The integration of States, with very poor standard of accounting and audit and unqualified staff have added to his problems. The new Constitution also calls for a considerable re-adjustment and re-organisation of the Audit and Accounts Department. The Comptroller and Auditor-General also placed before us the various schemes that were under his consideration. We feel satisfied with the line of approach adopted by the Comptroller and Auditor-General to tone up the standard of working of the Audit Department to which we attach great importance. We fully endorse his views and strongly recommend that he should be provided with adequate facilities to enable him to go ahead with his schemes with a view to increasing the efficiency of audit and accounting.

PART II—RAILWAYS

12. *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 (<i>less</i> refunds)	1,16,15	1,08,00	1,00,91
Miscellaneous Receipts	2,13	2,09	2,20
Working Expenses (including depreciation, etc.)	1,06,68	1,00,99	91,81
Miscellaneous Expenditure	85	69	59
Interest Charges	13,44	13,61	13,29
Surplus (+) or Deficit (—)	—2,69	—5,20	—2,58
Contribution to General Revenues	..	..	..

The working of the railways during the period under review produced a deficit of Rs. 2,58,22,730 and hence no contribution could be paid to the general revenues. The deficit was met by withdrawal from the Railway Reserve Fund. An amount of about Rs. 31 thousand was also withdrawn during this period from the Railway Reserve Fund for meeting the arrears of depreciation in respect of rolling stock re-

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placed after 1942-43. The balance at the credit of the Reserve Fund which stood at Rs. 9.43 crores on 15th August 1947, was thus reduced to Rs. 6.85 crores on 31st March 1948.

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. 3.53 crores, and the actual closing balance of the Fund stood at Rs. 95.74 crores at the end of the year.

No appropriation was made to the Railway Betterment Fund during the period under review. The withdrawals amounted to Rs. 58.94 lakhs. The interest on the fund amounted to Rs. 29.36 lakhs and this was credited to the fund itself unlike other funds. The balance in the fund stood at Rs. 14.38 crores at the close of the year.

13. *Excess over voted Grants.*—There was no case of excess over voted grants during the period under report.

14. *Accuracy of budgeting and control of expenditure.*—The accounts for the period under review show a net saving (against the total grant) of about Rs. 15.44 lakhs or 12.75 per cent under Revenue Expenditure (exclusive of appropriation to or withdrawal from the Railway Reserve Fund). Under Capital, Depreciation Reserve and Betterment Funds there was a saving of about Rs. 24.32 lakhs or 77.50 per cent as shown below :—

(In lakhs of rupees)

Year	Total grant and appropriation	Saving(—) or Excess (+)	Percentage of Col. 3 to 2
1	2	3	4
<i>Expenditure charged to Revenue</i>			
1947-48 (15-8-47 to 31-3-48)	1,21,14	—15,44	12.75
<i>Expenditure charged to Capital, Depreciation Reserve and Betterment Funds.</i>			
1947-48 (15-8-47 to 31-3-48)	31,38	—24,32	77.50

Of the saving of Rs. 15.44 crores in the revenue section, Rs. 5.82 crores were surrendered in the final modification. In the capital section, Rs. 11.48 crores was surrendered out of the final savings of Rs. 24.32 crores.

For the reasons explained in the concluding sub-para of para 1 above, no comparison is possible between the figures for 1947-48 dealt with in this Report and those relating to the years before partition relating to the expenditure charged to Revenue (exclusive of appropriation to or withdrawal from the Railway Reserve Fund) and that charged to Capital, Depreciation Reserve and Betterment Funds as the former figures are not for the full year.

Our predecessors have had occasion to comment more than once at the lack of correlation between the amount of the original estimate and the expenditure actually incurred on works and exhibited through the Completion Reports. We would again urge that the general principle that executive officers should not incur expenditure or accept liabilities on a work in excess of the sanctioned estimates without the prior sanction of the competent authority should, as far as possible, be strictly adhered to and in cases where in the course of execution of a work it became apparent that there was likely to be an excess over the sanctioned estimate of the work, revised estimates should be prepared and sanction of the competent authority obtained

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prior to the additional work being undertaken. We endorse the suggestion made by the Comptroller and Auditor-General that a Committee comprising of an Accounts Officer and an Engineering Officer should be set up immediately by the Railway Board to review all the cases mentioned in Annexure 'A' of Part II of the Appropriation Accounts of the Railways in India for 1947-48 (post-partition), and the progress made in the matter reported to us.

15. *Surrender of funds.*—During our examination of the Appropriation Accounts and the Railway Audit Report, we noticed that there had been a lapse of Rs. 9·62 crores and 12·84 crores under Revenue and Capital respectively, during the period under review. The previous Committees too drew attention to a number of instances of inadequate or injudicious surrenders by the Railway Administrations. We would emphasize that some rational methods should be evolved whereby closer co-ordination is maintained between the two important aspects of public expenditure viz., budgeting and control of expenditure and timely steps should be taken to surrender savings in the final modification or re-appropriation statements to avoid lapses. One of the major factors responsible for the lapse of funds was attributed to the delay in the non-receipt or non-adjustment of debits for supplies actually made or services rendered. This vital question had also engaged the attention of the previous Committees and in spite of the suggestions made by them from time to time that where supplying departments failed to raise debits in time, the receiving departments should adopt the procedure of affording anticipatory credits to the supplying departments with a view to obviate lapse of the grants, the state of affairs had not shown any improvement. To remedy the situation, we endorse the suggestion of the Comptroller and Auditor-General that there should be closer co-operation between the supplying agencies and the receiving departments and the latter should be informed by the end of March as to what supplies for which orders had been placed were likely to be made available so as to enable a review of the budget position. We hope that our suggestion will be acted upon by the Ministry of Railways as well as other Ministries and Departments and cases of lapse of grants on account of non-adjustment of debits in time do not occur in future.

In the case of Railway Budget, we wish to reiterate the recommendations made in para 20 of the Report of the Public Accounts Committee of 1943-44 and emphasize that while consolidating the budget estimates submitted to them by the Railway concerned, the Railway Board should ensure that the provision of credits anticipated by an individual railway is set off by *contra* debits to be raised by the other railway concerned.

16. *Losses, Nugatory Expenditure, Financial Irregularities.*—Our attention was drawn to para 24 of the Railway Audit Report 1949. It is rather unfortunate that no action could be taken by the Railway Board to enforce recoupment of shortages in spare parts of American Diesel Electric Locomotives, which involved a loss of about 28,000 dollars. We should like to know the result of the action taken by the Railway Board to obtain a refund from the U. S. A. suppliers. It was admittedly a bad case where the officers concerned had violated the well-known 'canons of financial propriety'. In order, therefore, to avoid the recurrence of such cases and to safeguard the interests of the State, we would suggest that a suitable procedure should be laid down in consultation with the Indian Purchase Missions abroad whereby shortages are recouped soon after the delivery of the Locomotives, plants, fixtures and other appurtenances etc., imported from foreign countries.

17. *Defective agreements.*—We came across a number of instances where the Railway Administrations had to undergo huge financial losses due to defective drafting of agreements. We would urge that it should be impressed on the Railway Administrations to draw up standard forms of agreement with the approval of the Railway Board in order to avoid defective language being used therein. Even so each agreement should be vetted carefully with a view to ensuring that it is suit-

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able and adequate for the particular business and the requisite legal and financial advice should be taken.

18. *Compensation paid by Railways for goods lost or damaged.*—We noted with great concern that during the year 1949-50, the amount settled for payment on account of compensation paid by the Railways for goods lost or damaged amounted to Rs. 4.54 crores and that 61,809 claims were left outstanding at the end of the year. We recommend that in order to check this deterioration in the standards of working of the Railways; the existing rules relating to the Discipline and Conduct of Railway Servants should be reviewed to see that adequate action is taken against the Railway staff who are found wantonly indifferent or careless in the handling or despatch of goods or bad transhipment and thus putting the Railway Administration to such a huge loss.

19. *Railway Collieries.*—During our examination of the Balance Sheets of Railway Collieries we were told that the Railway Board owned the Railway Collieries and the Ministry of Industry and Supply were the managing agents and that the whole position was rather unsatisfactory. We consider that over-capitalization in the collieries should be avoided and commercial principles should be adopted for purposes of providing for depreciation.

20. *Stock position on the Railways.*—We should like to know the steps taken by the Railway Board to rationalize distribution of stocks between the different Railways and also to remove imbalance between different categories of stores held by them in the light of the recommendations of the Shroff Committee set up by them.

21. *Training of Accounts Staff on the Railways.*—During the course of our examination of the Appropriation Accounts, we found that a very large number of cases of important misclassifications and other mistakes had been detected during the period under review. These mistakes, we were told, were due to the negligence on the part of the Accounts staff as also due to their lack of knowledge of rules and regulations. To remedy this state of affairs, we endorse the suggestion of the Comptroller and Auditor-General that adequate steps should be taken by the Railway Administrations to impart proper training to the staff in the Railway Accounts Offices and to conduct regular courses so that specialised knowledge of the different branches of the Railways is acquired by the staff. We suggest also the introduction of a departmental examination the passing of which should be obligatory before an Upper Division Clerk is confirmed.

22. *Separation of Finance from Accounts Functions on the Railways.*—We were informed by the Financial Commissioner, Railways that the existing set-up on the Railways where the accounts and financial functions were coalesced in one authority viz., the Financial Adviser and Chief Accounts Officer who worked under the control of the General Manager of the Railways was not conducive to better organisation and did not ensure strict financial control. We were told that a scheme for the bifurcation of these two functions on the Railways was under consideration of the Railway Board. We attach importance to the tightening of financial control over the expenditure and share the views held by the Financial Commissioner that an integrated system is not sound in principle. We shall be glad to know of the progress made in the matter.

23. 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, the Comptroller and Auditor-General and his staff and our Secretary and the Officer on Special Duty.

PROCEEDINGS OF THE FIRST MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON TUESDAY THE 9TH JANUARY, 1951.

1. The Committee met from 10-30 A.M. to 1 P.M.
2. Those present were :

Shri B. Das (*Chairman.*)

Prof. K.T. Shah.

Shri M.L. Dwivedi.

Pandit Krishna Chandra Sharma.

Pandit Munishwardatt Upadhyay.

Shri Tribhuan Narayan Singh.

Shri H.S. Rudrappa.

Shri S.N. Das.

Shri Bali Ram Bhagat.

Shri B.N. Munavalli.

Shri K.A. Danodara Menon.

} *Members.*

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

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

SECRETARIAT

Shri M. N. Kaul (*Secretary.*)

Shri S. L. Shakdher (*Officer on Special Duty.*)

WITNESSES

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

Major-General Sant Singh, Master General of Ordnance, Army Headquarters.

Major-General S. B. S. Chimni, Quartermaster General, Army Headquarters.

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

Air Commodore D.A.R. Nanda, I.A.F., A.O. P. & O., Air Headquarters.

Captain G. S. Kapoor, I.N., Chief of Administration, Naval Headquarters.

Shri K. Bhawani Shankar Rao, Financial Adviser, Defence Services.

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

Shri L. M. Ghatak, Military Accountant-General.

DEFENCE SERVICES

Ministry of Defence

3. At the outset, the Committee desired to know from the Financial Adviser, Defence Services the nature of the financial control exercised over the Defence expenditure. The Financial Adviser briefly explained that every measure which had a financial implication had to be referred by the Defence Services to the Defence Wing of the Finance Ministry. A Deputy Financial Adviser was attached to each Branch of the Army Headquarters, viz., Q.M.G., M.G.O., E-in-C. etc. The measures

initiated by the various Branches of the Defence Services were examined in considerable detail both by the Administrative Department and the Finance Department. The Finance Ministry do suggest modifications to the various proposals coming to them and sometimes advise that particular schemes might not be pursued. In this way there was a close day to day control over the Defence expenditure. The Financial Adviser further explained that during the war there were certain relaxations of financial control. Now, they were gradually reverting to the pre-1939 form of control. He said that the Ministry of Defence were themselves concerned that the Finance Ministry exercised strict control over the Defence expenditure and did not proceed with any schemes without consulting the Ministry of Finance. The Committee desired that a Memorandum outlining in detail the various aspects of the financial control exercised by the Finance Ministry over Defence expenditure should be submitted to them.

4. The Committee expressed dissatisfaction that savings of Rs. 17½ crores which accrued at the end of the period 1947-48 (post-partition) were not surrendered in time by the Defence Ministry. The Committee were informed that the conditions during the period under review were abnormal and certain assumptions on which estimates had been framed did not materialise. It was explained that the transport system broke down during the period and the movement of stores was retarded. Then certain proceedings regarding the acquisition of land did not proceed according to anticipation. The savings also accrued as a result of delay in raising debits by the Accountant-General, Food, Rehabilitation and Supply against the Defence Estimates for want of information from the administrative authorities. The Committee felt that even taking all these factors into consideration there had been some laxity in the matter of perception of things and if proper vigilance had been exercised, surrender of funds could have been effected earlier. At the suggestion of the Comptroller and Auditor-General, the Committee drew attention to para 7 of the Report of the Public Accounts Committee on the Accounts of 1944-45 and the instructions contained in the late Finance Department Office Memorandum No. F 1(155)-B/46 dated the 18th December, 1946 regarding adjustment of debits. The Committee were, however, informed that the procedure regarding the raising of debits had now been tightened up and the Defence Ministry received weekly advice from the Food Ministry of despatch of food grains to the Defence Services so that adjustments were made within the year itself. The Committee desired that adequate control should be exercised by the Ministry of Finance so that, firstly, budget estimates should be framed as accurately as possible, and secondly, if in exceptional circumstances surrender of funds became necessary, it was done at the proper time before the expiry of the financial year.

5. The Committee then enquired the reasons for the decision to eliminate the provision made in the Budget for Equalisation Fund referred to in paras. 6 and 7 of the Financial Adviser's General Review of the Appropriation Accounts. The Committee were informed that the object of the Equalisation Fund was to see that there was no violent change in the level of defence expenditure from year to year. Before the war, the Defence Ministry was operating upon certain equalisation funds for the replacement of vehicles, aircraft and naval stores. During the war these funds proved totally inadequate for all the mechanisation that had to be undertaken and the stores that had to be procured. Due to the abnormality of the conditions during the war, the budgeting procedure also underwent a radical change. After the war, the Committee were told, the Defence Ministry had a plan to revive these funds. They proposed to ask for a capital grant each year for a period of five or six years, so that they might be in a position to equip the Air Force and the Navy up to the contemplated strength. As the reorganisation of these two Services was still underway and conditions were not stable as yet, it was considered neither practical nor worth-while to create these funds at present although the idea had not been abandoned. The Committee desired to be informed in due course about the progress made in the matter.

Public Accounts Committee

6. The Committee then considered the revised works procedure referred to in para. 12 of the Financial Adviser's Review on the Appropriation Accounts. One important change mentioned in this para. was that alterations necessitated by technical or engineering reasons, as distinct from administrative reasons, were to be treated as repairs debitable to Maintenance. The Committee were informed that the present procedure followed in relation to Defence works was that any original work involving abnormal repairs was treated as a capital expenditure. It was stated that the question as to whether such works should be treated as capital works or as 'Maintenance' was under consideration with the Finance Ministry. The Committee desired that the question of allocation of such expenditure to 'maintenance' or 'capital' should be further examined in consultation with Audit authorities also and a report submitted to them in due course.

7. The Committee thereafter took up the question of reviewing the form of contracts in use by the Defence Services. It was pointed out that the contracts entered into by the Defence Services had often resulted in placing the Government in an embarrassing position as these were generally ill-drafted and did not contain adequate provision to safeguard the interests of Government. The Committee desired to be furnished with certain standard forms of major contracts which were in common use. It was further suggested that a Committee consisting of a few members of the Public Accounts Committee and representatives of Finance and Defence Ministries assisted by some solicitors, should be constituted to go into the existing contract forms in use in the Defence Services with a view to drawing up standardised contract forms, which should be strictly adhered to and no deviation therefrom made except under the orders of the Government of India. Even so, each agreement should be vetted carefully with a view to ensuring that it is suitable and adequate for the particular business and the requisite legal and financial advice should be taken.

8. The Committee noted that in the matter of arbitration between Government and other contracting parties, it was generally the practice to refer cases to one man arbitration for settlement. The Committee felt that this procedure was not satisfactory. They desired that whenever there was a dispute between the Government and the other contracting parties which had to be settled by arbitration, it should always be provided that such cases would be referred to tribunals which should consist of not less than three members. It was also the view of the Committee that these tribunals should generally consist of judicial officers.

9. The Committee then proceeded to consider the Audit Report on the Defence Accounts. The Committee expressed dissatisfaction with the manner in which fresh contracts were concluded in the cases referred to in para. 7 of the Audit Report, 1949, which consequently led the Exchequer to undergo a loss amounting to Rs. 11 lakhs approximately. They further desired to be apprised of the decision of the Government on the question of (i) taking disciplinary action, (ii) imposing of penalties on the contractors, and (iii) regularising the expenditure.

PROCEEDINGS OF THE SECOND MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 10TH JANUARY, 1951.

The Committee met from 10-30 A.M. to 1 P.M.

10. Those present were :

Shri B. Das (*Chairman.*)

Prof. K. T. Shah.

Shri M. L. Dwivedi.

Pandit Krishna Chandra Sharma.

Pandit Munishwardatt Upadhyay.

Shri Tribhuan Narayan Singh.

Shri H. S. Rudrappa.

Shri S. N. Das.

Shri Bali Ram Bhagat.

Shri B. N. Munavalli.

Shri K. A. Damodara Menon.

} *Members.*

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

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

SECRETARIAT

Shri M. N. Kaul (*Secretary*)

Shri S. L. Shakhder (*Officer on Special Duty*)

WITNESSES

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

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

Major-General Sant Singh, Master General of Ordnance, Army Headquarters.

Major-General S. B. S. Chimni, Quartermaster General, Army Headquarters.

Air Commodore D. A. R. Nanda, I.A.F., A.O. P. & O., Air Headquarters.

Captain G. S. Kapoor, I.N., Chief of Administration, Naval Headquarters.

Shri K. Bhawani Shankar Rao, Financial Adviser, Defence Services.

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

Shri L. M. Ghatak, Military Accountant-General.

DEFENCE SERVICES

Ministry of Defence

11. The Committee resumed examination of the appropriation accounts of the Defence Services for the year 1947-48 (Post-Partition) and the Audit Report thereon. The Committee observed that the certificate of the Military Accountant General reproduced at page 11 of the Appropriation Accounts of the Defence Services for the period from 15th August, 1947, to 31st March, 1948, indicated that in some cases store accounts were incomplete or not maintained at all, and the existence of stocks was not verified by physical count by the executive authorities in due time. There were also instances which disclosed considerable difference between the counted ground stock and the ledger balance. The Committee felt that once the paper balance and the ground balance did not tally, there was a great danger of any kind of irregularity

Public Accounts Committee

including fraud taking place any time. It was explained that a correct account was kept of the incoming receipts and the new issues but the Committee felt that so long as the book balance of any commodity was different from the ground balance, it would not be possible to find out whether the mistake took place in a later period or at any earlier period. In the result, even though the current procedure was fairly settled the door would still be open for irregularities taking place. The Committee were informed that soon after the termination of war an authority was given by the Government of India to draw a line across the existing ledger balances and to draw up fresh ledger balances corresponding with the ground balances by actual count. That letter of authority, however, contained various provisos that if there was any fraud or irregularity, it would be gone into, but otherwise the matter would be regularised on the spot. The letter, however, conceived that the whole thing should be completed quickly. In many cases, therefore, the ground balances were put down on paper without making complete check of them. Although there was a general feeling that all was well and that the troubles were being got rid off, the position was that the ground balances which were certified as existent somewhere were in fact not in existence. In certain depots things were being set right quicker, but in others the job was so difficult and so big that it had not been possible to put them right fully. The Committee pointed out that in England a target date had been fixed by which the discrepancies between the ground balances and the paper balances had all been settled. The Committee, therefore, thought that in India also a target date should be fixed by which all the ground balances of the entire military stores should be verified and correct balances under each category of stores entered in registers so that there was no room for any irregularity or fraud thereafter. The Committee impressed upon the Ministry the urgency of the completion of this work as it was a matter of great importance and every care should be taken to put the matter on a satisfactory footing. The Committee desired to be apprised in due course of the progress made in this respect. The Committee also wanted to know the total value of stores under each category on hand on the 15th August 1947 and 31st March 1948.

12. A case was brought to the notice of the Committee where a Royal Navy Officer who was in charge of the Avadi Naval Stores Depot had disappeared with relevant documents and this resulted in considerable difficulty in getting various types of stores identified and appropriate accounts speeded up. The whole thing remained in a chaotic condition till the accounts could be reconstructed. The Committee wished to be assured that there was no defect in the system and that if the papers were removed or misplaced it was possible to reconstruct all the accounts and registers with the duplicates of the relevant documents, vouchers etc. The Committee desired that a memorandum outlining the present procedure should be submitted to them and also that officers of proved integrity should be put in charge of store-holding establishments so that such instances did not occur again.

13. The Committee then proceeded to consider the question of disposal of surplus stores. It was explained that the term 'surplus' did not necessarily mean 'excessive to requirement', but implied in the technical sense that the stores had outlived their normal life of serviceability and were no longer required for further use. The Committee wanted to know in detail how the stores were declared unserviceable and disposed of, which authorities were empowered to declare the stores unserviceable and how they were salvaged.

14. The Committee then referred to sub-para 4. of the Military Accountant General's certificate, wherein it was stated that appreciable sums were still outstanding on account of stores issued on payment to other Government Departments and Indian States. It was stated that the outstandings were Rs. 97.26 lakhs on 31-3-48. On 1-10-1950 they had come down to Rs. 54.52 lakhs out of which a sum of Rs. 28 lakhs represented the amount due from J. & K. State. It was stated that the question

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regarding adjustment between the J. & K. State and the Government of India was at present under the consideration of the Government. The Committee desired that a decision should be expedited and reported to them in due course, and that the recovery of the outstanding amounts from other States and Departments should also be expedited.

15. The Committee then took up for consideration Appendix 'E' to the Appropriation Accounts which showed the balance under the Head "Suspense" on 31st March 1948 and its clearance in the accounts of the subsequent years. A sum amounting to Rs. 62 lakhs was due to India from the U.K. Government. It was stated that claims against India amounted to Rs. 5 lakhs and the question of settlement of these claims was under reference with the U.K. Government. The Committee desired that this matter should be pursued vigorously with the U.K. Government and the accounts relating to pre-partition year settled, as early as possible, so that the exact amount of debt that Pakistan owed to the Government of India could be determined.

16. The Committee then referred to Appendix F to the Appropriation Accounts showing cases in which actual expenditure on works estimated to cost more than Rs. 50,000/- had varied from the original estimates by more than 20%. It was noted that almost all cases mentioned therein reflected over-estimating of works expenditure. It was stated that most of the works referred to were war-time jobs and had to be abandoned owing to the termination of war. Nevertheless the Committee urged that effective machinery should be set up to ensure the preparation of estimates of expenditure on works as accurately as possible and the schedule of rates which should be in conformity with the rates agreed to by other Departments, namely the C.P.W.D. and the Railways should be strictly adhered to. The Committee wished to be informed how the authorities were planning to avoid recurrence of such instances of over-estimating in future.

17. The Committee then took up the examination of the statement of losses etc. pertaining to the Defence Services finally dealt with during the period under review furnished by the Ministry of Finance (Defence). The Committee observed that the losses of cash, over-payments etc. were in some cases attributable to the negligence of the officers concerned who failed to exercise proper vigilance and prudence. It was noted that no disciplinary action could be taken in any of the cases referred to in the statement for the reason that the officers concerned had either retired or had been released from service. The Committee were not satisfied with the explanations offered and desired that adequate steps in consultation with the Audit authorities should be taken so that such huge losses of cash etc. were not caused in future. The Committee desired to be furnished in due course with a memorandum showing the measures adopted for tightening up control in the matter.

18. The Committee then proceeded to consider the Audit Report. In regard to the irregularities reported in store accounts of the Station Supply Depot mentioned in Para 10 of the Audit Report, it was noted that the loss involved in unauthorised issues in the case reported by audit amounted to Rs. 20,265. The Committee wanted to know what remedial measure had been adopted by the Defence Ministry in consultation with the Audit authorities to prevent such irregularities and whether disciplinary action had been taken against the delinquent officers. The Committee felt that there should be some sort of co-ordination between Accounts, Audit and Defence authorities so that objections should be finalised and losses regularized. As the Committee felt concern over the proper functioning of the Stores Organisation of the Defence Services, it was suggested that one or two members of the Committee might visit one or two depots sometime in February, 1951, to see the position on the spot.

19. The Committee then took up paragraph 12 of the Audit Report wherein a

Public Accounts Committee

loss of 221 vehicles had been reported. The Defence Secretary stated that as a result of the Court of Enquiry ordered by the Air-headquarters to investigate into the case, it came to light that the discrepancy as reported, was not a physical shortage, but was due to an accounting error and inaccurate maintenance of tally cards. In view of the repatriation of R.A.F. officers to U.K. the case was treated as closed. While the Committee agreed that this particular case should be closed, it felt that in such cases, the final settlement of dues of officers concerned should not be made unless the deficiency detected in stores had been made good. 0

20. The Committee then considered para 20 of the Audit Report regarding imprest-holders' account. The Committee wanted to know whether Government had accepted the suggestion of the Audit authorities for the restriction of the amount of imprest on the basis of actual immediate requirements and the periodical verification of balance being made by the officers of the Military Accounts Department.

21. It was brought to the notice of the Committee that the debtor balance in the pay accounts of other ranks had gone up from Rs. 36 lakhs in June 1948 to Rs. 107 lakhs at the end of August 1949. The Committee wanted to know what procedure had been adopted to bring these balances down and to restrict future payments.

**PROCEEDINGS OF THE THIRD MEETING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON THURSDAY THE 11TH JANUARY, 1951.**

The Committee met from 2-30 P.M. to 5 P.M.

22. Those present were :

1. Shri B. Das (*Chairman*)

Prof. K. T. Shah
Shri H. G. Mudgal
Pandit Krishna Chandra Sharma
Pandit Munishwardatt Upadhyay
Shri Tribhuan Narayan Singh
Shri H. S. Rudrappa
Shri S. N. Das
Shri Bali Ram Bhagat
Shri B. N. Munavalli
Shri K. A. Damodara Menon

} *Members.*

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

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

Shri S. Venkataramanan, Accountant General, Food, Relief and Supply.

SECRETARIAT

Shri M. N. Kaul (*Secretary*)

Shri S. L. Shakhder (*Officer on Special Duty*)

WITNESSES

Shri S. Bhoothalingam, Joint Secretary, Ministry of Industry and Supply.

Shri A. K. Roy, Joint Secretary (Finance), Industry and Commerce Division.

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

Shri K. Bhawani Shankar Rao, Financial Adviser, Ministry of Finance (Defence).

Shri K. S. Sundra Rajan, Deputy Financial Adviser (Budget), Ministry of Finance (Defence).

Shri L. M. Ghatak, Military Accountant General.

Major General S. B. S. Chimni, Quarter Master General, Army Headquarters.

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

DEFENCE SERVICES

Ministry of Industry and Supply

23. The Committee considered the reports submitted by the Ministry of Industry and Supply in respect of items 20 and 22 of the statement showing action taken on the outstanding recommendations of the Committee. The action taken by the Ministry on item 20 was approved. As regards item 22, it was pointed out that in November, 1949, the Ministry had reported to the Committee that only 3150 cases of sale accounts were outstanding *vide* para. 34 of the report of the Public Accounts Committee on the accounts of 1946-47, whereas from the memorandum submitted by the Ministry, it appeared that there were 4000 cases of outstanding sale accounts in April 1950. As the discrepancy was serious, the Committee desired that a detailed

Public Accounts Committee

memorandum stating the correct position should be submitted to them in due course. The Committee were not also satisfied over the pace of disposal of outstanding cases and desired that steps should be taken to accelerate the clearance of these cases and the position reported to them.

Ministry of Defence.

24. The Committee then dealt with para. 6 of the Audit Report regarding overpayment of compensation for de-requisitioned land. The Committee observed that there was a lack of co-ordination between the Defence and Civil Authorities which had resulted in the overpayment of a sum of Rs. 2 lakhs to the owners of the plots requisitioned by the Civil authorities. It was pointed out that this overpayment could have been avoided had either the R. A. F. authorities brought to the notice of the Collector that the entire area covered by the two requisitions originally placed by them was not required for their use or alternatively the Collector had himself verified on the spot that the entire area requisitioned by him had not been taken possession of by the R. A. F. authorities. The Committee desired that a report setting forth the steps taken to realise the excess amount drawn by the parties as also the amount actually recovered should be submitted to them. The Committee further suggested that in order to obviate such losses being caused to Government in future, a procedure should be evolved in collaboration with the Civil authorities and the Audit to ensure that no payments on account of compensation are authorized unless the certificate of compensation is granted by the Military authorities requisitioning the land.

25. The Committee then dealt with para. 33 of the Audit Report which mentioned a case of infructuous expenditure consequent on delay in releasing an installation. The Committee were informed that since the expenditure on these installations had been included in the 100 million pounds deal settled by the Government of India with the U. K. Government in payment of surplus stores left behind by the U. K. Forces after the last war, it was not considered desirable to re-open this case and that this should be dropped.

26. The Committee then proceeded with the consideration of the Reports etc. furnished by the Ministry of Defence in respect of items 14, 15, 16 and 17 of the statement showing action taken on the outstanding recommendations of the Committee. In regard to item 14, the Committee observed that in future prompt investigation should be made as soon as any case resulting in an irregular disposal of Government stores was brought to the notice of the Command authorities. As regards item 15, the Committee discussed at some length the note submitted by the Ministry of Defence outlining the existing arrangements for imparting training to the Defence Service personnel in the fundamental principles of public expenditure and elementary principles of accounting. The Committee desired to be furnished with a Memorandum setting forth the existing procedure followed by the M. E. S. authorities in scrutinising tenders whether they contained an estimate of the work to be executed item by item or whether they were prepared on a lumpsum basis. The Committee also desired that the Audit report should in future contain observations of the Director of Audit, Defence Services, whether Military officers dealing with accounting and financial matters of the army had acquired sufficient knowledge of accounting and financial principles and whether that knowledge had been brought to bear on their day to day work. The Committee were satisfied in regard to the action taken on item 16.

27. The Committee then took up item 17. They were informed that the first biennial stock-taking of Defence Stores had been taken in hand. The matter was not pursued further.

28. The Committee then proceeded with the consideration of the Commercial Appendix to the Appropriation Accounts of the Defence Services. The Committee

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desired to be furnished with a Memorandum outlining the revised policy laid down by the Government of India for the provision of bread by the Army Service Corps to the Armed Forces and for the closing down of bakeries which were being run uneconomically.

29. With regard to the Canteen Stores Department, the Committee were informed that the liquidation work relating to that Department under undivided India had not yet been completed, but it was expected to be finalised in the near future. It was stated that final allocation of the terminal profits had not been made so far but out of the anticipated profits India and Pakistan had been allotted Rs. 48 lakhs and Rs. 24 lakhs respectively.

30. The Committee then dealt with para 2 of the Audit Report and desired that in the matter of accounting of 'overhead expenses' inasmuch as the charging of idle facilities to production cost was concerned, certain commercial principles in regard to cost-accounting should be borne in mind. The Committee wanted that this aspect of the matter should be examined in consultation with Audit and a report submitted to them in due course.

Ministry of Food

31. The Committee discussed the procurement of food supply for the Defence Services. It was explained that every year in the month of November the estimated requirements for the next financial year duly approved by the Ministry of Finance on the Defence side were sent to the Ministry of Food for approval. The estimate was reviewed by the Ministry of Food in consultation with the Ministry of Finance on the Food side and acceptance sent to the Defence Ministry. The Ministry of Defence decides about the quantity required by the Defence Services and also the standard of food articles. The Ministry of Food, on the other hand, makes arrangements for the supply of the required quantity and also advises on the substitutes, if necessary. The Defence Services also maintain certain reserves and have arrangements for storage and safe custody of these reserves and steps are taken to guard against deterioration in the stocks. The Committee wanted to know the quantities and value of tinned food that were imported during the pre-partition period as compared to those obtained in the post-partition period. The Committee also desired to know in detail the procedure regarding supply of food articles to the Defence personnel and to their families. As regards the food budget of the Defence Services, it was stated that the Accountant-General, Food makes the payment in the first instance and recovers it later from the Military Accountant-General. The figures, therefore, ultimately appear in the budget of the Defence Services.

**PROCEEDINGS OF THE FOURTH MEETING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON FRIDAY THE 12TH JANUARY, 1951.**

32. The Committee met from 10 A. M. to 1 P. M.

33. Those present were :

Shri B. Das (*Chairman*)

Prof. K. T. Shah

Shri M. L. Dwivedi

Shri H. G. Mudgal

Pandit Krishna Chandra Sharma

Pandit Munishwardatt Upadhyay

Shri Tribhuan Narayan Singh

Shri H. S. Rudrappa

Shri S. N. Das

Shri Bali Ram Bhagat

Shri B. N. Munavalli

Shri K. A. Damodara Menon

Members.

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

Shri P. C. Das Gupta, Accountant-General, Posts and Telegraphs.

Shri B. N. Sen Gupta, Accountant General, Central Revenues, New Delhi.

SECRETARIAT

Shri M. N. Kaul (*Secretary*)

Shri S. L. Shakhder (*Officer on Special Duty*)

WITNESSES

Shri A. V. Pai, Secretary, Ministry of Communications.

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

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

Shri H. L. Jerath, Senior Deputy Director-General, Posts and Telegraphs.

Shri T. P. Bhalla, Director-General, Civil Aviation.

Ministry of Communications

34. The Committee first considered Grant No. 92—sub-head D under which a sum of Rs. 98,00,000 representing the Government of India's share in the paid up capital of the Air India International Ltd., set up for the purpose of operating an air transport service between India and the United Kingdom was provided for during the year 1947-48, and desired to know about the working of and the Government's share of profit in this Company. The Committee were told that during the first year of operations there was a loss of about Rs. 20 lakhs, which Government had to make good in accordance with the terms of the agreement with the Company. Apart from this, the Government of India were paying a commission on bookings in India because the Air India International had no independent office of its own for making bookings here. Secondly they had got a right to get a certain percentage of a few annas per mile for the actual flights of the aircraft. The Committee were further told that during the calendar year 1949, the Company had made profit and refunded to Government a sum of Rs. 3½ lakhs in part payment towards the initial loss of about Rs. 20 lakhs. In reply to a question whether the freight rates for the carriage of mail that were being paid to this

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Company were excessive, it was stated that the Government was paying on the basis of the rates fixed by the International Air Transport Association on which all the Air-lines were represented. The Committee was anxious to know whether under terms of the existing agreement, the interests of Government were protected against any losses, and to what extent, any modification therein was necessary. It was explained that under the agreement, the Air India International was to be subsidized during the first five years and all their losses were to be met by Government. Thereafter the subsidy was repayable to Government out of the subsequent profits. The Committee desired to be furnished with a Memorandum outlining the details of the agreement and explaining how, in actual practice, it had been working with a special reference to the present-day conditions. Another point that was raised in this connection was the exemption of this Company from the payment of income-tax. The Committee wanted to know whether such an agreement had been entered into by Government with any other company whereby exemption from the payment of incometax had been granted.

35. The Committee then considered Grant No. 57—Aviation and observed that out of the total saving of Rs. 34,22,030 which worked out to 31·5 per cent of the total grant, a sum of Rs. 23,58,300 only had been surrendered to Government. The Committee expressed concern over the lack of accurate budgeting and desired that some rational methods should be evolved in consultation with the Ministry of Finance and Audit to ensure that surrenders of such huge funds towards the close of a financial year and leaving large amount of savings unsurrendered were obviated. The Comptroller and Auditor-General drew the attention of the Committee to the procedure in vogue in the U. K. where every department treated the question of control over expenditure as something 'very sacred' and exercised due vigilance that they did not incur expenditure in excess of the vote or kept large savings in hand. The Committee desired that it should be impressed upon every spending department that special attention should be devoted to this important aspect of the matter.

36. The Committee then dealt with item 28 of the statement showing the outstanding recommendations of the previous Committee relating to the abolition of the Civil Aviation Fund with effect from the 1st April, 1951. The Committee were informed that that fund had since been merged in the general balances. The Committee desired to be furnished with a note giving the up-to-date amount that was merged in the general balances.

37. The Committee drew attention to the provision made for major works above Rs. 50,000 for which specific provision was made in the budget under Grant No. 92—Capital Outlay on Civil Aviation, but the works had not at all commenced. It was stated that the non-commencement of the works was due to the non-conclusion of codal formalities, non-availability of material in full or due to difficulties in their transport and the delay caused in the payment of compensation for land acquired and some other reasons. The Committee again observed that in this case also lack of foresight coupled with unsatisfactory control over expenditure had resulted in huge surrender of funds and desired that in future before making provision in respect of major works, it should invariably be ascertained from the C. P. W. D. whether they were capable of finishing the job within the target date in order to avoid lapse of funds.

Posts and Telegraphs

38. The Committee then took up consideration of the Appropriation Accounts (Posts and Telegraphs) and the Audit Report 1949. The question of contribution to the general revenues from the surplus of the Posts and Telegraphs Department was first considered. The Committee were told that half of the surplus was given to general revenues. In reply to another question, the Committee were informed that the surplus represented the excess of revenues over expenditure. In regard to the decrease in the amount of contribution to general revenues after 1945-46 it was stated that it was largely due to increase in expenditure resulting from the Central Pay Commission's recommendations.

Public Accounts Committee

39. The Committee then dealt with the question of store reserves and the raising of the present limit of Rs. 1·5 crores to Rs. 3·5 crores. It was explained that at present the capital assets of the P. & T. Department were of the order of Rs. 43 crores, whereas in 1939 they were less than half of this figure. Every year Rs. 5 to 6 crores were added to the capital assets and naturally the necessity for getting increased quantity of stores to meet the increased demands of the Department was felt. Another factor responsible for the increase in the reserves was the increase in the value of the stores due to general increase in the prices. The figure at which these reserve stores should be maintained was arrived at after detailed consideration of the matter in consultation with the Ministry of Finance. The previous limit was fixed on the basis of line stores and certain types of equipments. During the war a lot of carrier system—telephone and telegraph—for transmission of traffic was introduced. This required quicker replacement because the life of the carrier equipment was only a few years. As larger quantities of such stores had to be imported and as it took a long time to get them, it had been decided to stock the materials in sufficient quantities to maintain the service efficiently. The main principle behind the fixation of this limit was the estimated requirements.

40. The Committee then took up para. 8 of the Accounts relating to the Renewals Reserve Fund and wanted to know as to why the rate of annual contribution to the Fund was not fixed on the basis of average lives of assets. The Committee were told that at present an *ad hoc* contribution was being made to this fund in consultation with the A. G. P. & T. It was added that in view of the urgent need for economy and the fact that they had got over Rs. 5 crores at the credit of the Renewals Reserve Fund, the Department did not consider it necessary at present to appoint a Committee for looking into this question. The Comptroller and Auditor-General drew attention of the Committee to a Memorandum submitted by the Posts and Telegraphs Department stating that the A. G. P. & T. had suggested that a stock-taking of all assets should be conducted for assessing the exact value of assets of the Department existing in the Indian Dominion after partition as well as those taken over from the ex-Indian States and that the present method of contribution to the Fund should be reviewed on the completion of this valuation. The Comptroller, and Auditor-General further stated that according to his reading of the situation, it appeared that the Government was not keen on proceeding in the matter on a scientific basis as it might involve setting apart bigger sums of money for the fund. He, however, did not regard the position as 'satisfactory'. The Committee desired that a uniform policy should be evolved by all Ministries for allocating contributions to such funds constituted by them and that this matter should be regarded as urgent and gone into thoroughly by a Committee of experts. A detailed examination of the matter should be undertaken as already recommended by the previous Committee in para. 75 of their Report relating to the year 1945-46.

41. The Committee then proceeded to consider paras. 11, 12, 13 and 14 of the Audit Report. As regards para. 11 the Committee enquired whether any cases involving laxity or pilfering of stores had been detected since the quantity of stores had tremendously increased. In reply, the Committee were informed that although the position had improved slightly, it could not be said to be quite satisfactory. As regards para. 12 which mentioned cases of unnecessary or excessive supplementary appropriations, injudicious re-appropriations causing excess over allotments, non-surrender of savings etc., the Committee were told that great attention was being paid for achieving better control over expenditure. As regards para. 13, it was pointed out that the utilisation of unanticipated credits was exhibited in the Memorandum to the Budget. About the cases of defalcations or loss of public money referred to in para. 14 (a), the Committee wanted to know what steps had been taken to prevent the recurrence of these cases. It was stated in reply that effective supervision was enforced by the Department and efforts were being made to minimise these as far as possible. The Committee desired that recoveries should be made from the persons concerned in cases in which contributory negligence was proved.

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42. The Committee then dealt with para. 20 of the Audit Report and wanted to know the reasons for the loss amounting to Rs. 32,185 in the running of Fair Price Shops as they were expected to be run on a no-profit no-loss basis. The Committee were told that the loss was due to the fact that whatever was bought was sold at the same price to the staff and that the cost of establishment and the rent paid on storage etc. was not included in the sale price. This system it was explained had been discontinued from 15-8-49 and the shops were now running on a no-loss basis.

43. The Committee then drew attention to the defects pointed out by the previous Committees in regard to the purchase and issue of stores which were often left as surplus. The Committee were informed that a Stores Purchase Committee had been formed and all the requirements of stores were examined by them before the orders for their purchase were placed. As regards Para 18 of the Audit Report, the Comptroller and Auditor-General informed the Committee that he had tightened up the concurrent audit of all the stores and workshops under the control of the P. & T. Department by deputing a specially trained officer having special experience of factory accounts and he would continue to watch and bring to the notice of the Committee any case of laxity of control and take steps to prevent any possible losses.

44. The Committee wanted to know what action had been taken against the officials responsible for contributory negligence in the case referred to in para. 21. The Committee were informed that the two officers had been retired from service and the question of the recovery of the amount from them was under consideration. The Committee desired that it should be impressed upon the heads of offices that they should reply to Audit objections with utmost promptitude, and take steps to remove defects in the administrative system of their departments which may come to their notice as a result of the Audit objections.

45. With reference to para. 23, the Committee desired that strict action should be taken in case of delayed payments of annual telephone rentals. The Committee desired that further action taken in the case mentioned in item 6 of the statement showing the outstanding recommendations of the previous Committee should be reported to them in due course.

PROCEEDINGS OF THE FIFTH MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY THE 15TH JANUARY, 1951.

46. The Committee met from 2-30 P.M. to 5 P.M.

47. Those present were :

Shri B. Das (*Chairman.*)

Prof. K. T. Shah

Shri M. L. Dwivedi

Shri H. G. Mudgal

Pandit Krishna Chandra Sharma

Shri Tribhuan Narayan Singh

Shri H. S. Rudrappa

Shri S. N. Das

Shri Bali Ram Bhagat

Shri B. N. Munavalli

Shri T. H. Sonavane

Shri K. A. Damodara Menon

} *Members.*

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

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues.

SECRETARIAT

Shri M. N. Kaul, (*Secretary.*)

Shri S. L. Shakhder, (*Officer on Special Duty.*)

WITNESSES

Shri V. N. Sukthankar, Secretary, Ministry of Transport.

Mr. G. M. Mokelvie, Consulting Engineer (Roads).

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

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

Shri N. C. Deb, Director of Finance, Railway Board.

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

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

Ministry of Transport

48. The Committee first considered the working of the Transport Control Organisation. The Committee were told that consequent on the abolition of this Organisation there was likely to be a reduction of about rupees four to five lakhs in the Budget of the Transport Ministry. The Committee also reviewed the working of the Civil Transport Scheme which, it was stated, had yielded a profit of roughly Rs. 3 to 4 crores in the purchase and sale of cars. The Committee desired that the outstanding balance should be credited to Revenue.

Ministry of Railways

49. The Committee then proceeded to consider the Appropriation Accounts of the Railways in India. The Committee noted that as stated in para. 6 of the Introductory Chapter of the Review on the Accounts, it had not so far been possible to close the pre-partition accounts because the accounts of the late N. W. and B. A. Railways for the period ending 14th August, 1947 had not been received.

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from the Pakistan authorities. It was explained that this matter, being linked up with the question of the debt settlement between the two Governments, was still under negotiation with the Government of Pakistan. It was added that for the purpose of apportionment, the assets were valued at the written-down value on the date of partition. The Committee desired that the matter should be pursued with the Pakistan Government for an early settlement of the accounts.

50. The Committee thereafter took up the examination of Annexure 'J' of the Accounts showing the statement of important mis-classifications and other mistakes. The Committee observed that these mistakes were due to negligence and ignorance of rules on the part of the Accounts staff and emphasised that adequate measures should be taken by the Railway Administration to impart proper training to the staff in the Accounts Offices and to ensure better supervision. It was stated in this connection that railways being a commercial organisation should have specialised Accounts staff. It was of greatest importance that a system of cost accounting should be introduced if locomotives were to be produced at an economical cost at Chittaranjan. The administration should be in a position to know whether the different processes of manufacturing were being carried out economically. There should, therefore, be a very detailed and efficient cost accounting. The Financial Commissioner, Railways stated that this matter was already under his consideration and a few men called the 'rate fixers' who go into the manufacturing process and calculate raw-material requirements of each process had been imported and these men together with a Cost Accountant would evolve a system of accounting which should make control easier and more efficient. He also stated that he was in touch with the Chairman of the Board of Transport Commission in the U. K. and the question of bringing one or two top men to advise the Railway Administration in the whole matter was under his consideration. The Financial Commissioner also stated that in smaller offices also, for example, in Goods Traffic and Passenger Traffic Sections, where specialised Accounts staff was necessary, men having specialized experience of these sections are usually kept there and not frequently transferred to other sections. The Committee desired that steps should be taken to give proper training to the Accounts staff and regular courses should be devised so that specialised knowledge of the railways is acquired by them to help them in the discharge of their duties. The committee desired that a detailed memorandum showing the steps taken to improve this aspect of the matter should be furnished to them in due course.

51. The Committee were informed that a scheme for the separation of financial functions from the accounts functions was under consideration of Government. At present the Chief Accounts Officer was also the Financial Adviser of the General Manager of a Railway and in the opinion of the Financial Commissioner this procedure was not conducive to better organisation and efficiency of the service. When an Accounts Officer is also to function as Financial Adviser, he is a little more rigid than he need be. The Accounts Officer finds it rather difficult to get away from the accounts back-ground and as he is not generally aware of the intentions behind the rules and regulations, he is not in a position to tender a better financial advice to the Administration. The Committee were informed that parent services, namely the Indian Audit and Railway Accounts Services would continue to be the sources of supply of the Financial Service, but there would be altogether a separate branch of officers which would deal with financial problems only. The Committee desired to know in due course the progress made in the scheme.

52. The Comptroller and Auditor-General informed the Committee that a procedure had been introduced whereby a few audit officers were posted to the Railway Accounts Organisation for a limited period in order to familiarise themselves with the accounting system obtaining on the railways and other problems in general. Similarly, an equal number of Accounts Officers was placed

Public Accounts Committee

at his disposal for training on the audit side. He hoped that by this inter-change of officers for a limited period both the Audit and Accounts side of the Railways would become more efficient and better organised.

53. When the Committee wanted to know the measures taken to ensure an early clearance of the balances outstanding under Suspense on 31st March 1948, it was admitted that the position was far from satisfactory and there had been slackness on the part of the Accounts Organisation as well as the Administration in properly reviewing the outstanding cases. The Committee observed that such a huge accumulation of suspense balances reflected laxity on the part of the Railway Administration and desired that vigorous efforts should be made to clear the outstandings. They also desired that a report showing the progress made should be submitted to them at the time of the examination of the Appropriation Accounts for the year 1948-49.

54. The Committee then dealt with Annexure 'A' to Part II of the Accounts which brought out the distribution of the outstanding unsanctioned expenditure upto 31st March, 1948 and not cleared by the 15th February, 1949. The Committee noted that 5320 items involving unsanctioned expenditure of about Rs. 29 crores were lying under objection. Some of these items were as old as 1940. The Committee expressed dissatisfaction at the lack of correlation between the amount of the original estimate and the expenditure actually incurred and exhibited through the Completion Report. The Committee desired to know whether the expenditure relating to (i) Khargpur-Kalaiunda Doubling and (ii) the A.R.P. Works on B. G. and M. G. System of B. B. & C. I. Railway, which was lying under objection for want of estimates had since been regularised. They wanted to be furnished with a Memorandum showing the improvement effected in the clearance of the items held under objection, with special reference to the above two instances. The Committee further desired that the general principle that Executive Officers should not incur expenditure or accept Liabilities on a work in excess of the sanctioned estimates without the prior sanction of the competent authority should, as far as possible, be strictly adhered to and in cases where in the course of execution of a work it became apparent that there was likely to be an excess over the sanctioned estimate of the work, revised estimates should be prepared and sanction of the competent authority obtained prior to the additional work being taken in hand. The Committee agreed to a suggestion made by the Comptroller and Auditor-General that a Committee comprising of an Accounts Officer and an Engineering Officer should be immediately set up by the Railway Board to review all the cases mentioned in the said Annexure 'A' and a report submitted to them, in due course, in regard to the progress made in the matter.

55. The Committee then took up para. 15 of Part I of the accounts showing the operating ratio for the period under report. The Committee discussed at great length the general principles underlying the method of calculation of the operating cost. It was stated that in former days the Company-managed Railways would buy locomotives at a cheaper rate, build the wagons in a particular way, obtain coaches manufactured of inferior steel and so on. But today the Ministry of Railways from the Centre determined the standard of passenger amenities to be observed on all the Railways. The locomotives of the accepted standard were bought for the entire railway system without any reference as to what effect it would have on the finances and operating cost of a particular Railway. Furthermore, under the present system, the terms and conditions of employment were regulated by central directions from the Ministry of Railways. In these circumstances, the operating ratio was not necessarily a reflection on the efficiency of the Railways. It was stated in this connection that the operating cost included only the working expenses plus the appropriation to the Depreciation Fund but not the interest charges. Further, a factor which should be borne in mind when considering the operating cost was that constant adjustments in the rating policy of

the railways had to be made consistent with the economic policy of Government. For instance, coal was being carried at a concessional rate because if the full rates were charged, it would upset the price structure and disturb the economic system. It was contended that as all these factors necessarily affect the earnings of the railways, the operating ratio had lost its original significance. The aim that the Ministry of Railways had set before them was to balance the revenues and expenditure and not to make much profit nor to sustain any loss.

56. The Committee then proceeded to deal with the Railway Audit Report which disclosed that during the period under review against the aggregate of grants and appropriations of nearly Rs. 158 crores, the total disbursements amounted to a little over Rs. 115 crores only, leaving a saving of about Rs. 42·5 crores i.e., 27 per cent as compared to the original grant. The attention of the Committee was also drawn to para. 6(a) of the Report which revealed that out of the saving of Rs. 15·44 crores in the revenue section, Rs. 5·82 crores were surrendered in the final modification. In the capital section, Rs. 11·48 crores was surrendered out of the final saving of Rs. 24·32 crores. Thus it resulted in the lapse of Rs. 9·62 crores and Rs. 12·84 crores under Revenue and Capital respectively. The Committee deplored the lapse of such huge amounts and emphasized the need for proper budgetary control over expenditure. It was suggested that some rational methods should be evolved whereby closer co-ordination could be maintained between the two important aspects of public expenditure, viz. budgeting and control over expenditure, so that steps could be taken in time to surrender savings in the final modification statement to avoid lapses. One of the main factors responsible for the lapse of funds was attributed to the delay in the non-receipt or non-adjustment of debits for supplies actually made or services rendered. This vital question had also engaged the attention of the previous Committees and in spite of the suggestions made by them from time to time that where supplying departments failed to raise debits in time, the receiving departments should adopt the procedure of affording anticipatory credits to the supplying departments with a view to avoid lapse of the grants, the state of affairs had not shown any improvement. To remedy the situation, the Committee endorsed the Comptroller and Auditor-General's suggestion that there should be closer coordination between the supplying agencies and the receiving departments and the latter should ascertain towards the end of March as to what supplies for which orders had been placed were likely to be made available, and what debits were expected so as to enable it to review its budget position and regulate its surrender or additional appropriation. The Committee considered that effective steps should be taken by the Railway Ministry as well as other Ministries so that cases of lapse of grants for the reason that debits could not be adjusted in time, do not occur in future.

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**PROCEEDINGS OF THE SIXTH MEETING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON TUESDAY THE 16TH JANUARY, 1951.**

-57. The Committee met from 2-30 P.M. to 5 P.M.

-58. Those present were :

Shri B. Das (<i>Chairman.</i>)	} <i>Members.</i>
Prof K. T. Shah.	
Shri M. L. Dwivedi.	
Shri H. G. Mudgal.	
Pandit Krishna Chandra Sharma.	
Shri Tribhuan Narayan Singh.	
Shri H. S. Rudrappa.	
Shri S. N. Das.	
Shri Bali Ram Bhagat.	
Shri B. N. Munavalli.	
Shri T. H. Sonavane.	
Shri K. A. Damodara Menon.	

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

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

SECRETARIAT

Shri M. N. Kaul (*Secretary*)

Shri S. L. Shakhder (*Officer on Special Duty*)

WITNESSES

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

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

Shri N. C. Deb, Director Finance (Budget), Railway Board.

Ministry of Railways

59. The Committee reopened discussion on the significance of the operating cost of railways. On the previous day it had been stated before the Committee that the operating ratio had lost its original significance. It was again emphasized that the railways were not operated purely on commercial principles, but they had to fulfil a complementary roll in the economic development of the country. The Committee considered that although the operating cost was not the only test by which the working and efficiency of railways could be judged, nevertheless it was an important test and it had its own significance in assessing the results of the working of the railways. The reasons for high operation costs should always be analysed in order to see whether they are satisfactory.

60. The Committee then considered the question of raising of debits by the different railways against each other. It was pointed out that in spite of the recommendation made by the previous Committee in para 20 of its Report on the Accounts for 143-44 to the effect that a railway should not make any entry in its estimates relating to payments to or receipts from another railway till the other railway had agreed to make a corresponding reverse entry in its own estimates, that procedure was not being followed. The Committee stressed the need for maintaining adequate correlation between the different railways in regard to the adjustment of debits and desired that it should be impressed on the Railways to follow rigidly the procedure recommended by the Committee to avoid lapses of funds. It was also emphasized that while consolidating the budget estimates submitted to them by the Railways concerned, the Railway Board should ensure that the provision

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of credits anticipated by an individual railway is set off by *contra* debits to be raised by the other railway concerned. The Committee wished to be apprized in due course of the instructions issued in this matter by the Railway Board.

61. The Committee then dealt with para. 22 of the Audit Report relating to the purchase of locomotive boilers of indigenous manufacture mentioned therein. The Committee wanted to know as to how in the initial stages of production the cost of manufacture was comparable to the cost of imported boilers etc. It was stated that an agreement had been negotiated with the Tatas under which they would be paid actual cost of production in the initial period and after full production had been reached a new price would be negotiated adding a profit element to the price so determined. As regards the point raised in the Audit Report that period 'C' had commenced before actually the period or the prices payable in that period had been fixed, it was explained that they could not go on paying the actual uneconomic cost of production. It was added that the idea in starting period 'C' earlier than that stipulated in the agreement was that they should fix the prices which would be related to the prices of Boilers from other sources of supply and not the actual cost of production. The Committee generally agreed with the line of approach in this matter but desired that in order to forestall any disputes that might arise in respect of the payments made on account to the Tatas, the Railway Board should take urgent steps to finalise the provisional payments made during the periods 'A' and 'B'.

62. A point was raised with regard to the system of costing and the incidence of overhead charges in relation to the manufacture of Boilers. It was explained to the Committee that previously TELCO used to charge what they considered suitable overheads to other production and the unabsorbable overheads to Boiler production. As some of those contracts were fixed price contracts there was a suspicion that the overheads were not properly distributed. After some discussion with the firm it had been accepted that all the profits of other orders should be set off against the Boiler Development Account, or alternatively all production must bear the correct incidence of the overheads.

63. The Director of Railway Audit drew the attention of the Committee to the fact that the Tatas had not worked up to the programme whereby more payments had to be made and also that the penal clause that existed in the agreement was not enforced by the Railway Board. It was explained that the Railway Board were satisfied that the production could not reach the figure originally anticipated due to causes completely beyond the control of the contractor and thus the Board could not impose the penalty which strictly in terms of law they were entitled to do. It was also stated that according to the latest estimates the locomotives which would be produced by the Tatas would not cost more than those imported from abroad. An assurance was given to the Committee that unavoidable costs were not being incurred. While the Committee appreciated the viewpoint of the Railway Board, they desired that a Memorandum outlining the technical and commercial aspects of the method of costing of the manufacture of locomotives by the Tatas as compared with the units manufactured in the Chittranjan Locomotive Workshops set up by the Railway Board should be furnished to them in due course after getting the details scrutinized by Audit.

64. The Committee then took up para. 23 of the Audit Report regarding the purchase of Paddle Steamers. The Committee felt that the change over from oil-fired to coal-fired boilers could easily have been anticipated at the time of calling of tenders in January, 1948 or when the orders were finally placed in May 1948. They commented at the lack of proper vigilance both on the part of the O.T. Railway and the Railway Board in the handling of this case. It was admitted that the Railway Board did not feel satisfied about this matter and an assurance was given to the Committee that care would be taken to avoid recurrence of such cases in future.

Public Accounts Committee

65. The Committee then proceeded to deal with para. 24 of the Audit Report. The Committee observed that though the locomotives were imported as far back as 1944, no effective steps had been taken to secure refund on account of shortages in spare parts of American Deisel Electric Locoos imported from U.S.A. It was stated that it was admittedly a bad case but as the officers who had been responsible for this muddle had left India no action could be taken against them. The Committee observed that it was unfortunate that no action could be taken by the Railway Board to claim refund for the non-receipt of spare parts which involved a loss of about 26,000 dollars. The Committee desired that the result of the action now taken by the Railway Board to obtain a refund from the U.S.A. suppliers should be reported to them in due course and suitable procedure should be evolved in consultation with the Purchase Organisations abroad whereby such cases were not allowed to occur in future.

66. The Committee then considered paras. 25, 26, 27, 28 and 32 of the Audit Report. In regard to para 32 it was admitted that it was a case of bad drafting of an agreement. The Committee observed that had there been a clause in the agreement saying that the interpretation of the Administration in regard to the meaning of the particular words in the agreement would be final, it would have avoided the unnecessary litigation. The Committee desired that the Railway Board should urge on the various Railway Administrations to draw up standard forms of agreements with their approval in order to avoid defective language in agreements.

67. The Committee then took up para. 36 relating to compensation claims. The Committee noted with concern that during the year 1949-50 the amount settled for payment as compensation by the Railways was about Rs. 4.54 crores and that 61,809 claims were left outstanding at the end of the year. The Committee commented at the lack of proper disciplinary action being taken against such of the Railway staff as were found wantonly indifferent or careless in the handling or despatch of goods or bad transhipment and thus putting the Railway Administration to such a huge loss. The Committee observed that the existing rules relating to the Discipline and Conduct of Railway Servants should be reviewed to see that adequate action against the defaulters and quicker machinery for enforcing these rules were provided for therein.

68. With regard to para. 37 of the Audit Report which revealed arrears in internal check and unsatisfactory state of accounts the Committee stressed the necessity for vigorous efforts being made by the Railway Board to place the matter on a satisfactory footing. The Committee hoped that the next Report would reveal better results of test-check.

69. The Committee then considered the Balance Sheets of Railway Collieries and Statement of all-in-cost of coal, etc. for the period under review. The Committee were told that the Railway Board owned the Railway Collieries and the Ministry of Industry and Supply were the managing agents and the whole position was rather unsatisfactory. The Committee were told that one of the points which the Convention Committee had examined was the over-capitalization of the Railway undertakings and the collieries formed an integral part for capital purposes of the Indian Railway undertakings. The Committee observed that there should be no over-capitalization and commercial principles should be adopted for purposes of providing for depreciation in the case of collieries.

70. The Committee was also informed that a high-powered Committee had been appointed to review the stock position on the Indian Railways and after that Committee had reached its conclusions, the Board hoped to bring down the stock balances and provide for a more rational distribution of stocks between the different railways and also to remove imbalance between different categories of stores held. The Committee desired to be apprized in due course of the action taken by the Railway Board on the recommendations of the said Committee.

**PROCEEDINGS OF THE SEVENTH MEETING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON WEDNESDAY THE 17TH JANUARY, 1951.**

71. The Committee met from 2-30 P.M. to 5 P.M.

72. Those present were :

Shri B. Das (*Chairman*.)

Prof. K. T. Shah.

Shri M. L. Dwivedi.

Shri H. G. Mudgal.

Pandit Krishna Chandra Sharma.

Pandit Munishwardatt Upadhyay.

Shri Tribhuan Narayan Singh.

Shri H. S. Rudrappa.

Shri S. N. Das.

Shri Bali Ram Bhagat.

Shri B. N. Munavalli.

Shri T. H. Sonavane.

Shri K. A. Damodara Menon.

} *Members.*

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues, New Delhi.

Shri S. Venkataramanan, Accountant-General, Food, Rehabilitation & Supply.

SECRETARIAT

Shri M. N. Kaul (*Secretary*.)

Shri S. L. Shakhder, (*Officer on Special Duty*.)

WITNESSES

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

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

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

Shri A. K. Roy, Joint Secretary, Finance (I. & C. Division).

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

Shri S. Ratnam, Joint Secretary, Ministry of Finance.

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

Shri M. S. Bhatnagar, Joint Secretary, Ministry of Finance.

Shri G. Mathias, Deputy Secretary, Ministry of Finance.

Shri S. T. Raja, Deputy Secretary, Ministry of Agriculture.

STATE TRADING SCHEMES

Ministry of Works, Mines & Power

73. The Committee first considered the following State Trading Schemes concerning the Ministry of Works, Mines & Power :

(i) Attock Oil Prospecting Scheme.

(ii) Purchase of Machinery for Mica Miners.

(iii) All India Reserve Pool of Electrical Generating Plant.

The Committee was informed that excepting the capital advance of Rs. 48 lakhs the Government of India had not incurred any oil or expenditure in connection with the scheme at (i) above. The arrangement was that Government would

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finance the exploration and exploitation of oil and would be paid back its money with a certain rate of interest in the shape of a rebate of Rs. 5 per barrel of oil sold to the Government of India. Since the areas of operation of the Attock Oil Co. were located in Pakistan the assets of the Company had gone to that Government after partition. The rebate accrued upto 14-8-1947 amounted to about Rs. 14 lakhs. There was also an outstanding liability of about Rs. 12,66,666 payable to the Anglo-Iranian Oil Co. by M/s. Attock Oil Co. towards the replacement cost of equipment supplied by them for the drilling operations. The Partition Council had decided that the amount payable to the Anglo-Iranian Co., and the rebates due to Government should be shared in the ratio of 82½% and 17½% between the Governments of India and Pakistan respectively. The Government of India had, however, asked the Attock Oil Co. to pay the Anglo-Iranian Co. their replacement cost out of the rebates accrued upto 14-8-1947 but the Company referred the matter to the Government of Pakistan. The Government of India thereupon took up this matter with the Pakistan Government but no reply had so far been received. The Committee was informed that as the net amount due to India in this case was small it was not taken up in one of the Indo-Pakistan Conferences. The Committee desired that this matter should be pursued with the Pakistan Government in order to secure an early settlement of the dues.

74. In regard to the loss of Rs. 6 lakhs on account of the purchase of machinery for Mica Miners, which was passed on to the Joint Mica Mission, the Committee was informed that that was the position on the 14th August, 1947. It was added that the latest position upto May, 1950 was that subject to the verification of the acceptance of the debit by the British Government on behalf of the Joint Mica Mission, the total expenditure was Rs. 29 lakhs and the recovery was more than Rs. 30 lakhs. So there was a small profit of about rupees one lakh. The Committee desired that a Memorandum setting forth complete details of the scheme, particularly with regard to its financial aspect should be prepared and submitted to them in due course.

The All India Reserve Pool of Electrical Generating Plant was, it was stated, under the process of being wound up. The Committee desired to know the net financial results of the working of this scheme after its accounts were finalised by the end of February, 1951.

75. The Committee desired to know the existing financial control exercised over projects like the Damodar Valley Corporation and also whether the accounts of that Corporation were subject to the audit of the Comptroller and Auditor-General. The Comptroller and Auditor-General informed the Committee that he had appointed an officer who had expert knowledge of commercial accounts, as Chief Auditor, Damodar Valley Project whose duty it was to audit the accounts of the Corporation. In addition he had deputed his Director of Inspection to examine the accounting arrangements of all multi-purpose projects, viz. Bhakra-Nangal, Hirakud, Sindri and Damodar Valley as he had not been feeling happy about it, the expenditure being incurred without sanction and to submit to him a complete report on the subject. The Comptroller and Auditor-General promised to make available to the Committee a copy of the report as soon as it was completed.

76. The Comptroller and Auditor-General informed the Committee that the audit of the State undertakings not formally constituted, as Corporations came automatically under his control. But in the case of undertakings constituted statutorily as Corporations, the audit had to be regulated under the provisions of the Company Law, unless the Act framed by Parliament in respect of a Corporation contained a specific provision to the effect that the audit of the Corporation should be carried out by the Comptroller and Auditor-General. He further stated that the establishment of private Companies involved diversion of large sums of money to be spent in a manner different from the ordinary procedure of spending public money.

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and that they do not come within the control of Parliament. He had already taken up all these issues with the Government in connection with the Telephone Factory at Bangalore. He added that he would arrange that necessary information in regard to this matter is included in audit reports in future.

Ministry of Agriculture

77. The Committee then proceeded with the schemes under the control of the Ministry of Agriculture. The utility of the imported fertilisers in so far as they helped in improving the agricultural production in the country was considered. The Committee wanted to know whether the import of fertilisers could be entrusted to the normal trade channels so that the Government of India would be relieved of the responsibility of spending about Rs. 2 crores a year over this enterprise. It was explained in this connection that as the supply of fertilizers was very small all over the world and the F.A.O. could allocate only about 25 to 30 per cent. of India's total requirements, it was necessary for the Central Government to co-ordinate the demands of the various States. Until last year India was unable to get its full requirements. Now the supply position was quite good but the prices were going up. It was added that in view of the existing international situation Government had to consider whether time had come to de-control the import of fertilizers and allow the trade to handle it. As it involved a question of policy the Committee decided to take it up again when the accounts of the Ministry of Agriculture came up for examination.

The Auditor-General drew the attention of the Committee to the fact that the accounts relating to the import and distribution of fertilisers were not being maintained on a strictly commercial basis. In reply to a question as to how the surplus amounting to approximately Rs. 2 crores which stood at the end of March 1950 had now dwindled to Rs. 30 lakhs, the Committee was told that as the overhead charges had been reduced, the accrued balance of the previous year was utilized to reduce the pool price slightly.

78. The Committee then took up consideration of the scheme for the Rehabilitation and Utilisation of used Tractors. The Auditor-General again drew the attention of the Committee to the chaotic state of affairs that prevailed in the Central Tractor Organisation in so far as the maintenance of accounts was concerned. The Committee was informed that the preparation of the commercial accounts for the Organisation for the entire period from its inception to the end of the financial year 1949-50 was in hand and on their completion the profit or loss on the operations would be worked out. The Committee expressed concern at the manner in which the accounts of an Organisation in which Government had invested about Rs. 5 crores had been maintained and observed that in the absence of commercial accounts having been maintained, it was not possible to assess whether this enterprise was being run at a loss and whether the money invested by Government had yielded commensurate results. The Committee expressed its dissatisfaction inasmuch as no balance sheet showing the net outturn of this trading organisation had ever been prepared and there was no safeguard to ensure that the cost of each tractor had been properly fixed. The Committee desired that a co-ordinated plan should be evolved in consultation with the Audit authorities in fixing the prices of tractors, the recovery thereof from the State Government and its proper accountal. The Committee also desired to be furnished with a complete note outlining the formation of the Tractor Organisation, the necessity for its continued existence, the amount loaned by the International Monetary Fund, the mode of its repayment to the General Revenues, the method of recovery from the States, the amount of interest charged from the States and the circumstances that led to the commencement of the operations without making any adequate and proper accounting arrangement. The Committee was led to the conclusion that the Ministry of Agriculture had launched upon this State Trading Scheme without

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appraising the basic principle underlying it. The Committee desired that Government should consider immediately whether such State Trading schemes would prove useful and result in returning the borrowed capital and, if not, the question of their early winding up should be examined. The Committee further suggested that the desirability of including the accounts of this Organisation in the Commercial Appendix should be considered.

79. In regard to the reclamation of *Terai* areas of U.P. which had been undertaken on the basis of the recommendations of the Russell Report, the Committee desired that it should be investigated whether in view of the impending denudation and erosion after deforestation there was a danger of this land becoming barren before further money was invested.

80. With regard to the Scheme for the purchase of Agricultural and Dairy Machinery, the Committee desired to be furnished with a detailed Memorandum tracing the origin and growth of this scheme and the financial implications involved in its working.

Ministry of Industry & Supply

81. The Committee then proceeded to deal with the State Trading Schemes under the control of the Industry and Supply Ministry. The Committee first took up examination of the scheme for a Reserve Stock of Coal and was told that out of 60,000 tons of coal, acknowledgments for 54,000 tons had been received. The question regarding the acceptance of the balance tonnage was under reference with the Ministries of W.M. & P. and Defence. The Committee desired that the matter should be expedited.

82. With regard to the Rubber Scheme it was stated that all the outstanding recoveries had been effected.

The Committee also reviewed the schemes *re*: Machines Tools, Frustrated Cargo, the supply of cloth and yarn to Pakistan under the Inter-Dominion Agreement of 1948-49 and purchases of alumina etc.

83. The Committee then considered the question of allocation of the profits accruing from the operation of the Standard Cloth Scheme. The Comptroller and Auditor-General observed in this connection that since the accounts had not been maintained on a commercial or trading basis, an agreement should be arrived at between the Ministries of Finance and Industry and Supply and himself about the quantum of the profits and the deductions to be made on account of interest and overhead and other ancillary expenses before distributing them to the States. The Committee supported this view of the Comptroller and Auditor-General and desired to be apprised, in due course, of the action taken in the matter.

84. In regard to the loss of Rs. 52 lakhs incurred on the import of Japanese Cloth, it was explained that it was imported when there was a general shortage of cloth in the country. After the cloth arrived, the price of cotton fell and the controlled prices of cloth were also reduced. The Committee desired that the settlement of an outstanding claim of Rs. 15 lakhs against one of the buyers of this cloth should be expedited. The Committee also wished to be apprised of the result of the claim preferred with the Customs Department for the refund of Rs. 10,96,624 which represented the excess sum already paid on account of the import of the Japanese Cloth.

**PROCEEDINGS OF THE EIGHTH MEETING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON THURSDAY, THE 18TH JANUARY, 1961**

85. The Committee met from 2-30 P.M. to 5 P.M.

86. Those present were:

Shri B. Das (*Chairman*)

Prof. K. T. Shah.

Shri M. L. Dwivedi.

Shri H. G. Mudgal.

Pandit Krishna Chandra Sharma

Pandit Munishwardatt Upadhyay.

Shri Tribhaun Narayan Singh.

Shri H. S. Rudrappa.

Shri S. N. Das.

Shri Bali Ram Bhagat.

Shri B. N. Munavalli.

Shri T. H. Sonavane.

Shri K. A. Damodara Menon.

Members.

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues.

Shri S. Venkataramanan, Accountant-General, Food, Rehabilitation
and Supply.

SECRETARIAT

Shri M. N. Kaul (*Secretary*)

Shri S. L. Shakhder (*Officer on Special Duty*)

WITNESSES

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

Shri A. K. Roy, Joint Secretary, Ministry of Finance (I. & C. Division).

Shri C. C. Desai, Secretary, Ministry of Commerce.

Shri S. Ranganathan, Joint Secretary, Ministry of Commerce.

Ministry of Industry and Supply

87. At the outset, the Committee considered generally the policy with regard to State Trading. The Committee agreeing with the Comptroller and Auditor-General and while recognising that during the period of war Government had to undertake these commercial or semi-commercial activities with a view to maintain the essential national life, because ordinary modes of supply of the essential articles were not available to the people, it expressed strong disapproval of the entire system of working of the State Trading Schemes and in particular of the manner of their accounting. It was pointed out that there was a tendency on the part of the Government to start all sorts of schemes without adequate preparation or planning or even ensuring the requisite technical staff, whether on the administrative or the accounts side and it was only when confusion arose that the services of Accounts Officers were asked for to straighten the position. Although the schemes started during the war were being wound up, the Committee felt that in case it became necessary for Government to continue any of those activities, or start new activities, the accounts ought to be kept more or less on commercial principles, as these State Trading Schemes involved the utilisation of enormous

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sums of public funds. The Committee stressed that the accounts should be maintained and audited with due regard to commercial principles. It should be ensured on the basis of the accounts maintained for a particular scheme or project that Government did not pay more than what should have been paid and that all the recoveries were effected in time. The Committee suggested that the various Ministries of the Government of India should review the State Trading Schemes under their control with a view to see that they were not sustaining losses and adequate provision existed to guard against incurring expenditure without obtaining financial sanction in advance. The Committee also desired that before starting any big projects in future they should be properly planned and appropriate arrangements made for their accounting and audit in consultation with the Comptroller and Auditor-General.

88. The Committee then resumed discussion on the remaining State Trading schemes relating to the Ministry of Industry and Supply. It first took up the scheme for the production and supply of coal and commented at the terms of agreement executed by Government with Messrs. Sir Lindsay Parkinson and Co. Ltd. for working the project which had resulted in a huge loss. The Committee desired that a statement showing the amount of the net deficit after final settlement of the outstanding issues be prepared and furnished to it in due course. The Committee then considered schemes relating to the 'Consumer Goods imported on Government account' and 'Purchase of Paper' and desired that a review of the working of these schemes showing their latest financial position be prepared and placed before them along with the Accounts for the year 1948-49.

89. In regard to the Reserve Stores it was stated that in the D.G.M.P. portion, stocks worth about Rs. 39 crores had been disposed of and recoveries effected, and the balance left over consisted of highly valuable alloy steel worth Rs. 1.94 crores. The Committee observed that the last physical verification of the stores was made in December, 1945. In this connection it was explained that the system of stock verification was discontinued in December, 1945 consequent on the retrenchment of the staff and that the system had since been re-introduced. The Committee commented at the remissness and serious negligence on the part of Officers who sold off the stores at unreasonable prices thus putting the State to huge financial losses. The Committee recommended that in such cases the defaulting officers should not be let off with a mere warning but adequate punishment should be inflicted on them. The Committee also desired that a procedure should be evolved whereby such irregularities are avoided in future.

90. The attention of the Committee was drawn to para. 21(d) of the Audit Report regarding the sale of cast iron scraps. The Committee desired that in order to safeguard the interests of Government a procedure should be evolved whereby adequate security deposits are invariably obtained from the contractors before they are permitted to tender for any sale.

91. The Committee then considered para. 21(j) of the Audit Report and commented at the lack of foresight on the part of the D.G. I.S.D., London in which case an extra expenditure of £200,000 had to be incurred. It observed that the Officer concerned should have entered into formal contracts and stipulated the payment of transit charges on the basis of actuals at least in later contracts. The Committee was informed that the Supply Organisation in London had been warned to be careful so that formal contracts are entered into in future.

92. With regard to the income and expenditure Account of the Government Test House, Alipore for the period under review, the Committee wished to know whether the Test House was going to be self-supporting, and also whether in view of the establishment of the National Physical Laboratory at Delhi, it was at all necessary to have the Alipore Test House as a small duplicate concern. It was stated that India being a very vast country and in view of the large amount of production work in Calcutta, the trade could not be compelled to send their samples

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to Delhi. It was also stated that if the National Physical Laboratory undertook the functions of testing for private trade, this question could be considered later. As regards the question of making the Test House a self-supporting organisation, it was explained that it was a non-commercial department maintained mainly in the interests of public as a public utility concern. In accordance with the recommendations of the Economy Committee, the fees for testing samples had been raised by 25%. The trade was already protesting against this increase and so it was not possible to raise the fees any more. The Committee desired that there should be no duplication of work in the two institutions and extra expenditure should be avoided.

93. With reference to the case mentioned in para. 21(i) (2) of the Audit Report, it was stated that the question of taking disciplinary action against the officer concerned was under reference for nearly a year with the Union Public Service Commission. The Committee desired to know in due course of the action taken against the Officer.

94. The Committee noted that large savings had occurred under sub-heads K. 1 (1) and K. 1(2)-Grant No. 99 owing to non-receipt or non-adjustment of debits. The Committee stressed that in such cases action should be taken on the lines of the recommendations of the previous Committee contained in para. 7 of their Report on the Accounts for 1944-45 and the instructions issued in the late Finance Department Office Memorandum No. F. 1 (155)-B/46, dated the 18th December, 1946, which enjoins that a close liaison should be maintained between the supplying and the receiving Departments with a view to avoiding large lapse of funds.

95. While discussing the case mentioned in para. 21(i) (3) of the Audit Report the Committee accepted a suggestion of the Comptroller and Auditor-General that in order to obviate such cases in future a system of an administrative audit on the lines of that in vogue in the MES should, in addition to the audit exercised by his officers, be introduced in all the major spending Departments of the Government of India.

Ministry of Commerce

96. The Committee then proceeded with the examination of the Commerce Ministry. It first took up the Eastern Shipping Corporation. With regard to the transfer of two ships purchased from North America in 1949 to this Corporation at the book value, without making provision for depreciation, it was stated that the question was discussed in great detail with the Corporation and also with the Comptroller and Auditor-General and it was decided finally not to make any deduction for depreciation. The ships were accordingly transferred to the Corporation at their face value and it was also decided to transfer to them the profits earned during the period the ships were run by Government which almost covered the value of depreciation. It was stated that the Company's auditors would conduct the audit of the Corporation according to the Company Law and submit a report to the Directors. Over and above that, the Comptroller and Auditor-General had the right to audit the accounts. The Comptroller and Auditor-General, however, had some doubts as the Company's Accounts were audited by the Auditors appointed under Company Law and he derived authority from the Constitution and not from the Company's Articles of Association. In reply to a question whether the Scindias drew any managing agency allowance, it was stated that they got the managing agency commission as part of the profits but they did not draw any office allowance.

97. A reference was made by the Committee to the question of acquisition of the Vizag ship-building yard. It was stated in this connection that the whole matter was under consideration and the possibility of Scindias coming in as a shareholder was being explored.

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98. The Committee then dealt with the question of the adjustment of the opening balance of Rs. 76,88,999 in the Deposit Account of India's contribution to U.N.R.R.A. It was stated that the opening balance had been adjusted by crediting to Miscellaneous Government Accounts in the prepartition accounts. A sum of Rs. 51 lakhs and another of Rs. 12,000 representing payment during the post-partition period had been credited to U. N. Fund as India's contribution to U. N. R. & R. A. Fund. It was added that according to the latest position only about Rs. 5,000 or 6,000 remained to be adjusted now and that there would be no further claim.

99. The Committee then reviewed the working of the Offices of the Tea Controller and the Controller of Enemy Firms and Custodian of Enemy Property.

100. The Committee then proceeded to deal with the Commercial Appendix and examined the financial review by the Ministry of Commerce on the Lighthouses and Lightships Department which showed a surplus of about 4.9 lakhs. The Committee was informed that this surplus was credited to a Fund reserved for the development and improvement of lighthouses, capital charges on new lighthouses etc. The Committee was also informed that with effect from 1st April, 1950 the Rangoon Lighthouse had been transferred to the Burma Government.

**PROCEEDINGS OF THE NINTH MEETING OF THE PUBLIC ACCOUNTS
COMMITTEE HELD ON FRIDAY THE 19TH JANUARY, 1951.**

101. The Committee met from 2-30 P.M. to 5 P.M.

102. Those present were :

Shri B. Das (*Chairman*)
Shri M. L. Dwivedi.
Shri H. G. Mudgal.
Pandit Krishna Chandra Sharma.
Pandit Munishwardatt Upadhyay.
Shri Tribhuan Narayan Singh.
Shri H. S. Rudrappa.
Shri S. N. Das.
Shri Bali Ram Bhagat.
Shri B. N. Munavalli.
Shri T. H. Sonavane.
Shri K. A. Damodara Menon.

} *Members.*

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues.

Shri S. Venkataramanan, Accountant-General, Food, Rehabilitation and Supply.

SECRETARIAT

Shri M. N. Kaul (*Secretary*)

Shri S. L. Shakhder (*Officer on Special Duty*)

WITNESSES

Shri K. R. K. Menon, Secretary, Ministry of Finance (Department of Revenue and Expenditure).

Shri J. Dayal, Joint Secretary, Ministry of Finance (Department of Revenue and Expenditure).

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

Shri P. C. Padhi, Chairman, Central Board of Revenue.

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

Shri K. R. P. Aiyangar, Member, Central Board of Revenue.

Ministry of Finance

103. The Committee considered the scope of audit control to be exercised by the Comptroller and Auditor-General over the accounts of the two Corporations set up by the Ministry of Finance viz., The Rehabilitation Finance Administration and the Industrial Finance Corporation. It was suggested that provisions analogous to those existing in the Reserve Bank of India Act, 1934 which empowered the Comptroller and Auditor-General to conduct audit of the accounts of that Bank, should be enacted by Parliament in regard to the audit of the accounts of these Corporations, as well as for other State Trading enterprises in which Government had invested money. As regards the audit of the Reserve Bank, the Comptroller and Auditor-General informed the Committee that it would be a colossal business

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and he had not got the requisite machinery to undertake this job at present. In this connection, he added that it would be necessary to examine to what extent the Comptroller and Auditor-General in the United Kingdom audits the accounts of the Bank of England. In respect of the two Corporations under reference he observed that the provisions made for their day-to-day audit appeared to him to be satisfactory, but he considered that in order to enable him to bring to the notice of Parliament certain important matters relating to the working of these bodies, he should be empowered to conduct a test-audit of their accounts in such manner as he deemed necessary.

The Committee considered at some length the working of the Industrial Finance Corporation. It was explained that this Corporation financed only the bigger industries and the question of starting of Corporations for financing the smaller industries had been left to the State Governments concerned. The Committee also considered the working of the Rehabilitation Finance Administration.

104. As regards the provisions made in the Memorandum and Articles of Association of the Corporations financed entirely by the Central Government as also in the case of those financed partly by the Government of India and partly by State Governments authorising the Comptroller and Auditor-General to conduct their audit, the C. & A. G. stated that he did not regard it as in conformity with his constitutional position to be empowered to perform audit functions by virtue of the powers vested in him by the Articles of a private Company. The Comptroller and Auditor-General pointed out in this connection that the present policy of Government appeared to be to establish independent corporations for the management of concerns more or less on business lines untrammelled by day to day Government interference and routine. He suggested that it would be more appropriate if such corporations were set up under statutes of Parliament rather than under the executive action of Government and the extent to which he should be made responsible for their audit should be defined in such statutes. The Committee shared the views held by the Comptroller and Auditor-General and recommended that his functions and responsibilities should be defined in specific terms in the statute itself providing for the setting up of a Corporation.

105. The Committee then proceeded to deal with the Audit Report, 1949 relating to the Ministry of Finance and considered paras. 24 and 26 thereof. In regard to the latter para., it observed that in cases where a particular Grant was operated upon by more than one Ministry, the Ministry of Finance should exercise strict vigilance to check the tendency of over-budgeting on the part of the spending Ministries concerned.

106. The Committee then took up para. 27 of the Audit Report wherein it was suggested that the Office of the Accountant General, Central Revenues, should be relieved of the treasury work which should be transferred to a banking treasury to be opened at New Delhi. By this transfer, the audit staff would be enabled to exercise better and more efficient post-audit check on all payments. The Committee was informed that the Ministry of Finance had accepted the principle that treasury functions should be separated from audit functions and that necessary preliminaries to put through the scheme were being worked out. The Comptroller and Auditor-General stressed that the Central Government should set an example to the State Governments, as at present the Accountants-General in the various States performed treasury work also and this led to chaos in the administration of accounts and audit offices. He also stressed extreme impropriety of his Officers being responsible for making payments and auditing them finally.

107. With regard to para. 30 of the Audit Report, the Committee noted that there had been inordinate delay in the submission of stock accounts to the Audit Offices thereby defeating the very purpose of those accounts. An assurance was

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given to the Committee that such delays in the submission of accounts would be avoided in future.

108. With reference to para. 31 of the Report relating to the settlement of pre-partition claims, the Committee desired that the question of the verification of outstanding claims should be taken up with the Pakistan Government at an Inter-Dominion Meeting and an early disposal thereof secured.

109. As regards para. 32, the Committee was informed that the Ministry of Finance had introduced strict control in the matter of replacement of old staff cars and purchase of new ones which could only be done with the approval of the Finance Minister.

110. The Committee then took up Grant No. 72-Miscellaneous-sub-head 1.3—Small Savings Scheme and wished to know about the working of this scheme and also whether the expenditure incurred thereon was commensurate with the results achieved. It was stated that it was contemplated to bring about some re-organisation and effect economy in the scheme. It was also explained that the system of appointing authorised Agents had been abolished because they were functioning mostly in urban areas and left the rural areas largely untouched. As a result of demands from some States, the system of appointing agents had been re-introduced, after removing some earlier defects, in West Bengal, Bombay and Madras but the commission had been reduced from 2½% to 1½% and it was given only on 12 years' Savings Certificates. It was proposed to watch the results for some time before introducing it in other States. The Committee desired to have a note on the progress made in the scheme so far.

111. The Comptroller and Auditor-General pointed out that the Reviews of the State Trading Schemes contained in the Corrections to Appropriation Account for the period under review showed the position up to May, 1950. As the position was not likely to alter materially in the Report for 1948-49, he suggested that these Reviews need not be reprinted. The Committee accepted the suggestion.

112. As regards the question of recovery of income-tax from the tax evaders, it was stated that Government had set up special machinery to investigate all such cases.

113. The Committee considered the remarks offered by the Ministry of Finance in regard to the action taken on item 1 of the Statement of outstanding recommendations of the previous Committee. It was stated that the whole question of control over expenditure was still under discussion with the Comptroller and Auditor-General. The Committee emphasized again the necessity of tightening of the financial control by the Finance Ministry over the budgeting activities of the various Ministries.

114. Before the Committee concluded its deliberations, the Comptroller and Auditor-General reviewed the measures adopted by him in strengthening his Department and improving the efficiency of audit. He stated that the Audit and Accounts Department suffered very greatly during the war as a result of certain policies in regard to relaxation of audit. During the war recruitment was stopped when at the same time the activities of Government increased enormously. In the matter of accounting itself many complexities arose as a result of Government undertaking novel and complex activities in regard to State Trading, purchases of supplies etc. The position was further aggravated by taking away audit and accounts officers on deputation to other Ministries. All this resulted in relaxation of audit and the accounts got into a mess. The Comptroller and Auditor-General had prepared a two years plan for recruiting suitable men to the Department and for providing a course of training at the various training centres. He had under consideration other plans and he hoped to strengthen the Department further to cope with the enormous activities that it had to shoulder.

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The Comptroller and Auditor-General thereafter stated that the important problems before him could be summed up under four heads:—

- (i) To raise the standard of Accounts Officers in the Part A States to the pre-war level and to increase efficiency in Accounts Offices in Part B States which had just come over to him in a chaotic condition.
- (ii) Audit of foreign transactions, especially in the Supply field;
- (iii) Separation of audit from accounts;
- (iv) Audit of receipts.

As regards the first item, the Comptroller and Auditor-General assured the Committee that he had the position under his control and constant review, but as the whole process was likely to take some time, the results of the policies pursued by him could only bear fruit after sufficient time had elapsed. As regards the second problem *viz.*, audit of foreign transactions, the Comptroller and Auditor-General stated that it was necessary to organise a small audit office in Washington and to add some more staff to the audit Office in London for inspection purposes. He said that both the matters were under his consideration.

With regard to the separation of Audit from Accounts, the Comptroller and Auditor-General expressed the view that this was very important problem and in no country of the world, his counterpart was required to maintain accounts in addition to carrying out audit functions. He said that the principle of entrusting accounts functions to the Comptroller and Auditor-General was quite wrong and it detracted considerably from the responsibility of the administration itself for rendering accounts. It was the duty of each Administration to keep its accounts, to watch the progress of expenditure so that it functioned properly and effectively. The Administration will be a live organisation only when the excessive central financial control was eliminated and more responsibility in the field of Financial control and Accounts was delegated to them.

The Comptroller and Auditor-General said that the fourth reform of taking up audit of receipts was academical at the moment as there were man-power difficulties. This matter could be seriously considered only when the men were trained and they were fit to take up the work.

The Committee endorsed the views of the Auditor-General and observed that the Comptroller and Auditor-General should be provided with adequate facilities to enable him to go ahead with his schemes and to provide for more efficient audit.

Proceedings of three earlier meetings of the Committee which did not consider any accounts have also been included as Appendices XXIII, XXIV and XXV.

APPENDICES

APPENDIX I

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

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
1	1945-46	7-R 61-P.	Finance	<p>Administrative authorities at whose disposal funds are placed should exercise proper control of expenditure. The Finance Ministry should energetically pursue this matter and lay down a suitable procedure for effective control. The Committee should be informed in due course of the revised procedure for the control over expenditure which should be settled in consultation with the Auditor-General.</p>	<p>Necessary instructions have been issued to the Administrative authorities that effective steps should be taken immediately to observe the procedure already laid down for reconciling departmental figures of expenditure with those booked in the accounts offices. The whole question of control over expenditure is under examination in connection with the new Constitution.</p>
2	1944-45 1945-46	6-R. 8-R.	Finance <hr/> All other Ministries	<p>Special steps should be taken to review all the schemes under State Trading which are still open, close such of them as are not necessary as early as possible and to finalise the accounts of all the closed schemes. A complete review of the schemes should be submitted for the information of the Committee at an early date.</p>	<p>Necessary instructions have been issued.</p>

Reviews submitted by the Ministries of Commerce, I. & S., Food, Health, Agriculture, Home Affairs, Transport, and W. M. P. have already been circulated to the Committee.

Appendix I

The schemes of State Trading for which reviews were sent by the Ministry of Home Affairs are as under :—

(1) A. R. P. Equipment purchased centrally.

(2) Scheme for the supply of consumer and other stores in the Andamans.

The Scheme No. (1) has since been closed on the 28-2-50.

As already explained in the note on Scheme No. (2) which was sent in November 1949, the arrangements for obtaining foodstuffs through a Government Organisation cannot be terminated and replaced by a system of working through normal private channels so long as foodstuffs are controlled.

The scheme of State Trading for which review was sent by the Communications Ministry is as under :—

The Grain Shop at Alipore (Calcutta) run by the Director-General of Observatories under the Essential Supplies Scheme has been closed down in July, 1949 and the profit realised therefrom has been credited to Government under the head "87-Capital Outlay on schemes of State Trading—scheme for the supply of essential commodities".

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Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
2	1945-46	61 A.P.	Finance	<p>The Committee suggested that the explanatory Memorandum supplied with the budget papers should be enlarged on the lines adopted in certain Provincial Governments.</p>	<p>This point will be considered along with the changes to be made in the budgetary procedure under the new Constitution. This has in fact been done with effect from 1950-51.</p>
4	1945-46	15-B. 14-P.	Railways	<p>The orders issued by the then Finance Department in 1947 for securing Parliamentary control over the utilisation of unanticipated credits should be applied to Railway Grants also.</p>	<p>A Memorandum has been submitted to the Committee.</p>
5	1945-46	15-P.	Railways	<p>Where a grant had been obtained for a specific purpose, the approval of the Legislature should be obtained through a token demand for its diversion to other purposes.</p>	<p>The suggestion of the Committee is feasible in cases where savings are available for diversion from the supplementary grants taken in the Autumn Session of the Legislature. In the case of the supplementary grants taken at the end of the year during the budget session on the basis of the revised estimates, it will not be possible to follow this course, obviously because of time factor.</p>
6	1947-48	14-P	Posts & Telegraphs	<p>The Committee desired that the case mentioned in items 1 and 40 of the Annexure 'A' to the Audit Report should be further pursued and a report made to them in due course.</p>	<p>A report has been submitted to the Committee.</p>
7	1945-46	74-P.	Director General, Posts and Telegraphs.	<p>The Department should re-examine the question of fixation of the reserve limit of stores balances.</p>	<p>A Memorandum has been submitted to the Committee.</p>

Appendix I

8	1945-46	78-P.	Director General, Posts and Telegraphs.	The whole question of procedure for the purchase and issue of stores should be gone into by the Posts and Telegraphs' Department in consultation with the Accountant-General, Posts and Telegraphs and a detailed report submitted to the Committee dealing among other things with the remedial action taken by Government.	A report will be submitted to the Committee in due course.
9	1945-46	79-P.	Director General, Posts and Telegraphs.	Effective steps should be taken to see that irregularities of the kind mentioned in para 34(a) of the P. & T. Audit Report 1946 do not occur in future.	Necessary instructions have been issued in the matter.
10	1945-46	80-P.	Director General, Posts and Telegraphs	The Communications Ministry should, in consultation with other Ministries, devise steps to secure that delay in departmental adjustments regarding telephone dues is eliminated.	A Memorandum has been submitted to the Committee.
11	1947-48 1945-46	32-P. 41-P.	Labour	The Committee suggested that the question of taking adequate disciplinary action against the officers concerned should be taken up again by the Ministry.	The suggestion of the Committee will be acted upon.
12	1946-47	59-P.	Auditor General	A report should be submitted to the Committee in due course as the result of his enquiry into the accounting mistake referred to in this para.	A report has been submitted to the Committee.
13	1945-46	70-P.	Information and Broadcasting.	The Committee enquired whether it was necessary to include the accounts of All India Radio in the Commercial Appendix to the Appropriation Accounts as it was not clear whether the service was really a commercial one.	A report has been submitted to the Committee.
14	1947-48	3-P.	Defence	With reference to the case mentioned in para 2 of the Defence Audit Report, the Committee desired that a report on the action taken against the officer who delayed the investigation should be submitted to it.	A report has been submitted to the Committee.
15	1946-47	1-P.	Defence	The Ministry of Defence should consider further the Auditor General's suggestion that some training should be imparted to Defence Services personnel in fundamental principles of public property and the elementary principles of accounting.	A report has been submitted to the Committee.

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Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
16	1946-47	2A.P.	Defence	<p>With reference to paras 7 and 24 of the Audit Report the Committee desired that an analysis of the broad categories and amounts of objections dropped and pursued and a report on the results should be prepared by the Ministry of Defence to enable Audit to ensure that objections dropped were only those which could not be profitably pursued.</p>	<p>Necessary information was furnished to Audit who are satisfied that objections dropped were only those which could not be profitably pursued. [c.f. para 2 of <i>Ministry of Defence O. M. No. 7/59</i> (Coord (A), dated 21st July, 1950).]</p>
17	1946-47	9.P.	Defence	<p>The Committee desired that a report should be submitted to them regarding the progress made in bringing the accounts in the Air Force Formation up-to-date.</p>	<p>A report has been submitted to the Committee.</p>
18	1947-48	8.P.	Industry and Supply	<p>In regard to the case mentioned in para 5 of the Defence Audit Report the Committee desired that the matter should be investigated further and a report made to them in due course.</p>	<p>A report has been submitted to the Committee.</p>
19	1947-48	11-A.P.	Industry and Supply	<p>The Committee desired that a report of the final action taken in the cases mentioned in paras 1 and 2 of the Civil Audit Report should be submitted to them.</p>	<p>The question of taking any disciplinary action against the officers concerned for the irregularities referred to, is receiving the attention of the competent authorities.</p>
20	1946-47	31.P.	Industry and Supply	<p>A report should be submitted to the Committee in due course regarding the disposal of the outstanding cases.</p>	<p>A report has been submitted to the Committee.</p>
21	1946-47	32.P.	Industry and Supply	<p>The case mentioned in para 15 of the Defence Audit Report should be re-examined in consultation with the law advisers of Government to consider if any legal action could be taken at this stage against those at fault.</p>	<p>The case was referred to the Legal Adviser who opined that as it could not be proved that the store was sold cheap in conspiracy with the purchaser, it is not a fit case for prosecution.</p>

- 22 1946-47 . . . 34-P. . . Industry and Supply . . . The Committee desired that the further progress made in the adjustment of outstanding sale accounts referred to in para 66 of the Defence Audit Report should be reported to them. . . A report has been submitted to the Committee.
- 23 1946-47 . . . 53-P. . . Industry and Supply . . . The Committee desired that a report should be submitted in due course on the case mentioned in para 16 of the Civil Audit Report. . . The question of taking any disciplinary action against the officer concerned for the irregularities referred to, is receiving the attention of the competent authorities.
- 24 1945-46 . . . 56-P. . . Industry and Supply . . . In cases similar to the one mentioned in para 23(a) of the Audit Report 1947, a provisional price subject to a ceiling should be fixed. . . Necessary instructions have been issued.
- 25 1947-48 . . . 2-R.
37-P. . . Home Affairs . . . The Committee suggested that the review of the Classification, Control and Appeal Rules should be considered as early as possible to secure that prompt and disciplinary action was taken against Government servants responsible for committing irregularities, etc. . . A report has been submitted to the Committee.
- 26 1945-46 . . . 24-P. . . Agriculture . . . The Agriculture Ministry should submit the Committee a report showing whether the result achieved has been commensurate with the expenditure incurred on Grow More Food Schemes. . . A report has been submitted to the Committee.
- 27 1947-48 . . . 3-R.
29-P. . . Food . . . A complete and self-contained report on the clearance of the outstanding recoveries on account of food-grains supplied to the Provinces and States should be submitted to the Committee. . . A report has been submitted to the Committee.
- 28 1945-46 . . . 50-P. . . Communications . . . The Committee should be informed in due course of the decision taken on the question of continuance of the Civil Aviation Fund. . . It has been decided to abolish the Civil Aviation Fund.

APPENDIX II

*Statement Comparing Expenditure with Grants for 1947-48
(15th August 1947 to 31st March 1948).*

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 -	More + Less -
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Customs : Voted . . .	68,98,000	70,72,000	65,32,127	-3,15,873	-4,89,873
2. Central Excise and Salt : Charged . . .	2,50,000	2,50,000	1,19,289	-1,30,711	-1,30,711
Voted . . .	2,29,59,000	2,30,42,000	1,88,51,984	-41,07,016	-41,90,016
3. Taxes on Income including Corporation Tax : Voted . . .	94,54,000	1,00,04,000	95,52,182	+98,182	-4,51,818
4. Opium : █ Voted . . .	14,59,000	20,21,000	18,86,100	+3,77,100	-1,84,900
5. Provincial Excise : Voted . . .	2,75,000	2,75,000	1,64,885	-1,10,115	-1,10,115
6. Stamps : Charged . . .	1,39,000	1,66,000	1,42,951	+9,951	-17,049
Voted . . .	68,54,000	68,56,000	64,41,299	+87,299	-4,14,701
7. Forest : Voted . . .	16,43,000	16,43,000	10,04,679	-6,38,321	-6,38,321
8. Irrigation (including working expenses) Navigation, Embankment and Drainage Works : Charged . . .	60,000	60,000	58,085	-1,915	-1,915
Voted . . .	6,71,000	6,71,000	2,82,137	-3,88,863	-3,88,803
10. Cabinet : Charged . . .	7,92,000	7,92,000	5,60,984	-2,31,016	-2,31,016
Voted . . .	2,63,000	2,63,000	2,06,566	-56,434	-56,434
11. Constituent Assembly : Voted . . .	23,75,000	23,75,000	18,99,079	-9,75,921	-9,75,921
12. Constituent Assembly of India (Legislative) : Voted . . .	14,29,000	14,29,000	9,34,946	-4,04,054	-4,04,054
13. Ministry of Home Affairs : Voted . . .	20,17,000	20,17,000	16,72,053	-3,44,947	-3,44,947
14. Ministry of Information and Broadcasting : Voted . . .	28,02,000	28,02,000	23,28,956	-4,73,044	-4,73,044
15. Ministry of Law : Voted . . .	5,49,000	5,49,000	4,43,903	-1,05,097	-1,05,092
16. Ministry of Education : Voted . . .	21,29,000	21,29,000	13,90,521	-7,38,479	-7,38,479
17. Ministry of Agriculture : Voted . . .	12,69,000	12,69,000	11,13,912	-1,55,188	-1,55,188

Appendix II

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Loss —	Expenditure compared with Final Grant or Appropriation More + Loss —
	Rs.	Rs.	Rs.	Rs.	Rs.
18. Ministry of Health :					
Voted	3,75,000	3,75,000	3,27,948	—47,052	—47,052
19. Ministry of External Affairs and Commonwealth Relations :					
Voted	20,76,000	21,37,000	21,29,459	+ 58,459	+ 2,459
20. Ministry of Finance :					
Voted	49,55,000	49,55,000	48,42,773	—6,12,227	—6,12,227
21. Ministry of Commerce :					
Voted	28,13,000	32,74,000	31,14,402	+ 3,01,402	—1,59,598
22. Ministry of Labour :					
Voted	12,73,000	12,73,000	10,43,120	—2,34,880	—2,34,880
23. Ministry of Works, Mines and Power :					
Voted	11,23,000	11,23,000	9,90,372	—1,37,628	—1,37,628
24. Ministry of Communications :					
Voted	3,03,000	3,03,000	2,37,648	—65,352	—65,352
25. Ministry of Transport :					
Voted	12,58,000	12,58,000	10,94,515	—1,63,485	—1,63,485
26. Ministry of Food :					
Voted	30,68,000	30,68,000	28,14,311	—2,53,689	—2,53,689
27. Ministry of States :					
Voted	4,71,000	5,09,000	4,39,591	+ 18,591	—19,409
28. Ministry of Defence :					
Voted	15,70,000	16,94,000	16,94,535	+ 1,24,535	+ 535
29. Ministry of Industries and Supplies :					
Voted	12,08,000	12,42,000	12,22,525	+ 19,525	—19,475
30. Ministry of Relief and Rehabilitation :					
Voted	8,00,000	8,00,000	5,75,095	—2,21,905	—2,21,905
31. Ministry without Portfolio :					
Voted	1,10,000	1,10,000	76,811	—33,189	—33,189
32. Payments to other Governments, Departments, etc., on account of the Administration of Agency subjects and management of Treasuries, etc. :					
Voted	19,36,000	19,36,000	19,77,383	—3,117	—3,117
33. Audit :					
Charged	40,000	40,000	36,110	—3,890	—3,890
Voted	1,08,55,000	1,11,53,000	1,07,72,597	—32,403	—3,80,403
34. Administration of Justice :					
Charged	2,40,000	2,40,000	2,15,873	—24,027	—24,027
Voted	4,60,000	4,60,000	2,43,798	—2,16,202	—2,16,202
35. Jails and Convict Settlements :					
Voted	18,000	13,000	9,968	—8,032	—8,032
36. Police :					
Voted	11,59,000	12,15,000	11,72,784	+ 18,784	—42,216
37. Ports and Pilotage :					
Voted	21,53,000	21,77,000	19,52,153	—2,00,847	—2,24,847
38. Lighthouses and Lightships :					
Voted	6,73,000	6,73,000	6,11,212	—61,788	—61,788
39. Ecclesiastical :					
Voted	2,21,000	2,21,000	2,74,630	+ 53,630	+ 53,630

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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—	More + Less—
	Rs.	Rs.	Rs.	Rs.	Rs.
40. Tribal Areas :					
Voted	55,22,000	55,22,000	48,18,740	—9,08,260	—9,08,260
41. External Affairs :					
Voted	1,11,18,000	1,11,18,000	94,92,778	—16,20,227	—16,20,227
42. Survey of India :					
Voted	64,91,000	64,91,000	36,91,774	—37,99,226	—37,99,226
43. Botanical Survey :					
Voted	1,43,000	1,43,000	70,807	—72,693	—72,693
44. Zoological Survey :					
Voted	1,92,000	1,92,000	1,08,226	—83,774	—83,774
45. Geological Survey :					
Voted	14,15,000	14,15,000	10,29,278	—3,85,722	—3,85,722
46. Mines :					
Voted	5,80,000	5,80,000	4,58,178	—1,21,822	—1,21,822
47. Archaeology :					
Voted	12,61,000	12,61,000	12,78,169	+12,169	+12,169
48. Meteorology :					
Voted	30,93,000	30,93,000	27,31,164	—3,61,836	—3,61,836
49. Other Scientific Departments :					
Voted	68,12,000	68,12,000	40,14,496	—27,97,514	—27,97,514
50. Education :					
Voted	79,51,000	79,51,000	65,84,569	—14,16,431	—14,16,431
51. Medical Services :					
Voted	21,19,000	21,19,000	15,07,307	—6,11,693	—6,11,693
52. Public Health :					
Voted	36,31,000	36,31,000	33,05,919	—3,25,081	—3,25,081
53. Agriculture :					
Voted	1,14,29,000	8,23,11,000	1,72,08,786	+57,79,786	—1,51,02,214
54. Civil Veterinary Services :					
Voted	17,37,000	17,37,000	11,41,427	—5,95,573	—5,95,573
55. Industries and Supplies :					
Voted	1,98,79,000	2,67,79,000	2,65,92,915	+67,18,915	—1,86,065
56. Overseas Communication Service :					
Charged	72,000	72,000	1,601	—70,399	—70,399
Voted	28,17,000	36,06,000	30,79,887	+2,62,887	—5,26,613
57. Aviation :					
Voted	1,08,62,000	1,08,62,000	74,39,970	—34,22,030	—34,22,030
58. Broadcasting :					
Voted	57,22,000	60,90,000	54,79,914	—2,42,086	—6,10,086
59. Emigration :					
Voted	20,000	20,000	9,377	—10,623	—10,623
60. Commercial Intelligence and Statistics :					
Voted	27,99,000	27,99,000	20,10,954	—7,88,046	—7,88,046
61. Census :					
Voted	1,50,000	2,25,000	2,22,501	+72,501	—2,499
62. Joint Stock Companies :					
Voted	2,32,000	2,32,000	1,68,166	—63,834	—63,834
63. Indian Dairy Department :					
Voted	8,89,000	8,89,000	5,48,239	—2,92,761	—2,92,761
64. Miscellaneous Departments :					
Voted	78,94,000	78,94,000	78,11,218	—82,782	—82,782
65. Currency :					
Charged	1,19,000	1,19,000	96,181	—33,819	—33,819
Voted	52,38,000	52,38,000	35,68,877	—16,74,123	—16,74,123

Appendix II

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More+ Less-	Expenditure compared with Final Grant or Appropriation More+ Less-
	Rs.	Rs.	Rs.	Rs.	Rs.
66. Mint:					
Voted	86,43,000	69,27,000	64,75,461	-1,67,539	-4,51,539
67. Civil Works:					
Charged	13,83,000	13,83,000	8,65,754	-5,77,246	-5,77,246
Voted	5,20,44,000	5,20,44,000	2,21,06,972	-2,99,37,028	-2,99,37,028
68. Central Road Fund:					
Voted	86,65,000	86,65,000	86,65,000	..	..
69. Territorial and Political Pensions:					
Voted	18,69,000	18,69,000	10,86,010	-2,82,990	-2,82,990
70. Superannuation allowances and Pensions:					
Charged	3,32,000	3,32,000	3,94,572	+62,572	+62,572
Voted	1,69,36,000	1,69,36,000	1,32,62,920	-36,73,080	-36,73,080
71. Stationery and Printing:					
Voted	1,14,80,000	1,14,80,000	1,02,72,369	-12,07,631	-12,07,631
72. Miscellaneous:					
Charged . . . . .	..	..	8,289	+8,289	+8,289
Voted	28,32,69,000	28,32,69,000	10,78,50,312	-12,54,18,688	-12,54,18,688
73. Expenditure on Refugees:					
Voted	22,00,00,000	22,00,00,000	2,72,08,911	-19,27,91,089	-19,27,91,089
78-A. Grants-in-aid to Provincial Governments:					
Charged	44,03,000	44,03,000	43,75,000	-28,000	-28,000
Voted . . . . .	..	1,40,00,000	1,40,00,000	+1,40,00,000	+1,40,00,000
79. Miscellaneous Adjustments between the Central and Provincial Governments:					
Voted	70,000	76,000	58,046	-16,954	-22,954
80. Resettlement and Development:					
Voted	3,59,78,000	3,59,78,000	1,45,81,003	-2,13,96,997	-2,13,96,997
81. Civil Defence:					
Voted	1,08,000	1,28,000	1,56,228	+48,228	+38,228
82. Delhi:					
Charged	20,000	23,000	36,617	+16,617	+13,617
Voted	96,78,000	1,01,77,000	1,08,11,882	+9,83,882	+6,84,882
83. Ajmer-Merwara:					
Charged	22,000	22,000	21,722	-278	-278
Voted	42,64,000	42,64,000	31,66,011	-10,97,989	-10,97,989
84. Panth Piploda:					
Voted	14,000	14,000	11,123	-2,877	-2,877
85. Andaman and Nicobar Islands:					
Charged	22,000	22,000	23,277	+1,277	+1,277
Voted	56,90,000	56,90,000	43,24,008	-13,65,992	-13,65,992
86. Relations with Indian States:					
Voted	36,52,000	36,63,000	34,04,091	-2,47,909	-2,58,909
<i>Interest on Debt and other Obligations and Reduction or avoidance of Debt—</i>					
Charged	29,52,40,000	20,52,40,000	32,21,86,954	+11,69,46,954	+11,69,46,954
<i>Staff, Household and Allowances of the Governor General—</i>					
Charged	11,80,000	13,18,000	16,82,223	+5,02,223	+3,64,223
<i>Federal Public Service Commission—</i>					
Charged	7,30,000	7,20,000	6,08,588	-1,11,412	-1,11,412
87. Capital Outlay on Forests:					
Voted	33,01,000	33,01,000	6,09,092	-26,91,008	-26,91,008
88. Capital Outlay on the India Security Press:					
Voted	10,02,000	10,02,000	3,68,721	-6,33,279	-6,33,279
91. Capital Outlay on Industrial Development:					
Voted	5,30,92,000	5,30,92,000	2,82,25,601	-2,48,66,399	-2,48,66,399

Public Accounts Committee

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—
	Rs.	Rs.	Rs.	Rs.	Rs.
92. Capital Outlay on Civil Aviation:					
Voted	1,58,65,000	2,14,98,000	1,53,68,992	—4,96,008	—61,29,008
93. Capital Outlay on Broadcasting:					
Voted	32,78,000	32,78,000	8,69,522	—24,08,478	—24,08,478
94. Capital Outlay on Mtns:					
Voted	57,45,000	57,45,000	29,54,969	—27,90,031	—27,90,031
95. Delhi Capital Outlay:					
Charged	29,000	29,000	..	—29,000	—29,000
Voted	62,04,000	62,04,000	—1,49,814	—63,53,814	—63,53,814
96. Capital Outlay on Civil Works:					
Voted	64,21,000	64,21,000	5,60,394	—58,60,606	—58,60,606
97. Commuted Value of Pensions:					
Voted	1,02,000	3,67,000	88,83,307	+37,81,307	+36,16,307
98. Payments to Retrenched Personnel:					
Voted	1,000	1,000	—54,418	—55,418	—55,418
99. Capital Outlay on Schemes of State Trading:					
Voted	2,32,71,000	10,85,96,000	10,97,70,318	+8,65,03,318	+11,83,318
100. Capital Outlay on Development:					
Voted	24,27,64,000	24,27,64,000	13,70,77,353	—10,56,86,642	—10,56,86,642
101. Capital Outlay on Currency:					
Voted	1,20,000	1,20,000	—18,445	—1,38,445	—1,38,445
102. Interest free and Interest bearing Advances:					
Charged	28,50,00,000	28,50,00,000	18,98,91,500	—7,51,08,500	—7,51,08,500
Voted	6,55,05,000	6,55,05,000	5,30,92,091	—1,24,12,909	—1,24,12,909
TOTAL {					
Charged	48,00,63,000	48,02,31,000	52,12,70,670	+4,12,07,670	+4,10,39,670
Voted	1,25,81,46,000	1,39,59,80,000	80,44,84,425	—45,36,61,575	—59,14,75,575
Expenditure met from Revenue:					
Charged	21,50,34,000	21,62,02,000	33,13,79,170	+11,63,45,170	+11,61,77,170
Voted	83,14,75,000	87,80,68,000	45,19,16,927	—37,95,53,073	—42,61,40,073
Expenditure met from Capital:					
Charged	29,000	29,000	..	—29,000	—29,000
Voted	36,11,86,000	45,23,80,000	29,94,76,407	—6,16,90,593	—15,29,13,593
Disbursements of Loans and Advances:					
Charged	28,50,00,000	28,50,00,000	18,98,91,500	—7,51,08,500	—7,51,08,500
Voted	6,55,05,000	6,55,05,000	5,30,92,091	—1,24,12,909	—1,24,12,909
PART II—POSTS AND TELEGRAPHS.					
A.—EXPENDITURE MET FROM REVENUE.					
9. Indian Posts and Telegraphs Department:					
Charged	54,28,000	55,25,000	53,65,964	+1,37,954	+40,954
Voted	18,31,57,000	13,31,58,000	12,78,30,713	—58,26,237	—58,27,237

Appendix II

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—	
	Rs.	Rs.	Rs.	Rs.	Rs.	
B.—EXPENDITURE CHARGED TO CAPITAL.						
89. Capital Outlay on Indian Posts and Telegraphs Department (outside the Revenue Account):						
Voted	3,11,70,000	3,11,70,000	1,70,15,575	—1,41,54,425	—1,41,54,425	
90. Indian Posts and Telegraphs—Stores Suspense (outside the Revenue Account):						
Voted	1,000	1,000	—27,40,847	—27,41,847	—27,41,847	
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Total—Expenditure charged to Capital:						
Voted	3,11,71,000	3,11,71,000	1,42,74,928	—1,68,96,072	—1,68,96,072	
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Total—Posts and Telegraphs	16,97,56,000	16,98,54,000	14,76,71,595	—2,20,84,405	—2,21,82,405	
<hr/>						
Total	{ Charged	54,28,000	55,85,000	55,65,954	+ 1,37,954	+ 40,954
	{ Voted	16,43,23,000	16,43,29,000	14,21,05,641	—2,22,23,359	—2,22,23,359
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PART III—RAILWAYS.						
A.—EXPENDITURE CHARGED TO REVENUE.						
1. Revenue—Railway Board:						
Voted	20,80,000	20,80,000	16,46,816	—4,33,184	—4,33,184	
2. Revenue—Audit:						
Voted	12,02,000	12,02,000	10,07,769	—1,94,231	—1,94,231	
3. Revenue—Miscellaneous Expenditure:						
Voted	44,33,000	44,33,000	32,25,600	—12,07,394	—12,07,394	
4. Revenue—Working Expenses—Administration:						
Voted	13,80,93,000	13,80,93,000	11,08,78,219	—2,52,14,781	—2,52,14,781	
5. Revenue—Working Expenses—Repairs and Maintenance:						
Voted	29,48,81,000	29,48,81,000	24,43,04,584	—5,05,76,416	—5,05,76,416	
6. Revenue—Working Expenses—Operating Staff:						
Voted	18,06,07,000	18,06,07,000	14,22,43,621	—3,83,63,379	—3,83,63,379	
7. Revenue—Working Expenses—Operation (Fuel):						
Voted	13,61,34,000	13,61,34,000	11,68,40,156	—1,97,93,844	—1,97,93,844	
8. Revenue—Working Expenses—Operation—Other than Staff and Fuel:						
Voted	4,44,95,000	4,44,95,000	4,06,14,406	—38,80,594	—38,80,594	
9. Revenue—Working Expenses—Miscellaneous Expenses:						
Voted	19,90,32,000	19,90,32,000	18,92,77,903	—97,54,097	—97,54,097	

Public Accounts Committee

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—
	Rs.	Rs.	Rs.	Rs.	Rs.
10. Revenue—Payments to Indian States and Companies :					
Voted	81,57,000	81,57,000	64,17,489	—17,39,511	—17,39,511
11. Revenue—Working Expenses—Appropriation to Depreciation Fund :					
Voted	6,81,51,000	6,81,51,000	6,80,54,258	—96,742	—96,742
12. Revenue—Interest Charges:					
Charged	13,44,61,000	13,61,19,000	13,29,23,499	—15,37,501	—31,95,501
13. Revenue—Appropriation to Betterment Fund . . . . .		..	
14. Revenue—Appropriation to Reserve . . . . .	..	..	
14-A. Revenue—Withdrawal from Reserve:					
Voted	2,79,08,000	5,32,75,000	2,58,58,295	—20,54,705	—2,74,21,705
Total—Railway Expenditure Charged to Revenue	1,28,76,84,000	1,26,46,59,000	1,08,27,87,421	—15,48,46,579	—18,18,71,579
Total { Charged	13,44,61,000	13,61,19,000	13,29,23,499	—15,37,501	—31,95,501
Voted	1,10,81,78,000	1,12,85,40,000	94,98,68,922	—15,33,09,078	—17,86,78,078
B.—EXPENDITURE CHARGED TO CAPITAL.					
15. Capital—Construction of New Lines:					
Voted	1,69,43,000	1,69,43,000	41,28,245	—1,28,19,755	—1,28,19,755
16. Open Line Works—Additions :					
Voted	10,86,00,000	10,86,00,000	1,33,08,402	—9,52,96,598	—9,52,96,598
17. Open Line Works—Replacements:					
Voted	5,08,00,000	5,08,00,000	1,44,67,105	—3,63,32,895	—3,63,32,895
18. Capital Outlay on Vizagapatam Port.					
Voted	14,15,000	14,15,000	98,232	—13,21,768	—13,21,768
Total—Railway Expenditure Charged to Capital	17,77,58,000	17,77,58,000	3,19,86,984	—14,57,71,016	—14,57,71,016
C.—DISBURSEMENTS UNDER P.—DEPOSITS AND ADVANCES.					
(i) Depreciation Reserve Fund—					
15. Construction of New Lines :					
Voted	—45,70,000	—45,70,000	1,99,002	+47,69,002	+47,69,002
16. Open Line Works—Additions :					
Voted . . . . .	..	..	2,811	+2,811	+2,811
17. Open Line Works—Replacements :					
Voted	10,22,00,000	10,22,00,000	3,24,76,240	—6,97,23,760	—6,97,23,760
Total—Expenditure charged to Depreciation Reserve Fund	9,76,90,000	9,76,30,000	3,26,78,058	—6,49,51,947	—6,49,51,947

Appendix II

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—
(4) Betterment Fund—					
	Rs.	Rs.	Rs.	Rs.	Rs.
16. Open Line Works—Additions:					
Voted . . .	3,14,00,000	3,14,00,000	43,80,235	—2,70,19,765	—2,70,19,765
17. Open Line Works—Replacements:					
Voted . . .	70,00,000	70,00,000	15,14,127	—54,85,873	—54,85,873
Total—Expenditure Charged to Betterment Fund . . .	3,84,00,000	3,84,00,000	58,94,362	—3,25,05,638	—3,25,05,638
Total—Railways . . .	1,55,14,22,000	1,57,84,47,000	1,15,33,46,820	—69,80,75,180	—42,51,00,180
Total					
{ Charged . . .	13,44,61,000	13,61,19,000	13,39,23,499	—15,37,501	—31,95,501
{ Voted . . .	1,41,69,61,000	1,44,23,28,000	1,02,04,23,321	—39,65,37,679	—42,10,04,679
PART IV.—DEFENCE SERVICES. EXPENDITURE CHARGED TO REVENUE.					
74. Defence Services —Effective—Army:					
Voted . . .	57,47,19,000	57,47,19,000	45,09,57,000	—12,37,62,000	—12,37,62,000
75. Defence Services—Effective—Royal Indian Navy:					
Voted . . .	3,91,43,000	3,91,43,000	2,23,08,000	—1,68,35,000	—1,68,35,000
76. Defence Services—Effective—Air Forces:					
Voted . . .	9,22,50,000	9,22,50,000	4,58,04,000	—4,69,46,000	—4,69,46,000
77. Defence Services—Effective—Supplies and Stores:					
Voted . . .	19,01,67,000	20,06,39,000	13,35,26,000	—5,66,41,000	—6,71,13,000
78. Defence Services—Non-Effective:					
Charged . . .	..	..	2,000	+2,000	+2,000
Voted . . .	7,71,69,000	7,71,69,000	5,58,70,000	—2,12,99,000	—2,12,99,000
Total—Defence Services . . .	97,34,48,000	98,39,20,000	70,79,67,000	—26,54,81,000	—27,59,53,000
Total					
{ Charged . . .	..	..	2,000	+2,000	+2,000
{ Voted . . .	97,34,48,000	98,39,20,000	70,79,65,000	—26,54,83,000	—27,59,55,000
GRAND TOTAL . . .	4,43,28,35,000	4,60,84,12,000	3,33,47,40,510	—1,09,80,94,490	—1,27,36,71,490
Total					
{ Charged . . .	61,99,52,000	62,18,75,000	65,97,62,122	+3,98,10,123	+3,78,87,123
{ Voted . . .	3,81,28,83,000	3,98,65,37,000	2,67,49,78,387	—1,18,79,04,613	—1,31,15,58,613

APPENDIX III

Memorandum on the utilisation of unforeseen recoveries.

The Public Accounts Committee in their report on the accounts for 1944-45 had recommended the adoption on the railways, the procedure outlined by the Finance Ministry in their Office Memorandum on 13th May, 1947 on the utilisation of unforeseen recoveries.

The following procedure was prescribed :

- (a) Savings in the subheads of grants accommodating recoveries will not be available for appropriation to cover excesses under other subheads except subheads accommodating other recoveries. The utilised savings in these subheads will be allowed to lapse and suitably explained in the Appropriation accounts.
- (b) The approval of the Legislative Assembly to any additional expenditure over the amount voted by it for the gross expenditure in a grant will be taken by means of a supplementary grant. The supplementary grant will take into account the unforeseen additional recoveries in the course of the year and will be taken for the net excess over the total grant, details of the gross expenditure and of the recoveries being placed before the Assembly. If the net effect of the additional recoveries is to reduce the total expenditure against the grant to a figure less than the original grant or to reduce it to a minus figure the Assembly's approval to the increase in the gross expenditure will be taken by means of a token grant.

2. Recoveries are of two types :

- (a) *Recoveries which are of the nature of earnings and are credited to earning heads.*

Such recoveries are like recoveries from outside departments by way of interest and maintenance charges on sidings, saloons, level crossings, advertisement fees, sale proceeds of unclaimed and damaged goods, sale of coal ashes, and unserviceable scrap, electric and telegraph earnings etc.

- (b) *Recoveries which are taken as reduction of expenditure.*

Instances of such recoveries are :

- (i) Service contributions from other departments on account of staff on deputation.
- (ii) Rebate on stores purchased through Indian Stores Department.
- (iii) Costs of suits awarded by Law Courts.
- (iv) Hire and haulage charges on rolling stock from Port Trust Railways.
- (v) Commission on account of audit of Military Warrants and Credit Notes in connection with Military Traffic.

It is the second type of recoveries which lead to savings in expenditure. Such recoveries are being utilised at present to cover excesses under the same or other subheads of a grant. The magnitude of such recoveries or savings is negligible as compared to the total working expenses of the Railways. As such, the present practice does not constitute a substantial breach of the orders of Finance Ministry and does not circumvent Parliamentary control over expenditure. For a strict compliance of the instructions of the Finance Ministry, a separate detailed head in the Budget with a corresponding Accounts Head in the Railway Abstracts of Accounts will have to be opened. The amount of work involved therein is not considered to be commensurate with the little advantage that is likely to be derived from them.

At the same time, while presenting the budget estimates, the anticipated credits or recoveries are taken into account in the memoranda placed before the Standing Finance Committee the exact amounts on account of these credits or recoveries being specified under each demand. At the time of revised estimates again, whether a supplementary grant is required or not, excess amounts of credits, not anticipated at the time of original budget, are brought out in each demand. Any actual credits that may be realised over and above those reported to the Standing Finance Committee are reported to the Public Accounts Committee through Annexure H to the Appropriation Accounts. It will, thus, be seen that the Parliamentary control is secured at each stage of the estimate in regard to such savings.

In accordance with the instructions contained in item (b) of Finance Ministry's Office Memorandum referred to in para. 1 above, this Ministry has been approaching the legislature for token grants in cases where supplementary grants are likely to be avoided purely by the excess credits or savings in the revised estimates over the budget estimates.

In view of the fact that the procedure outlined by the Finance Ministry has been secured almost completely, the Railway Board feel that the existing procedure regarding utilisation of savings or recoveries is sufficient from the point of view of Parliamentary control.

APPENDIX IV

Report regarding items 1 and 40 of the Statement of Losses written off referred to in the Audit Report, 1948 (Pre-Partition).

In regard to the case mentioned in items 1 and 40 of the Annexure 'A' to the Audit Report for 1948, the Public Accounts Committee, at its meeting held on the 20th January, 1950 wished the matter to be further pursued and a report made to them in due course. The following report is accordingly submitted.

This relates to two cases of loss—one at Nowgong and the other at Gorakhpur. The former case was referred to the Solicitor to the Government of India for interpretation of note 2 below article 91(a) of the Posts and Telegraphs Initial Account Code, Vol. I, as it was in existence at the time of occurrence. Although the rule was not very clear about the responsibility of the official who acted as escort to the carrier of remittances between the post office and the treasury or the bank, it has been held by the Solicitor to the Government of India, that even under the rule, as it was in existence previously, it was implied that the escort's duty was to remain in the treasury or the bank till the transaction was over and as such, in both cases the escorts could be held responsible for the loss jointly with the persons who actually carried the cash. Much time, having, however, already elapsed and the rule on the subject being also not very clear at the time, the Solicitor has, at the same time recommended that the escort in the case under consideration might be treated leniently. The Director of Posts and Telegraphs, Shillong, has been apprised of the position and requested to take such action against the treasurer, Nowgong Post Office as he may consider necessary. No action is, however, possible against the Assistant treasurer, Gorakhpur, who has already resigned his job due to ill-health.

APPENDIX V

Memorandum regarding fixation of the reserve limit of Stores balances.

In paragraph 74 of their proceedings on the Accounts for the year 1945-46, the Public Accounts Committee decided that the Department should re-examine the question of fixation of the reserve limit of Stores balances. The question has been examined thoroughly and it has been decided to raise the present limit of Stores balances from Rs. 1.5 crores to Rs. 3.5 crores. This revised limit will have effect from 1st April, 1951. It is proposed to review the position after two years.

APPENDIX VI

Memorandum regarding outstandings of telephone revenue.

In para. 80 of their proceedings on the Accounts for the year 1945-46, the Public Accounts Committee desired that the Communications Ministry, should in consultation with the other Ministries devise steps to secure that delay in departmental adjustments regarding telephone dues is eliminated.

2. The position is that Government subscribers, both Civil and Military, have in recent years become serious defaulters in respect of telephone rent and trunk call bills and bills numbering several thousands are outstanding against them. Outstanding bills to the value of a little over Rs. 19 lakhs for the period upto the end of March 1947 were settled in bulk by the Defence Services but the payment of subsequent bills has been unsatisfactory. The bulk of outstandings of Telephone revenue is against Government subscribers.

3. The outstandings to the end of March, 1950 in respect of bills issued upto the end of September, 1949, have thus risen to Rs. 68 lakhs, as against Rs. 14 lakhs at the end of March, 1949. Out of the sum of Rs. 68 lakhs, a sum of Rs. 8 lakhs is outstanding against private subscribers and the balance of Rs. 60 lakhs against Government subscribers, Civil and Military.

4. Every effort is being made to collect the outstandings. Agreement has just been reached with the I.A.F. to effect a bulk settlement of Rs. 5.6 lakhs in respect of bills for the period upto 31st March, 1949; payment is awaited. A meeting of the representatives of the Posts and Telegraphs Department, Ministry of Finance (Communications) and Ministry of Defence was convened on the 19th September, 1950, and the question of effecting an early settlement of the old bills and preventing delay in the settlement of current bills, was discussed. Instructions have now been issued by the Ministry of Defence to all Commands enjoining early clearance of outstanding bills and prompt payment of current bills. The method of submitting bills to Defence subscribers, with lists detailing the bills has been introduced with a view to facilitating check and prompt payments. It is hoped that these steps will prove effective in reducing the outstandings.

5. The Civil Departments of the Government of India and State Governments have been requested to issue instructions to all concerned that telephone bills should be paid or accepted promptly on their receipt and that objections to any item shown therein can be made within six months from the date of issue of the bill. Although the Civil Departments and the State Governments have, in their turn, repeated the instructions to their subordinate offices, the net result has been disappointing. The matter has now been taken up by the Ministry of Communications. The Chief Secretaries of the various State Governments and the various Ministries of the Central Government have been addressed demi-officially by the Ministry of Communications to expedite settlement of the bills. The Civil Departments have also been warned that if the bills are not settled by the end of December, 1950, the Posts and Telegraphs Department would be empowered to take the step of issuing notices of disconnecting the telephones. The effect of all these measures taken can, however, be judged only after some time.

APPENDIX VII

Report relating to para. 59 of the proceedings of the Public Accounts Committee in respect of the Appropriation Accounts for 1946-47.

In the consolidated Profit and Loss Account of Medical Stores Depots for the year 1946-47, expenditure under the head "Incidental and Miscellaneous Expenses" appeared as Rs. 26,47,217 against Rs. 43,624 for the previous year. This increase of over Rs. 26 lakhs in expenditure as shown under that head included an erroneous adjustment of a sum of Rs. 25,97,179 made in the office of the Accountant General, Bombay in respect of the Bombay Medical Stores Depot transactions. The entire debit of Rs. 26,86,511 passed on to that office by various Accounts Officers on account of cost of Stores purchased by the Medical Stores Depot, Bombay was erroneously adjusted in the accounts for March, 1947 (final) under the head "Incidental and Miscellaneous expenses" instead of under the three different heads *viz.* "Pay and Allowances", "Transportation charges" and "Materials purchased".

This mistake was noticed at the time of reconciliation of figures and necessary re-adjustment was made in the account of March 1947 (Supplementary). But the corresponding corrigendum to the consolidated Profit and Loss Account of the Medical Stores Depots was inadvertently omitted.

An explanatory footnote has been inserted against the figures for 1946-47 shown in the comparative Profit and Loss Accounts of Medical Stores Depots to be incorporated in the Commercial Appendix for 1947-48.

Adequate disciplinary action has been taken against the persons responsible.

APPENDIX VIII

Memorandum from the Ministry of Information and Broadcasting No. 51(5)/49-B/I dated the 26th October, 1950 re: Commercialisation of the Accounts of All India Radio.

While examining the accounts of All India Radio for 1944-45, the Public Accounts Committee observed that the year showed a deficit of Rs. 31 lakhs, i.e., an increase of Rs. 17 lakhs over the deficit in 1943-44, and recommended that the future policy about the best method of running the services should be examined by Government. This necessitated examination of the question whether All India Radio should be treated as a commercial concern like the Posts & Telegraphs Department. The *proforma accounts* of All India Radio which showed an upward trend in the years subsequent to 1945-46 and yielded profits in a progressive manner raised some hope that the Organisation would cover its expenses in due course. The *proforma accounts* for the year 1948-49 have, however, showed a deficit which is attributable to certain factors beyond All India Radio's control. Nevertheless, it is felt that after normal conditions are restored, it may not be long before All India Radio accounts once again show profits, especially in view of the expansion undertaken by All India Radio in implementation of the 8-year Development Plan. It is, therefore, proposed to review the position further in the next two years. Until then it would not be possible to determine the question whether All India Radio accounts should be included in the Commercial Appendix to the Appropriation Accounts.

APPENDIX IX

Report required by paragraph 3 of the proceedings of the meeting of the Public Accounts Committee held on the 25th January 1950 on the accounts of 1947-1948 (pre-partition).

While examining para. 2 of the Audit Report, Defence Services, 1949, the Public Accounts Committee desired that a report on the action taken against the Officer who delayed the investigation would be submitted to them.

2. To enable a fuller appreciation of the matter, the facts of the cases are stated below :

- (i) Assistant Lands, Hirings and Disposals Officer, Assam (Mr. J. B. Eastmore), informed the Deputy Assistant Director, Assam (Major C.A. Buxton) on 26th November 1946 that he had arranged for the sale of the project known as 66 IGH Manipur Road, consisting mostly of basha construction, by public auction on 20th November 1946 for Rs. 17,450 and also submitted relevant documents for according financial sanction. Major Buxton treated all the assets as basha construction and thereby brought the case within his own financial powers and accorded necessary financial sanction. According to the rules, a final disposal return should have been submitted immediately after the finalisation of the sale to the Lands and Hirings Directorate through Assistant Director, Assam and Deputy Director, Eastern Command. This was not, however, done.
- (ii) Major Buxton, Deputy Assistant Director, left Lands Hirings and Disposals Service on 21st January 1947. He was relieved by Mr. Abraham who handed over to Mr. K. B. Kilner on 30th May 1947. On 19th June 1947, Deputy Assistant Director, Assam (Mr. Kilner), submitted the outstanding final disposal return to Deputy Director, Eastern Command, Calcutta and also requested him (Deputy Director, Eastern Command) on 7th July 1947, in view of the observations made by the Unit Accountant attached to Deputy Assistant Director, Assam's office, that *ex post facto* financial sanction of the Government of India should be obtained to the Sale.
- (iii) Mr. Kilner informed Deputy Director, Eastern Command on 24th September 1947 that the security of the purchaser had been refunded and that he was not aware as to how the Assistant Lands Hirings and Disposals Officer Assam, (Mr. Eastmore) had arrived at the reserved price of Rs. 8,500 which should have been approximately Re. 1,20,000.
- (iv) On 16th October 1947 Deputy Director, Eastern Command asked Deputy Assistant Director, Assam, to submit a schedule of assets, calculation of reserve price and also for Deputy Assistant Director's explanation as to why the submission of documents had been delayed.
- (v) On 10th November 1947, Assistant Lands Hirings and Disposals Officer, Assam (Mr. Eastmore), informed Deputy Assistant Director, Assam (Mr. Kilner), that he was instructed, by Lt.-Col. I. J. W. Cownie, Assistant Director, Assam (who left Lands Hirings and Disposals Service in June 1947) and Major Buxton, Deputy Assistant Director Assam (who left Lands Hirings and Disposals Service on 21st January 1947) to dispose of all installations at Manipur Road with all speed and was in fact given a time-limit and directed to complete all work before Christmas 1946 and that in an endeavour to finalise all outstanding disposals, Assistant Lands Hirings and Disposals Officers were directed to call the same basha constructions thereby bringing the financial sanction of the same within the powers of the Deputy Assistant Director. He also stated that majority of the installations were in a very poor state of repairs and were actually basha.
- (vi) This explanation by Assistant Lands Hirings and Disposals Officer, Assam (Mr. Eastmore) was reported by Deputy Assistant Director, Assam (Mr. Kilner) to Deputy Director, Eastern Command on 3rd January 1948 and thereupon Deputy Director, Eastern Command, wrote to the Director on 21st January 1948 explaining the facts and requesting for according *ex post facto* sanction to the sale. He also pointed out that as the officers who finalised the sale had left India, he had no other alternative but to request the Director to condone the irregularity.

3. On receipt of Deputy Director, Eastern Command's letter dated the 21st January 1948, the Lands Hirings and Disposals Directorate asked the Deputy Director, Eastern Command on 18th February 1948 to submit H.F. 38 (catalogue of immovable property) and H.F. 41 (Disposal return) with a view to scrutinise the whole case and submit to the Government of India for an *ex post facto* sanction. This information was made available to the Directorate, after protracted correspondence, on 2nd March 1949. As almost all the officers employed in the Directorate between February 1948 and March 1949 have left the Service, it is not possible to ascertain the exact cause of the delay or to apportion responsibility therefor.

4. The case has been fully investigated. It appears that the auction of the assets was well attended and there is no reason to doubt the bonafides. It is, however, a fact that unjustifiable delay occurred at various stages in dealing with the case but all those who might be held responsible for the delay have left the service.

APPENDIX X

Memorandum regarding the training of Defence Services' personnel in the fundamental principles of public expenditure and elementary principles of accounting.

In paragraph 1 of the proceedings of the first meeting of the Public Accounts Committee, held on the 9th November, 1949, the Defence Ministry was asked to consider the Auditor General's suggestion 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.

2. The existing arrangements, in regard to such training, are indicated below :

ARMY—

Training in the fundamental principles of public expenditure and accounting, etc., is imparted right from the beginning of an officer's career as a cadet, and is continued during the Junior Commanders' course, which every officer attends. The following aspects of training are covered :

(a) During training as a cadet—

Pay and allowances—Other Ranks.
Documentation—Other Ranks.
Obtaining cash (Peace)
Keeping accounts.
Regimental Accounts.
Obtaining cash (War)
Pay and allowances—Officers.
Pay and allowances, family allotment—
Officers and Other Ranks.
Prevention of fraud.

(b) During the Junior Commanders' Course—

Unit accounts.
Unit accounts double entry.
Pay Accounts (Peace system).
Pay accounts (Field system).
Unit accounts—Balance Sheet.
Use of AFN 1514—Account and Balance Sheet, Regimental Funds.
Audit Boards.

- (2) In addition, the Armed Services, such as the Infantry, Artillery, ASC., impart special instruction at Corps Schools etc. in any aspect that may be peculiar to their own Corps. Accounts in units are maintained by officers under the direct supervision of Seconds-in-Command or the Commanding Officers themselves. The care and custody of public property are given all attention.
- (3) In the Military Engineer Services, an Officers' M.E.S. Works Procedure Course is run twice a year at the School of Military Engineering. Of a total of 200 periods, approximately half is spent on M.E.S. routine, works and contract procedure, including the fundamental principles of public expenditure, care and custody of public property etc. The course is open to military and civilian (M.E.S.) officers.
- (4) In the Army Ordnance Corps all officers are given training in the fundamental principles of public expenditure, the care and custody of public property, principles of cash and stores accounting in relation to their duties in Ordnance installations. Ordnance Officers (Civilian) are also given basic training in Ordnance Depots before being confirmed.
- (5) Training in the form of lectures is given to all categories of officers of the Corps of Electrical and Mechanical Engineers when initially undergoing their organisation and administration course at the I.E.M.E. School or Centre.

NAVY—

- (6) All Service officers receive instruction in care and custody of public cash, property, etc. on their charge and are required to keep correct accounts.
Cadets recruited to the Service, as also Direct Entry officers recruited in India, receive adequate training in these matters in the training establishments.

So far as civilian officers in the Indian Navy are concerned, no regular courses as such are conducted at present, but the introduction of training in the principles of public expenditure etc. is under consideration.

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AIR FORCE—

- (7) An initial training of about 10 months is imparted in subjects pertaining to administration to each qualified cadet for the Indian Air Force. He is required to pass this course before he is granted a Commission. During training, he has to learn and fully understand the principles of public finance, accounting of public funds, and the custody and accounting of equipment. Intensive and advanced courses of instruction are arranged for officers of the Accounting Branch. Officers of this Branch are entrusted with the custody and accounting of public funds; they are also responsible for the accounting of all Air Force equipment. Their initial pre-commissioning course of instruction lasts nine months. Refresher courses are also given. The advancement of Accountant Officers in rank is conditional on the passing of promotion examinations. These examinations are of a high standard. All Equipment Officers receive complete training in Equipment Regulations and Accounting.

ORDNANCE FACTORIES—

- (8) It is proposed to institute suitable training in accounts, financial control etc. for the civilians in the Factories.

3. The Defence Ministry, in consultation with the Ministry of Finance, have examined the above procedure in the light of the irregularities in accounts that occurred during and after the war and have come to the conclusion that the fault lies not with the system of training but with individual officers of the Defence Services, who despite their training in the maintenance etc. of accounts, and the existence of clear instructions, at times fail to comply with them through neglect or carelessness. To minimise such failure on the part of officers, necessary instructions have been issued that immediate and effective measures should be taken to end irregularities in the maintenance of accounts of all types, and to ensure that the accounts conform to the prescribed procedure in all respects. The necessity for safeguarding Government property, avoidance of waste and losses have also been clearly impressed on all concerned and it has been emphasised that severe notice will be taken of irregularities in future.

4. The Director of Audit, Defence Services, who has been apprised of the above position on behalf of the Comptroller and Auditor General, is satisfied that the system of training and the orders issued are adequate.

APPENDIX XI.

Report regarding the progress made in bringing the Air Force Accounts up-to-date.

This report has been compiled in response to para. 9 of the proceedings of the first meeting of the Public Accounts Committee held on the 9th November 1949, wherein 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 Air Force accounts up-to-date.

2. The above proceedings related to the accounts for 1946-47, and their regularities pointed out in audit mainly related to the pre-partition period, when the R.A.F. were responsible for the maintenance of the stores accounts. The Air Force was reconstituted after the 15th August 1947 and the accounts were gradually controlled under phased planning. Since then steps have been taken to improve the state of accounts and to ensure the safe custody of stores; a modified system of accounting, which was then in force, was replaced by a detailed system of accounting with effect from the 1st April 1949.

Since the introduction of the detailed system of accounting, the position of the Air Force Stores accounts has been carefully scrutinised in audit. The Controller of Accounts has furnished the following report:—

(A) GENERAL STATE OF ACCOUNTS :

The introduction of peace system of accounting and audit has resulted in marked improvement in the accounts of the Air Force Units. The accounts of the undermentioned units only were found to be unsatisfactory during the year 1949-50.

- (1) No. 7 'X' M.U.,—April 1949 onwards.
- (2) No. 4 Air Force Recruiting area—1/10/48 to 30/9/49.
- (3) Camp Commandant Air Headquarters—January '49 to May '49.
- (4) No. 1 Wing—August 1948 to April 1949.

Steps have been taken to put these right.

Though a general all-round improvement in the maintenance of stores accounts at the I.A.F. Units has been observed, some instances of irregularities still continue to be detected in audit. In order to check the occurrence of such cases in future, instructions have been issued to all I.A.F. Commands, Stations, Wings and Units impressing on them the need to exercise continued care and vigilance, particularly by senior officers.

(B) STOCK TAKING.

The position regarding stock-taking is broadly as stated below:—

EQUIPMENT DEPOTS.

(a) There are four Equipment Depots in the I.A.F. A regular machinery for the verification of stock exists at these depots. Large discrepancies between the actual stock in hand and the figures indicated on the Tally Cards have, however, been discovered at stock-taking. These discrepancies were mainly due to the inaccurate and incomplete accounting on Tally Cards during the days of the R.A.F.

The main points detected in audit of the accounts of each of the above Equipment Depots are detailed below:—

(i) Nos. 2 & 3 Equipment Depots.

The first attempt at 100% stock-taking at these depots was made early in 1948. That stock-taking was, however, not complete and satisfactory, mainly due to the short period of 3 months allowed for the completion of the task. The first cycle of biennial stock-taking which commenced on 1-4-49 is in progress and is expected to be completed by 31-3-51. Large deficiencies have been observed as a result of stock-taking in certain sections, and the main causes for these deficiencies are:—

- (a) irregular maintenance of tally cards by the R.A.F.
- (b) the fact that the initial stock-taking, which was carried out in 1948 was done in a short period of 3 months as against a normal period of 24 months allowed for the purpose; and
- (c) at the time of the initial stock-taking, the quantities marked on the packed cases were taken into account in a number of cases, instead of the actual quantities contained in the packages which were frequently different.

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(ii) No. 4. *Equipment Depot.*

This depot is the successor of the late No. 302 M.U., R.A.F. The first cycle of Biennial stock-taking has commenced and is expected to be completed by March 1951. No large variations between ground balances and those indicated in Tally Cards have come to light during the biennial stock-taking conducted so far. It has, however, been found that owing to incorrect categorisation and identification of stores during the initial stock-taking, which was rushed through with a very limited number of Aeronautical Inspection Staff and other technical personnel, the condition of numerous items of technical equipment differs from that shown in the Tally Cards. With a view to completing the initial stock-taking satisfactorily at an early date the question of augmenting Aeronautical Inspection Staff and technical personnel at No. 4 E.D. is under consideration.

Wherever discrepancies have been discovered as a result of the biennial stock-taking, prompt action has been taken by the unit authorities for their reconciliation and adjustment.

(b) 'X' M.U.s.

No stock-taking was required to be carried out by these Units till April 1949 when the peace system of accounting was introduced. The biennial stock-taking on the lines adopted for Equipment Depots has commenced and should normally be completed by 31-3-51, though the progress so far has been slow. The administrative authorities concerned are taking steps to ensure that stock-taking in Nos. 5, 6 and 8 'X' M.U.s. will be completed by the target date. In order to arrange for stock-taking to take place even with the present shortage of personnel, the officers commanding 'X' M.U.s. have been asked to draw up a programme of stock-taking and classification. An inspection questionnaire for these depots is being drawn up to ensure complete inspection and the removal of irregularities pointed out in the previous audit is being made a special point in it.

(c) *Other Units.*

The position is satisfactory except in the following cases :—

- (i) *11 Mechanical Transport Storage Unit.*—Stock-taking of tools held on charge on F. 748 has not been carried out simultaneously with the stock-taking of M.T. vehicles. Steps are being taken to have it done now.
- (ii) *Camp Commandant (Stores) Air Headquarters.*—100% stock-taking was carried out, but that could not be regarded as satisfactory in view of the fact that several surpluses (including typewriters etc.) have been discovered subsequent to the initial stock-taking. 100% stock-taking of all items by various sections is being undertaken afresh.

APPENDIX XII

Report in respect of the case mentioned in para. 5 of the Defence Audit Report, 1949
(pre-partition)

Out of the 4 firms with whom the contracts were entered into by the Purchase Organisation for fabrication of mail bags, the following three have migrated to Pakistan :—

<i>Name of the Firm</i>	<i>Amount due from them</i> Rs. As. Ps.
(1) M/s Rex Industries	16,492 13 2½
(2) M/s. English Warehouse	56,888 8 2
(3) M/s. Safiq & Co.	5,164 15 1½

In spite of the best efforts no recoveries could be effected from them as they have left no property in India. The amount due from them has been written off. Out of the total value of the material issued to the fabricators, viz. Rs. 166,474 as a result of arbitration, a sum of Rs. 87,930 is to be recovered from M/s. Kashyap & Sons, Delhi. They have deposited a sum of Rs. 70,006 and the balance of Rs. 17,324 plus interest of 4½% on amount due from them will be deposited by November, 1950.

2. The following officers of the Textile Commissioner's Office were considered responsible for the loss occasioned to the Government on account of the non-recovery of the cost of Government material supplied to the above parties :—

1. Mr. H.B. Hayeem.
2. Mr. M. Srinivas Rao.

Mr. Hayeem is no longer in service in the Office of the Textile Commissioner and no action could be taken against him. As regards Mr. Srinivas Rao the explanation furnished by him has been accepted as satisfactory as negligence occurred on the first day of his taking over charge of the work and it has been decided to administer a severe warning to him.

APPENDIX XIII

Report in respect of the disposal of outstanding cases relating to the Ministry of Industry and Supply.

Out of the 6 outstanding cases, 5 cases involving 5.57 lakhs have since been finalised with the exception of a small amount of Rs. 903-12-0 which is to be recovered from a supplier in Pakistan. Necessary action regarding the recovery of this amount is being taken. The remaining one case involving Rs. 1.73 lakhs is still pending due to non-submission of the statement of accounts by the firm. Regarding the two cases (involving Rs. 4.22 lakhs) which were before the Arbitrators, a settlement was reached outside the arbitration; but ultimately it was decided in consultation with the Ministry of Law and the Partition Secretariat that the responsibility in these cases lay with the Govt. of Pakistan and the firm should approach that Government for final settlement.

APPENDIX XIV.

Report relating to the adjustment of outstanding sale accounts referred to in para. 66 of the Defence Audit Report, 1949 (pre-partition).

Out of 6,000 cases of outstanding sale accounts 2,000 cases have been cleared upto April 1950. The Deputy Accountant General, Industries and Supplies, New Delhi, has also received documents in a large number of cases during the past few months and is taking necessary action.

APPENDIX XV

Office memorandum No. 70/1/50-Admn., dated the 4th October, 1950 from the Ministry of Home Affairs re. the review of the Classification, Control and Appeal Rules.

With reference to the correspondence ending with the Parliament Secretariat office memorandum No. F. 3-IX-F.C./50, dated the 16th September 1950, on the subject noted above, the undersigned is directed to say that the position in respect of item 25 of the recommendation of the Public Accounts Committee on the Accounts for 1947-48 is as follows :—

2. (a) After fullest consideration the Ministry of Home Affairs are satisfied that the existing rules relating to disciplinary conduct do not require any material modifications. In their opinion the fault lies not in the rules themselves but in the general reluctance and failure to apply the available powers with due severity and expedition. The question of simplifying the rules, wherever possible, is nevertheless being further explored.

(b) In so far as the reluctance or failure mentioned in (a) above, is due to lack of proper appreciation of the powers available, the defect would, it is hoped, be cured by a brochure on the subject which is being prepared and will be issued shortly. This brochure will explain in detail the statutory provisions, rules and procedure governing the conduct of disciplinary enquiries, and should contribute in some measure to the expeditious disposal of such enquiries.

(c) In so far as the reluctance and failure are due to the fact that senior officers are too busy with their own normal duties to spare the time and attention demanded by departmental proceedings, the defect can only be cured by the appointment of a Special Officer or Agency to whom the conduct of all such proceedings may be entrusted, cf. also clause (a) above. Such special Agency has been set up by the Government of Madras. In this connection, information regarding the working of certain special Administrative Tribunals which have been set up in the States of Uttar Pradesh and Madras for the purposes of holding departmental enquiries into the conduct of Government servants is being obtained.

APPENDIX XVI.

Report relating to the Grow More Food Schemes.

With respect to the information required by the Public Accounts Committee, it may be stated that in the past, there was no machinery at the Centre for the purpose of ascertaining the manner in which grants made to the Provinces were utilised and the extent to which the schemes subsidised through these grants achieved the target additional production estimated. Since the subsidy required for the schemes was shared by the Provincial Governments, it was assumed that they themselves would be no less anxious to ensure that the expenditure incurred would in fact produce the estimated results. No test checks were carried out by the Centre for individual schemes in the Provinces since it was expected that such checks would be carried out by the Provincial Governments themselves, as part of their normal inspections and accounting procedures. It is impossible at this distance of time to introduce any scrutiny now over the achievements of these schemes in the past, though it may generally be stated that taken by and large the cost of the subsidy on the additional production achieved could not have been higher than the cost of imported grain.

2. Now that the Centre has decided to take more positive action in the field of food production, steps are being taken to organise at the Centre an adequate agency for continually watching the future progress of Grow More Food schemes with a view to scrutinise whether the grants made are actually utilised for the purposes intended and assess the extent to which particular schemes contribute in the form of additional production. For this purpose, special staff is being appointed in the Statistical Branch of the Indian Council of Agricultural Research and in the Directorate of Economics & Statistics in the Ministry.

3. The Statistical Branch of the I.C.A.R. will be required to plan suitable crop-cutting experiments on a random sample basis which could be conducted by the Provincial Governments under its supervision. The object of these experiments will be to assess the response in the form of additional production to different types of G.M.F. aids, such as seed, manure, etc. used either singly or in combination. When these experiments are completed, it will be possible to evolve reasonably accurate yard-sticks for estimating the additional production from G.M.F. measures in particular areas.

4. The Directorate of Economics & Statistics at the same time will (a) lay down appropriate *proformas* in which progress reports should be submitted by the Provinces on a monthly, six-monthly and annual basis, (b) analyse these progress reports, (c) locate points at which progress is not adequate, and ascertain the causes responsible and (d) invite attention of the executive officers at the Provinces and the Centre to these so that remedial measures could be speedily taken. In particular, the information received will be examined with special reference to the following items :—

I. *Expenditure.*

- (i) Relation of total sanctioned to total incurred.
- (ii) Proportion of Central, Provincial and private contributions in the sanctioned expenditure.
- (iii) Proportion of Central, Provincial and private contributions in the incurred expenditure.
- (iv) Distribution of expenditure sanctioned on different types of schemes such as—
 - (a) Irrigation works
 - (b) Land Improvement Scheme
 - (c) Distribution of Fertilisers
 - (d) Distribution of Manures
 - (e) Other schemes
 - (f) Total
- (v) Distribution of expenditure incurred on the same lines as (iv).
- (vi) Relation of sanctioned expenditure to incurred expenditure—Scheme-wise.
- (vii) Relation of expenditure on staff to expenditure on materials—Scheme-wise.

II. *Loans.*

Collection of information regarding utilisation of loans and its analysis on the same lines as I.

III. *Additional Production.*

- (i) Relation of target set to actual achievement, total and scheme-wise.
- (ii) Relation of sanctioned expenditure on each scheme with the additional product estimated.

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- (iii) Relation of incurred expenditure with the additional production achieved—scheme-wise.
- (iv) Per ton anticipated cost of additional food production—scheme-wise.
- (v) Per ton actual cost of additional production—scheme-wise.
- (vi) Yardstick accepted by Provinces for assessing additional production.

IV. Procurement.

- (i) Relation of procurement to production, district-wise and grain-wise for each Province.
- (ii) Relation of additional procurement, if any, to estimated additional production in a district as a consequence of G.M.F. measures.

5. A note on the progress of G.M.F. schemes during 1947-48 and 1948-49 on the basis of such information as is available is appended below. At the same time, the newly created Statistical Branch is trying to collect additional information for the past years on the same lines as is proposed for the future. When this information is received, it will be possible to prepare a more detailed and critical note on the progress during the past years.

The note also deals with the plan for increased production as at present formulated for the years 1950 and 1951. By its very nature, however, any plan for food production can only be tentative and will have to be modified from time to time in the light of experience.

A note on the progress of Grow More Food Scheme during 1947-48 and 1948-49.

The G. M. F. programme was started on a planned five year basis from 1st April, 1947. Before that it consisted of a number of *ad hoc* schemes of increased food production between 1943 and 1947. The G.M.F. work in the early stages consisted mainly of diversion of the acreage under some of the cash crops like short-staple cotton to food crops with a view to increase food production during war time.

2. The targets of additional production for the 5 years commencing from 1947 were fixed at three million tons for provinces and one million tons for states. The Provincial target of three million tons during the five year period was apportioned to the various provinces in the light of their potential. Of the targets assigned to each province, the total production aimed at during 1947-48 was 9.09 lakh tons of which 6.71 lakh tons was reported to have been achieved during that year. This achievement represents 74.3% of the target aimed at.

3. Similarly in respect of 1948-49, the target of additional production was 8.86 lakh tons in addition to the 1947-48 target, the base year for the computation of the targets being taken as 1946-47. The actual attainment during 1948-49 was 7.27 lakh tons, which represents a fulfilment of nearly 82% of the target previously fixed. Two statements showing the targets aimed at and achievements during those two years under the various schemes financed under the G. M. F. Campaign are contained in Annexures A and B. It will be seen from that statement that out of the total target of 17.95 lakh tons for the first two years (1947-48) and (1948-49) of the five year plan, the actual achievement was 13.98 (or 14) lakh tons, which represents an overall attainment of 77.8% of the two years target. The figures of additional production were calculated by the provinces generally on the basis shown in Annexure C.

4. The G. M. F. schemes consist of a series of short term projects both of permanent and recurring nature, which produce results within a very short time. The types of G. M. F. schemes which are taken up by the provincial governments and financed by the Govt. of India are of the following categories :

I. Permanent Schemes

- (a) Land improvement schemes including land reclamation, and
- (b) Minor irrigation schemes like construction of wells, tanks, channels, small dams, etc.

II. Recurring Schemes

- (a) Distribution of improved seeds.
- (b) Distribution of chemical fertilisers.
- (c) Distribution of manures like oil cake, compost, green manure, etc.
- (d) Plant protection schemes and other schemes of miscellaneous nature designed to increase food production.

Appendix XVI

5. On the financial side two statements showing the actual expenditure incurred by the Provincial Governments and the Government of India during 1947-48 and 1948-49 are contained in Annexures D and E. It will be seen that out of the total of Rs. 1.91 crores, a sum of Rs. 1.8 crores was utilised by the Provinces in 1947-48. This works out at 93% of the sanctioned amount. In 1948-49, out of the total grant of Rs. 4.18 crores, the actual expenditure has been reported to be Rs. 2.73 crores. The actual expenditure incurred in 1948-49 therefore comes to 65% of the sanctioned amount.

6. The results of the G. M. F. Campaign during the two years under review are compared below with the actual expenditure.

	1947-48		1948-49	
	Permanent	Recurring	Permanent	Recurring
Actual cost (Rs.)	*115.01	*73.05	*182.81	*90
Actual additional production (tons)	0.92	5.80	2.08	5.20
Cost per (ton)	Rs. 125	Rs. 13	Rs. 88	Rs. 17

(* in lakhs)

It will be seen in this connection that the cost in respect of permanent schemes is expected to have its continued effect on food production. For example, if a certain number of wells or tanks have been sunk, the irrigation facilities thus provided will continue to be used for a long time and the expenditure once incurred will continue to produce its beneficial effects for a number of years.

Considering 10 years as the least period for the continuance of the permanent improvements, the expenditure incurred by the Govt. of India per ton namely Rs. 125 in 1947-48 and Rs. 88 in 1948-49 represents only a small fraction of the value of extra crop which they will produce.

7. It will also be seen from the above table that the cost per ton of permanent schemes in 1948-49 has been reduced when compared to 1947-48. This is due to the fact that in 1948-49 works started in 1947-48 but not completed during that year were available in the next year for use and additional production.

The cost of recurring schemes has, however, gone up in 1948-49 because of the increased cost of seed, manures, etc.

8. In respect of recurring schemes, the Govt. of India's share per ton of additional food production is given at Rs. 13 in 1947-48 and Rs. 17 in 1948-49. Even if we assume that an equal amount was contributed by the Provincial Governments concerned and the total of both these subsidies was produced by the private cultivator, the gross expenditure per extra ton of food production involved in the Grow More Food Scheme would be Rs. 68 on the outside. Taking Rs. 300 to be the minimum average price for one ton of cereals, the total amount spent on recurring schemes of G. M. F. by the Central and Provincial Governments as well as the private farmers comes to about 25% of the cost of food grains produced. Similarly in respect of permanent schemes if the figure of Rs. 88 is taken as the Government of India's share for permanent schemes and the life of permanent improvements is taken to be at least 10 years, the average cost per year comes to Rs. 8.8 per ton, which if multiplied by 4 in order to arrive at the gross cost per year, would come to Rs. 35.2 per ton. This would again represent nearly 12% of the cost of one ton of cereals which is taken at Rs. 300 per ton.

9. This analysis of the cost of G. M. F. Schemes in relation to the benefit accrued from them ought to set at rest any controversy or erroneous impression about the efficacy of Grow More Food measures taken so far.

As regards the carrying out of test check for verifying the information received from provinces, a conference of provincial and state ministers held at New Delhi in September, 1948 recommended that additional yield resulting from Grow More Food work should be ascertained in the following manner :—

- (a) By estimating the increase by the unit of each type of work and calculating the total increase by reference to the total number of work units of that type.
- (b) By use of random sample survey by crop cutting method.
- (c) By test checks by provincial and Central Government officers on the spot.

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10. The provinces and states who actually made these recommendations were asked to implement them while checking the results of their Grow More Food Schemes. This recommendation was also followed up by evolving a suitable *proforma* and circulating it to provinces and states for sending their information in a uniform manner. The Central Government also undertook the checking of G. M. F. work done in the province of Delhi by appointing a team of engineers under an Executive Engineer to go round and to find out how many permanent works have actually been carried out and what expenditure has actually been incurred on these works. This team has carried out test checks and its report has now been received and is being considered. Some of the Provinces like West Bengal, Madras and C. P. have a system of crop cutting experiment for checking the results of the Grow More Food activities. The officers of the Government of India also go around the Provinces, visit the district and carry out spot inspections and checks.

11. More recently the method of computing the results of the Grow More Food schemes was discussed at a meeting of the Provincial representatives and also in the Food Production Board. It was felt that the method mentioned in para 10 above does not take into account the cumulative effect of more than one measure applied to the same field. It was, therefore, considered that experiments should be made in selected areas in each Province on cultivation fields, with each of the Grow More Food measures and also by combinations of more than one measures, and the results used as a yard stick for checking the credit to be taken under increased yield claimed by the Provinces. This is now being implemented. In addition, a special wing has been created in the Statistical Section of the Ministry for collecting and collating all Grow More Food Statistics.

It may, therefore, be stated that all possible steps are being taken in order to ensure that the expenditure earmarked for food production is actually spent for that object and also that the extra production targets reported represent the actuals. This extra production will naturally be reflected in the procurement of foodgrains, as it has not been decided that 60% of the additional production should necessarily be procured by the Governments concerned. It has even been recommended to the provinces and states that while extending financial assistance to private agriculturists, they should get an undertaking from them that they will offer for procurement 66% of the extra production resulting from Grow More Food schemes financed by the Government.

12. The five year programme of Grow More Food which would have ended in 1951-52 and which was calculated to produce four million tons of foodgrains was revised in the early part of the current year. The Honourable Prime Minister declared that India must achieve self-sufficiency in foodgrains by the end of the calendar year 1951. The requirements of food grains for the population which may come into being by the end of 1951 had to be calculated and extra production of the deficit had also to be planned. For this purpose, 1947-48 was taken as the normal base year. The indigenous production of foodgrains in the Indian Union which was available for human consumption in this year was 41.7 million tons of cereals. In addition to this indigenous availability, 2.8 million tons of foodgrains were imported from outside making a total of 44.5 million tons for the population then existing. After taking into account the increase in population until March, 1951, it was calculated that the total quantity of cereals required for feeding the population then existing, at the present standards of nutrition, would be 46.1 million tons. The leeway to be made up, therefore, would be the required quantity of 46.1 million tons minus the indigenous availability of 41.7 million in 1947-48, which would mean 4.4 million tons. The target of additional production by the end of 1951 was therefore calculated at 4.4 million tons over the normal production of the country.

13. It is proposed to make up this deficit in the following manner :—

(i) Intensive cultivation schemes of provinces and states . . .	40,00,000 tons.
(ii) Land reclamation by Central Tractor Organisation . . .	3,00,000 tons.
(iii) Increased distribution of compost chemical fertilisers . . .	1,00,000 tons.
TOTAL . . .	44,00,000 tons.

The above figures do not take into account the extra production that may be achieved as a result of tube well construction schemes for irrigation purposes. In the areas of U. P., East Punjab, and Bihar, where a good deal of exploratory work in the boring of irrigation tubewells has been done, the provincial governments and the Central Government are already considering a programme of tubewell construction with a view to increase irrigation.

14. The intensive cultivation targets are fixed in consultation with provincial and state governments concerned. The provinces and states have also given a break-up of these targets according to *Kharif* and *Rabi* and also according to each type of intensive cultivation scheme.

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15. The co-operation of all the sections of the public in this important national task has been sought and welcomed irrespective of their political leanings. Realising that the success of the food production drive will depend largely on the enthusiasm of the farmers themselves committees of progressive and influential farmers and land-less labourers have been suggested in each village or a group of villages. Similarly committees at the Tehsil and District level have been suggested and many of the Provincial and state governments have already implemented these suggestions.

16. Schemes of prize distribution for encouraging the best farmers in villages, tehsils, districts and provinces, have been suggested. Attractive prizes are to be awarded both to individuals as well as the village communities.

17. Special Directors of Food Production have been appointed with a view to carry out and look after the task of food production and sub-committees of the Cabinet have been set up to take quick decisions and to supervise and implement the provincial and state Grow More Food programmes.

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Annexure A

Statement showing the Targets of Additional Production aimed at and attained during 1947-48 and 1948-49.

Name of Province	1947-48 (Increase over 1946-47 production)		1948-49 (Increase over 1947-48 production)		Total targets aimed at and attained during 1947-48 and 1948-49 (Increase over 1946-47 production)		
	Targets aimed at	Targets attained	Targets aimed	Targets attained	Targets aimed at Cols. 2 & 4	Targets attained Cols. 3 & 5	Percentage.
1	2	3	4	5	6	7	8
1. Assam	0.08	0.20	0.42	0.51	0.50	0.71	142
2. Bihar	0.61	0.79	0.37	0.53	0.98	1.32	134.66
3. Bombay	0.60	0.65	1.21	0.60	1.81	1.25	69.06
4. C.P. & Berar	0.59	0.26	0.03	0.48	0.62	0.74	119.66
5. East Punjab	..	0.01	0.24	0.09	0.24	0.10	41.66
6. Madras	4.50	3.00	1.42	2.79	5.92	5.79	97.80
7. Orissa	0.07	0.12	0.13	0.16	0.20	0.28	140.00
8. United Provinces	2.16	1.56	3.58	1.86	5.74	3.42	59.59
9. West Bengal	0.48	0.13	1.46	0.26	1.94	0.39	10.10
TOTAL	9.09	6.72	8.86	7.28	17.95	14.00	78.00

Annexure E

Additional Production under G. M. F. Campaign—Scheme-wise

(In tons)

Schemes	Assam		Bihar		Bombay		C.P. & Berar		East Punjab	
	1947-48	1948-49	1947-48	1948-49	1947-48	1948-49	1947-48	1948-49	1947-48	1948-49
I. WORKS SCHEMES.										
1. Irrigation works.										
(a) Sinking of new wells	..	{	1,092	2,855	{	2,678	2,400	2,135	..	381
(b) Repairs to old wells	..	..	..	..	..	..	960	1,062	..	..
(c) Construction of new tanks	..	..	..	1,867	..	..	361	1,101	..	..
(d) Repairs to old tanks	..	..	..	..	..	..	..	..	..	..
(e) Installation of Persian wheels Rahats and other water lifting appliances on wells	..	..	..	62	..	..	..	..	..	..
(f) Construction and Improvement of dams and channels	..	47,379	..	..	..	182	..	100	..	..
(g) Construction of irrigation tube- wells	..	..	..	..	..	..	..	..	..	..
(h) Pumping installation on river channels etc.	1,866	150	..	..	..	..	..	..	..	..
(i) Other irrigation works	13,825	..	16,746	..	1,300	761	..	..	..	..
Total of Irrigation (a) to (i)	15,691	47,529	17,778	4,784	3,978	3,269	3,721	4,398	..	381
2. Land Improvement works.										
(a) Contour bunding works	..	..	..	..	107	14,289	..	3,381	..	..
(b) Clearance and reclamation of waste lands	..	1,003	..	..	1,604	279	128	3,920	..	..
(c) Other improvement works	..	..	..	..	..	5,300	1,503	..	..	..
Total Land Improvement works	..	1,003	1,711	19,868	1,631	7,301
Total Works Schemes	15,691	48,532	17,778	4,784	5,689	23,137	5,352	11,699	..	381

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Schemes	Assam		Rihar		Bombay		C.P. & Berar		East Punjab	
	1947-48	1948-49	1947-48	1948-49	1947-1948	1948-49	1947-48	1948-1949	1947-48	1948-49
II. SUPPLY SCHEMES.										
1. Distribution of fertilizers.										
(a) Ammonium Sulphate	..	..	32,136	31,787	628	..	2,929	6,800	..	4,260
(b) Super Phosphate	..	..	..	4,282	..	..	1,492	2,918	..	..
(c) Other chemical fertilizers	..	..	..	..	..	..	563	..	..	..
Total (a) to (c)	..	..	32,136	36,069	628	..	4,874	9,718	..	4,260
2. Distribution of Manure.										
(a) Oilcakes	22	..	21,566	9,800	26,080	..	3,896	9,859	..	..
(b) Bone-meal	107	..	..	..	..	..	..	..	..	..
(c) Compost	..	197	799	673	2,053	652(f)	1,572	2,131	31	1,938
(d) Green Manure	..	..	..	..	3,648	..	..	..	..	2,689
(e) Other manures	757	..	..	..	..	..	..	..	846	..
Total (a) to (e)	886	197	22,365	10,473	31,781	652(f)	5,468	11,990	877	4,627
3. Improved General Seeds.										
(a) Paddy seeds	2,441	2,197	147	1,260	11,900	15,330	2,859	2,920	..	..
(b) Wheat seeds	..	381	40	638	4	16	..	7	..	..
(c) Other seeds	1,150	..	16	..	15,117	21,008	7,221	11,489	..	..
Total (a) to (c)	3,591	2,578	203	1,898	27,021	36,354	10,080	14,416	..	..
Total Supply Schemes	4,477	2,775	54,704	48,440	59,430	37,006	20,422	36,124	877	8,877
GRAND TOTAL (I & II)	20,168	51,307	79,200	53,224	65,119	60,143	25,774	47,823	877	9,268

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Schemes	Madras		Orissa		U. P.		West Bengal		Total
	1947-48	1948-49	1947-48	1948-49	1947-48	1948-49	1947-48	1948-49	
I. WORKS SCHEMES.									
1. Irrigation works.									
(a) Sinking of new wells	..	10,949	..	21	1,723	1,750.	..	2,600	10,493
(b) Repairs to old wells	..	4,004	..	..	1,640	..	..	..	28,093
(c) Construction of new tanks	..	32	..	100	(c)	..	..	..	361
(d) Repairs to old tanks	..	28	..	57	..	..	..	..	3,155
(e) Installation of Persian wheels Rebats and other water lifting appliances on wells	(d)	520	80	310	80
(f) Construction and Improvement of dams and channels	47,661
(g) Construction of irrigation tube- wells	2,198	41,725	..	..	2,198
(h) Pumping installation on river channels, etc.	8	..	1,000	..	700	1,866
(i) Other irrigation works	14	..	34,624	..	850	31,871
Total of irrigation (a) to (i)	..	15,013 (b)	..	200	5,561	79,619	80	4,460	46,809
2. Land Improvement works.									
(a) Contour bunding works	107
(b) Clearance and reclamation of waste lands	..	6,300	606	1,461	10,750	9,463	..	10	13,088
(c) Other improvement works	..	2,988	..	156	..	..	..	..	1,503
Total Land Improvement works	..	9,288	606	1,617	10,750	9,463	..	10	14,998
Total works schemes	..	24,301	606	1,817	16,311	89,082	80	4,470	61,607
									208,203

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Schemes	Madras		Orissa		U. P.		West Bengal		Total
	1947-48	1948-49	1947-48	1948-49	1947-48	1948-49	1947-48	1948-49	
II. SUPPLY SCHEMES.									
1. Distribution of fertilizers.									
(a) Ammonium Sulphate	4,000	..	..	5,102	9,800	..
(b) Super Phosphate	187	..	..
(c) Other chemical fertilizers
Total (a) to (c)	..	75,000	(a) 7,281	4,000	6,924	17,500	5,289	9,800	57,132
2. Distribution of Manures.									
(a) Oilcakes	..	106,481	(b)	2,017	2,436	1,712	2,478	..	56,478
(b) Bonemeal	120	132	..	..	503	2,200	730
(c) Compost	..	600	..	4,852	34,156	20,852	1,422	8,800	40,033
(d) Green Manure	..	1,408	..	700	..	5,158	..	..	..
(e) Other manures	3,109	..	..	..	8,360
Total (a) to (e)	..	108,489	120	7,701	39,701	27,722	4,402	11,000	105,601
3. Improved Cereal Seeds.									
(a) Paddy seeds	..	67,213	1,604	2,418	14,254	..	..	170	91,508
(b) Wheat seeds	34	17	..	51,222	..	120	52,401
(c) Other seeds	..	3,804	2,160	24	78,525	..	..	106	36,431
Total (a) to (c)	..	71,017	3,798	2,459	92,779	51,222	3,120	396	140,692
Total Supply Schemes	..	264,506	11,199	14,160	139,404	96,444	12,812	21,196	303,325
GRAND TOTAL I & II	..	300,000	278,807	11,805	155,715	185,526	12,892	25,666	671,550
			(h)					(e)	727,731

(a) Includes figures for "oilcakes"
 (b) Included under "Ammonium Sulphate"
 (c) Includes figures for "Persian wheels"
 (d) Included under "Old wells"
 (e) Includes 300,000 tons of Madras and 6,718 tons of Bihar from other Schemes for which details are not available.
 (f) Details not available.
 (g) Includes 6,718 tons of additional production from other schemes.
 (h) Excluding 30,000 tons for P. W. D. Schemes for which final figures are awaited.

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Annexure C

Statement of Yard Sticks

1. One surface well normally irrigates 5 acres and gives additional yield of 1 ton of foodgrains.
 2. Improved seeds give an additional yield of 10% over the yield which would otherwise have been given.
 3. One ton of Sulphate of Ammonia produces additional 2 to 3 tons of foodgrains.
 4. One ton oil-cake manure produces 1 ton foodgrains.
 5. One ton bone meal produces nearly 2 tons additional foodgrains.
 6. One ton green manure seed produces 60 tons green manure which in turn produces 2 tons of additional foodgrains.
 7. 20 tons compost produces 1 ton foodgrains.
-

Public Accounts Committee

Annexure D

Actual Expenditure incurred during 1947-48.

(As reported by Provincial Governments)

(Rupees in Lakhs)

	Irrigation	Land Im- provement	Manures and Fertilisers	Seeds	Others	Total	Govt. of India's share	Provincial Govt's share
Assam	2.99	2.97	(a)	4.14	3.16	13.26	5.92	7.34
Bihar	7.82	0.81	0.71	3.84	8.11	21.29	9.89	11.40
Bombay	15.67	20.83	14.92	7.68	10.60	69.70	34.01	35.69
C.P. and Berar	5.02	1.92	2.41	2.67	3.22	14.64	5.32	9.32
East Punjab (b)	0.27	..	1.54	..	..	1.81	0.90	0.91
Madras	181.83	0.28	0.14	28.45	9.67	220.37	104.75	115.62
Orissa (c)	0.47(e)	1.37	1.36	..	15.29(d)	18.49	12.33	6.16
United Provinces	18.73	..	4.99	6.64	0.87	31.23	11.93	19.50
West Bengal (c)	0.05	..	4.36	1.80	0.45	6.66	3.31	3.45
TOTAL	232.85	27.58	30.43	55.22	51.37	397.45	188.06	209.39

(a) Included under 'Seeds'.

(b) For the period 15th August, 1947 to 31st March, 1948.

(c) Figures obtained from the province while on tour and are provisional.

(d) Includes expenditure of Rs. 5.59 lakhs out of grants to cultivators scheme-wise figures of which are not available.

(e) Excludes expenditure of Irrigation Department.

Annexure E

Actual Expenditure incurred during 1948-49.

(As reported by Provincial Governments)

(Rupees in Lakhs)

	Land Irrigation	Land Improve-ments	Manures and Fertilisers	Seeds	Others	Total	Govt. of India's share	Provincial Govt's share
Assam	5.69	2.00	9.13	1.07	5.34	23.23	11.33	11.90
Bihar	16.59	1.07	0.63	3.64	17.27	39.20	17.41(f)	21.79
Bombay	121.23	46.26	12.57	13.46	18.06	209.57(g)	87.69(g)	120.88(g)
C.P. and Berar	27.78	12.38	4.80	3.69	3.40	52.05(c)	27.48	24.57
East Punjab	0.93	N.A.	2.04	..	..	2.97	1.45(b)	1.52
Madras	145.89	0.33	0.39	24.05	14.35	185.01(s)	84.74	100.27
Orissa (c)	2.26(b)	1.47	6.79	0.25	15.71	26.48	17.60	8.88
United Provinces	22.92	..	6.46	5.85	0.84	36.07	15.98	20.09
West Bengal (d)	0.97	0.48	13.66	0.92	10.09	27.02	9.75	17.27
TOTAL	344.26	63.99	56.47	52.93	82.95	600.60	273.43	327.17

N. A. Not available. (s) Expenditure reported by P. W. D. is upto February, 1949 and that reported by Revenue Department is upto January, 1949. (b) Excludes expenditure of Irrigation Department, (c) Expenditure reported by P. W. D. is upto February, 1949, (d) Figures were obtained from the Province while on tour and are provisional, (e) As reported by the Accountant General, (f) Excludes expenditure on purchase and maintenance of tractors and tractor organisation for reclamation of waste lands, (g) Excludes expenditure on Groundnut cake manure, (h) Excludes expenditure on Ammonium Sulphate and mechanical cultivation.

APPENDIX XVII

Note on outstandings from the States for supplies of imported foodgrains.

Further to the note that was circularised to the Public Accounts Committee in November, 1949, the outstanding amounts against the various States for supplies of imported foodgrains, as on 31st March, 1950 were as follows :

Travancore & Cochin	Rs. 4.18 crores.
Saurashtra	Rs. 1.60 crores.
Jammu & Kashmir	Rs. 0.77 crores.
Rajasthan	Rs. 0.90 crores.
Madhya Bharat	Rs. 0.65 crores.
TOTAL	Rs. 8.10 crores.

The action since taken to realise the outstanding dues is detailed below :—

TRAVANCORE AND COCHIN

A number of meetings were held with the representatives of the State at which the Officers of the States Ministry were also present with a view to expedite the realisation of the outstanding amounts. At the last meeting held in the States Ministry on 25th February, 1950, it was decided that :—

- (a) The amount of Rs. 2 crores due to be paid to Travancore and Cochin by the Government of India on account of federal financial integration, should be adjusted towards the arrears due from the State.
- (b) The State will pay up the arrears remaining to be paid after the adjustment of Rs. 2 crores, in instalments of Rs. 15 lakhs per month ; and
- (c) The concession given to the State to pay for the grain received by them within 15 days of the completion of deliveries which was withdrawn by the Food Ministry in February, 1950, would be continued as a special case, upto the 30th June, 1950, as the ways and means position of the State was very bad. Should, however, the State default on payment of the monthly instalment of Rs. 15 lakhs or delayed payment for current supplies the immediate withdrawal of the special concession given to the State would be taken up.

SAURASHTRA

A number of meetings were held with the representatives of the State and the officers of the Ministry of States. The State possess stocks of grain which is being gradually sold by them and it has been decided that the State may be permitted to liquidate their arrears by payment of monthly instalments of Rs. 50 lakhs or the actual value of the grain sold whichever is more. The matter is being actively pursued. No supplies will, of course, be made without realising the cost of the grain in advance.

JAMMU & KASHMIR

The matter was discussed by the (States Ministry Secretary for Kashmir affairs) with the Deputy Prime Minister of Jammu and Kashmir Government on 29th March, 1950. A sum of Rs. 192.75 lakhs has been adjusted from out of the two loans sanctioned by the Government of India to Jammu and Kashmir leaving a balance of Rs. 76.60 lakhs to be recovered. A further sum of Rs. 19.04 lakhs is due to the State on account of bonus and subsidy and this amount will be adjusted against the arrears. The net amount due from the State is therefore Rs. 57.56 lakhs only. The States Ministry would arrange to set off the amount against the loan which the Government of India are proposing to give to the State to enable them to tide over their financial difficulties.

RAJASTHAN

The matter was discussed with the representatives of the States in a meeting held in the States Ministry on the 25th February, 1950. Orders have been issued to adjust a sum of Rs. 36.77 lakhs due to the Union on account of salt dues towards the amount due from them on account of food supplies leaving a balance of Rs. 44 lakhs to be realised. The States Ministry have issued instructions to the Union that the money should be paid immediately.

Appendix XVII

MADHYA BHARAT

The matter was discussed with the representatives of the States and they have promised to pay up the amount very shortly.

A detailed statement showing the quantities supplied, recoveries made and balance outstanding on 31-3-50 is enclosed for information of the Committee. It may be stated however, that the Statements show the figures as appearing in the books of the Food Ministry and are being reconciled with the accounts as maintained in the office of the Deputy Accountant General (F & R), and also with the recipient States concerned. These figures in some cases do not agree with the figures reported by the recipient States. The main difference relates to the quantities of grains supplied, as while the Government of India take into account the Bill of Lading quantity, as distributed *pro rata* over all the recipients (imports where 100% weightment is not carried out), the recipient States have taken into account the quantity as actually received in their godowns at destination.

Public Accounts Committee

Annexure

Statement showing outstandings recoverable on account of cost of imported foodgrains from various States.

Sl. No.	Name of State	Period	Cost in '000 Rs.	Recoveries made in '000 Rs.	Balance (-) due from State (+) due to State in '000 Rs.	Progressive total in '000 Rs. (-) due from State (+) due to State	
1	2	3	4	5	6	7	
1	Travancore	Recoverable on 30-6-47	5,246	} 68,150			
		1-7-47 to 31-12-1947	39,748						+ 23,165	(+ 23,165
		1948	1,47,978	1,40,832		-7,146	(+ 16,019
		1949	1,27,651	88,358		-39,293	(-) 23,274 (A)
			3,20,623	2,97,349			
2	Cochin	Recoverable on 30-6-47	2,719	} 17,903			
		1-1-47 to 31-12-47	18,049						-2,865	(-) 2,865
		1948	54,627	56,690		+ 2,063	(-) 802
		1949	60,499	41,718		-18,781	(-) 19,583 (B)
			1,35,894	1,16,311		. A + B	(-) 42,857
3	Travancore-Cochin	January to 31st March, 1950	9,255	10,231		(+)975	(-) 41,882
4	Saurashtra	Upto 31-12-47	7,464	12,239		(+)4,775	..
		1948	55,512	30,781		(-)24,731	(-)19,956
		1949	51,130	48,650		(-)2,480	(-)22,436
		Upto 31-3-50	..	6,431		(+)6,431	(-)16,005
5	Jammu-Kashmir	Upto 31-12-47	1,907	782		(-)1,125	..
		1948	10,189	599		(-)9,590	(-)10,715
		1949	16,220	19,275		(+)3,055	(-)7,660
6	Jodhpur (Rajasthan)	Upto 31-12-47	372	128		(-)244	..
		1948	7,983	7,060		(-)923	(-)1,167
		1949	14,233	3,775		(-)10,458	(-)11,625
		Upto 31-3-50	..	2,616		(+)2,616	(-)9,000

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Sl. No.	Name of State	Period	Cost '000 Rs.	Recoveries made in '000 Rs.	Balance(—) due from State (+) due to State in '000 Rs.	Progressive total in '000 Rs. (—) due from State (+) due to State
1	2	3	4	5	6	7
7	Madhya Bharat	Upto 31-12-47 .	4,499	4,086	(—)413	..
		1948 . . .	12,308	10,261	(—)2,047	(—)2,460
		1949 . . .	8,388	6,286	(—)2,102	(—)4,562
		Cost of foodgrains issued from De- pots. } 1,973	1,973	..	(—)1,973	(—)6,535
		(Upto 31-3-50)	10	..	(—)10	(—)6,545

APPENDIX XVIII

Ministry of Finance (Defence)
BUDGET

Statement of losses etc. pertaining to the Defence Services, finally dealt with during the period 15-8-47 to 31-3-48.

In view of the constitutional changes brought about by the partition of the country on 15th August 1947, losses etc. pertaining to the period prior to that date, but finally dealt with during the period 15-8-47 to 31-3-48 could not be formally included in the Defence Appropriation Accounts for that period. Details of all losses, etc. finally dealt with during the period 15-8-47 to 31-3-48 including the losses which occurred and were finally dealt with during this period are shown in the enclosed Annexure for the information of the Public Accounts Committee.

Appendix XVIII.

Annexure

Statement of losses of cash, overpayments, etc. pertaining to the Defence Services dealt with finally during the period 15th August 1947 to 31st March 1948.

Serial No.	Nature of losses written off with particulars	Amount Rs.
I.—Cash losses, overpayments, irrecoverable claims etc. due to theft, fraud or neglect.		
1	Three cases of loss of cash stolen from Units in 1946. The losses were investigated by Police/Court of Inquiry. In one case the police investigations failed to establish evidence against the suspected culprits. They were however discharged from service. In the other case, the officer concerned was called upon to pay Rs. 250 and no other disciplinary action was taken on the advice of the D.J.A. G., S.C. In the 3rd case, no disciplinary action was taken as the officer had been released	45,687
2	Two cases of deficiency of cash in Imprest Accounts discovered in 1/46 and 1/47. In one case, the officer concerned was severely reprimanded and put under stoppages of pay for Rs. 1,500 and in the second case the Imprest holder was tried and cashiered	12,511
3	Extra expenditure incurred in 1945-46 due to disparity in rates of two contractors at the same station during the same period for supply of pork. The officers drawing the contract did not exercise vigilance and prudence properly. As they have either retired or been released from service, no disciplinary action is possible	25,000
4	Deficiency occurring during May, July '45 in the cash accounts of an Army School of Cookery due to absence of vouchers in support of expenditure alleged to have been incurred. Court of Enquiry was conducted and the officers concerned were held guilty of gross negligence. No disciplinary action was possible as some of the accused had proceeded to U.K. on release and no charges could be framed till all concerned were present	20,240
5	Loss of cash in 11/46 which disappeared from the safe of the Cashier, H.M. I. Dockyard, Bombay. The C.N.A., Bombay tapped all possible avenues to investigate and establish the liability of the loss but in vain. The C.N.A. was asked to take suitable remedial action in future to prevent the recurrence of the loss of a similar nature	10,465
6	Erroneous payments to a messing contractor from public funds of the retaining fee for R.A.F. officers prior to November, 1944. The expenditure which should have been recovered from the officers concerned was met out of public funds due to the failure in the timely communication of orders enhancing the liability of the officers. No disciplinary action could be taken as the individuals at fault, being R. A. F. personnel, were repatriated before the irregularity was noticed	30,861
7	Losses exceeding Rs. 10 and less than Rs. 2,500 in each case	6,747
TOTAL—I		1,59,081

II.—Cash losses, overpayments, irrecoverable claims etc. due to other causes.

1	Extra expenditure incurred in 1946 on account of erroneous issue of Rly. warrants for excess baggage due to misinterpretation of an order	5,646
2	Extra expenditure due to wrong issue of 25,000 war substitute water bottles on payment which had to be replaced later by the original. As the two types were accounted for together for issue to troops, no one was held responsible	7,160
3	Irrecoverable amount due from certain Extra Temporary personnel in respect of sales in 1942-43 of certain stores from a Grain Shop attached to an Ordnance Depot	5,661

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Serial No.	Nature of losses written off with particulars	Amount. Rs.
4	Expenditure due to unauthorised employment in the office of the Station Staff Officer and Station Transport Officer of Extra Temporary clerks belonging to an Ammunition Depot	5,964
5	Wrong payment of War Bonus to re-employed pensioners in certain factories prior to 10/46	8,713
6	Loss due to purchase of cement by a State P. W. D. Construction Agency at Civil market rates instead of at Supply Department rates for the construction of an Airfield during November 1943 to September 1944. No enquiry as to why the State P. W. D. made direct purchases was possible at this stage and the efforts to recover the difference from the suppliers also proved ineffective	1,50,803
7	Loss due to unadjusted advances of pay paid to Recruits posted from a Recruits Reception Camp from 8/42 to 10/44. Recoveries of the advances could not be verified due to improper maintenance of accounts by inexperienced staff of the Camp	19,240
8	Overpayment of pay and allowances to certain personnel of the A. F. (I) due to ante-dating of their date of enrolment in 1941. Disciplinary action was not possible due to lapse of time	14,100
9	Loss due to erroneous payments which became irrecoverable as they were detected after the disbandment of the units concerned. No disciplinary action was possible, as the officer responsible had been released	52,336
10	Loss due to an advance drawn by a Central Poultry Farm in 1945 being written off. No investigation could be carried out nor a Court of Enquiry held as the formation concerned had disbanded and the relevant files were not available	5,757
11	Over-payments to certain released Naval ratings in the R. I. N. Pay Office due to failure to follow the regulations. The Officers mainly responsible had been released and disciplinary action was precluded	5,859
12	Three cases of loss ranging from Rs. 5,599 to Rs. 18,525 on account of stores short landed at a port prior to 1-1-45. The claims originally preferred against the shipping agents having been disputed by them were dropped under instructions from the War Office who decided that such claims could not be properly substantiated as the war time conditions did not permit of an effective check being maintained over the quantities actually shipped or received	31,324
13	Loss sustained in 1946 on account of reduction in the quantity of Med. Stores originally contracted for. Although reduction was effected the firm had to be paid for certain components some of which could not be disposed of	10,747
14	Cash losses etc. between Rs. 10 and Rs. 5,000 in each case	72,95,276
	TOTAL—II	<u>76,18,038</u>
	Grand Total—I & II	<u>77,77,119</u>

Note.—Loss of public money in 1944 due to fire caused by enemy action. Rs. 8,911

APPENDIX XVIII-A

Statement showing by various categories the total amount of store losses pertaining to the Defence Services dealt with finally during the period 15th August 1947 to 31st March 1948

Categories of losses	1		2		3		4		5		6		7		8		9		10		11		12		
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
Food & Forage	21,579	1,312	1,685	1,10,474	50,621	24,965	6,31,195	25,333	8,468	33,520	9,09,152														
POL & Aviation Spirit	2,662	..	617	41,579	5,95,445	..	2,46,724	2,82,874	..	18	11,69,478														
Other RIASC stores	2,77,154	1,95,397	12,682	13,35,171	37,05,867	6,34,249	9,56,130	41,070	9,289	94,819	72,61,908														
Other Or. Stores	15,52,267	12,402	39,762	62	77,984	11,02,131	2,63,121	157	..	8,16,589	38,04,475														
M.T. Vehicles & connected stores	3,481	55,772	4,708	330	44,098	1,18,967	5,185	..	..	..	2,32,541														
Miscellaneous storages	4,41,804	2,79,083	3,55,075	29,135	4,44,853	2,71,188	3,98,857	15,993	6,495	9,791	22,52,274														
Miscellaneous causes	1,61,389	7,94,202	3,86,612	2,23,807	5,43,048	19,637	9,92,592	27,751	..	49,011	32,17,049														
Total of Head I & II	24,58,757	13,36,856	7,97,995	16,30,084	54,11,295	21,46,172	28,62,609	3,67,845	15,784	9,70,228	1,79,97,625														
Grand Total of Heads I & II	24,80,336	13,38,168	7,99,680	17,40,558	54,61,916	21,71,137	34,93,804	3,93,178	24,252	10,03,748	1,89,06,777														

NOTES.—

1. Details of important losses exceeding (i) Rs. 5,000 due to theft, fraud or neglect and (ii) Rs. 15,000 due to other causes in each case are given in the annexure to this Appendix.
2. Losses due to enemy action have not been included in this statement. (One case of loss in sea transit due to enemy action of a Cincinnati vehicle machine for Rs. 21,642 has been sanctioned during the period).
3. 22 complete Aero-Engines and 25 Air Frames were struck off charge on account of crashes and accidents due to incidence of service and these have not been included in the body of the statement.
4. This statement does not include losses falling under the following categories :
 (i) pre-partition and post-partition losses relating to units and formations now located in Pakistan.
 (ii) Losses relating to the period prior to 1-4-47 which have been dropped by the GOC-in-C Command, the C-in-C, R.I.N. and the C-in-C, R.I.A.F. under the enhanced powers vested in them by Government for the purpose.

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Annexure

Statement showing details of the more important losses in Appendix XVIII-A

Serial No.	Nature of losses written off with particulars	Amount Rs.
<i>Losses of Stores over Rs. 5,000/- due to Theft, Fraud or Neglect.</i>		
1	Loss by theft of wire gauges and Drills Twist from RIAF Maintenance Unit between 28/2/47 and 3-3-47. The loss was investigated by a Court of Inquiry and was also reported to the police without any fruitful result. No disciplinary action was taken against any individual as no responsibility could be fixed on anybody	8,078
2	Three cases of losses in 1946 due to damage to M.T. vehicles in accidents on account of negligence on the part of the drivers concerned. The losses were duly investigated by Courts of Enquiry and suitable action was taken against the drivers. In one case, the driver was fined ₹ 3 and in other two cases they were reprimanded severely by the Commanding Officer	24,687
3	Loss due to damage to vehicle held on charge of a field Ambulance Unit in an accident on 25-7-46 on account of fault on the part of the driver. No action could be taken against the driver as he was discharged from service on medical grounds	6,848
4	Loss due to deficiency of stores discovered in May 1946 in the Quarter Master stores of a Hospital. The Court of Inquiry investigating the loss attributed it to the neglect of certain officers against whom no action could be taken as they were all released from service	10,726
5	Three cases of loss of jeeps due to theft by armed gangs from Car Parks during the 1946 disturbances in Calcutta. The losses were duly investigated by Courts of Inquiry. In one case, disciplinary action was taken against an officer and in the other cases no action was taken as the losses occurred during abnormal times	25,652
6	Loss of clothing in February 1946 due to theft from a ship during mutiny. The culprits were dismissed from service as a result of a court martial.	11,825
7	Two cases of losses of Rs. 6,120/- each of vehicles stolen from a unit. The cases were investigated and disciplinary action was taken against the drivers in both cases. In the first case the driver who was held responsible for the loss was permanently reverted from a Lance Naik to a Sepoy. In the other case the driver was sentenced to 28 days R.I.	12,240
8	Loss of Ordnance stores in October 1945 in a Demob. unit for which neglect was attributed to the Officer Commanding. No disciplinary action could be taken against him as he was released earlier from service.	9,459
9	Loss of Blankets in April 1946 from an Infantry unit due to faulty accounting for which the Quarter Master of the unit was held responsible. The severe displeasure of the Army Commander was conveyed to the officer and was recorded in his documents	5,250
10	Deficiency of rations in a Boys Battalion of a Regimental Centre due to negligence of certain officers. Out of a total loss of Rs. 14,890 a penal recovery of Rs. 600 was effected from the officers concerned	14,290
11	Loss on account of vehicle belonging to an Indian Field Regiment due to being involved in a traffic accident on 11-3-46. A Court of Enquiry which investigated the loss held a gunner responsible for the accident. No disciplinary action could be taken against him, as he was released from service in the meanwhile	8,760
12	Two cases of losses of vehicles stolen/found missing from unit lines during 1946. The losses were investigated by courts of enquiry. In one case a sum of Rs. 250 was recovered from an officer and disciplinary action was taken against 3 other ranks. In the other case, the driver absconded and could not be traced.	11,019
13	Loss of stores from a Public Relations Film Unit during 1945 due to negligence and lack of supervision. The loss was investigated by a Court of Inquiry and the severe displeasure of the Army Commander was conveyed to the Commanding Officer	7,862

Appendix XVIII •

Serial No.	Nature of losses written off with particulars	Amount Rs.
14	Four cases of losses of vehicles (ranging in value from Rs. 5,677 to Rs. 10,645) damaged beyond economical repairs during 1946 in accidents due to the fault of drivers against whom disciplinary action was taken. In two cases, the drivers were put under stoppages of pay for 1 month and 14 days respectively, while in the other two cases, the drivers were awarded 28 days R.I. each	33,382
15	Loss of certain stores in a Base Veterinary Stores Depot discovered at the time of taking over in November 1946 by a new Officer Commanding. The loss was attributable to the negligence of a previous Officer Commanding against whom no action could be taken as he had been released previously	8,400
16	Loss of vehicle in August 1945 left behind by a unit proceeding to an overseas theatre. The vehicle could not be traced subsequently. No court of inquiry was held as the officers concerned had proceeded to U.K.	5,248
17	Loss of vehicles stolen from a Base vehicle workshop on 14-9-1946. The loss was investigated by three courts of Inquiry. No disciplinary action against the officers could be taken as the unit was disbanded and the officers released from service	5,900
18	Loss of vehicle due to theft from a car park on 4-12-1946. The loss was investigated by a Court of Inquiry. The gate-keeper and driver were prosecuted by a civil court but acquitted for lack of evidence.	
19	Loss of two comptometers stolen from an Ammunition Depot in February 1947. The theft was reported to the civil police who intimated that the case remained untraced. The Court of Enquiry found the security arrangements inadequate and they have been tightened.	5,268
20	Loss of vehicle on charge of a vehicle Depot damaged in an accident due to fault of driver against whom disciplinary action was taken after investigation by a Court. A penal recovery of Rs. 10 has been made from the driver	8,720
21	Loss of vehicle damaged beyond repair in October 1944 due to outbreak of fire caused by carelessness of certain persons. The case was duly investigated by a court. The two individuals concerned were both discharged and blacklisted for 3 months. A sum of Rs. 85 was realised from them and credited to Government	5,195
22	Cost of a jeep on charge of an Artisan work Coy. stolen on 28/29-5-46. The Court of Inquiry convened on 6-6-46 held that the Coy. was occupying a temporary accommodation where many other vehicles were also kept and it was not practicable for the Officer Commanding to keep constant supervision and the jeep was stolen by a W. O. (later disappeared) who substituted a Ford 15 cwt. vehicle in lieu. The substituted vehicle was subsequently handed over to R. A. Signals.	5,243
23	Cost of one 15 cwt. Dodge weapon carrier on charge of a Chief Engineer of a Command rendered unserviceable by fire on 15/16-12-46. The fire occurred while draining the petrol tank and was due to the neglect of the drivers who attempted to pilfer petrol. A Court of Inquiry was held on 22-1-1947 and disciplinary action was taken against the two drivers who were discharged and debarred from further employment.	10,750
24	Cost of buildings destroyed by fire caused by the neglect of a railway watchman in June 1947 at Railway Staff Quarters	17,017
25	Cost of M.E.S. stores lost during the construction of a Transit Camp during 1944. The Court of Inquiry revealed that certain losses were due to theft and fraud. Disciplinary action was taken against the Assistant Garrison Engineer who was dismissed and awarded 6 months rigorous imprisonment and the S.D.O. who was dismissed from service	57,552

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Serial No.	Nature of losses written off with particulars	Amount Rs.
<i>II—Losses of stores over Rs. 15,000 in each case due to other causes.</i>		
1	Deficiency of equipment in a Maintenance Unit due to defective stock taking and discovered during July 1947 at the time of declaration of surpluses for disposal	23,924
2	Two cases of deficiencies in stores in a ship and in the Naval Store Depot discovered at the time of stock-verification in July '45, September '45 and May '46. The losses are attributable to exigencies of service and war time conditions for which no individual could be held responsible	84,435
3	Loss of stores in a ship due to cyclone and floods on 18-10-45	24,608
4	Loss of cables laid at certain ports rendered unserviceable or irrecoverable and destroyed being a source of danger to ships	8,14,133
5	Two cases of losses in transit of stores consigned to factories. No individual responsibility could be fixed as in one case the numbers of packages were received as consigned and in the other, the deficiency was due to wrong entries in transit documents	50,201
6	Loss of clothing stores found unserviceable in a Harness and Saddlery Factory due to long storage, faulty manufacture etc. Remedial measures have been taken to avoid similar loss in future	17,364
7	Loss of stores in a factory due to fire caused by short circuit of electricity. No individual responsibility could be fixed. Remedial measures taken.	1,87,346
8	Loss of timber found partly deficient and partly deteriorated in Ordnance Inspection Depot on account of floods in 1943.	20,257
9	Loss of ordnance stores destroyed by fire in December '45 in an I.E.M.E. workshop. The Court of Enquiry opined that no person could be held responsible and fire fighting arrangements were adequate	31,680
10	Nine cases (ranging from Rs. 19,512 to Rs. 72,702) of loss of medical stores condemned by Boards of Survey as unserviceable due to abnormal conditions during war, like deterioration, defective storage, being of inferior quality etc. for which no responsibility could be fixed.	3,32,481
11	Two cases (Rs. 5,82,511 and Rs. 19,373) of loss of surplus stores returned by units in a deteriorated or time-expired condition and condemned as unserviceable in an Army Medical Store Depot	6,01,884
12	Deficiencies in stores (Pair of Gloves Operation and Syringe serum) discovered during stock verification in 1945 and attributed to incorrect figures recorded by previous stock-taking team	2,26,874
13	Two cases of losses of medical stores (Rs. 108,176 & Rs. 140,435) destroyed on expiration of warranty period as they could not be either utilised or sold in the market	2,48,611
14	Two cases of loss of medical stores from stocks declared surplus to military requirements found unserviceable at the time of disposal	96,098
15	Loss of surplus medical stores by evaporation due to their highly volatile nature	57,096
16	Loss due to leakage in transit of medicine drums despatched to a Medical Store Depot during January and April 1945	1,84,965
17	Stores found deficient in certain camps of a Divisional Area during stock verification. As the individuals concerned had been released no Court of Enquiry could be held	22,380
18	Loss of clothing due to fire on 12th February 1947 in a Homeward Bound Transit Depot since disbanded. No individual responsibility could be fixed by the Court of Enquiry	1,88,246
19	Loss of two vehicles damaged beyond economical repairs in an accident in 1945. The court of Enquiry held three gunners responsible. One was awarded 10 days confinement within lines and two 28 days forfeiture of pay each.	56,670

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Serial No.	Nature of losses written off with particulars	Amount Rs.
20	Loss on account of damages to a vehicle engine in transit discovered on arrival at a depot. The Court of Enquiry could not fix individual responsibility	20,000
21	Loss of clothing in transit between two Ordnance Depots. The deficiency probably occurred in Factory packed bales which had not been opened and checked on receipt. To prevent recurrence of such losses stores are subjected to a greater percentage of check prior to receipt and issue	17,720
22	Loss of ordnance stores due to wrong accounting discovered during stock verification in Central Ordnance Depot in 1946	45,009
23	Deficiency of 2644 tyres discovered during stock taking in September 1944 in an Ordnance Depot. It was considered a nominal or paper loss due to a wrong count at the previous stock-taking which had shown a surplus of a quantity in excess of the present deficiency	9,94,970
24	Loss of large quantities of various ordnance stores found deficient during stock taking in an Ordnance Depot. It was considered a nominal loss as quantities exceeding the present deficiencies were found surplus at the previous stock-taking due to incorrect counting	27,70,133
25	Ordnance stores destroyed by fire in an Ordnance Depot on 12-5-47. The Court of Enquiry absolved all staff from a charge of negligence and no responsibility could be fixed	89,092
26	Loss of Ordnance stores in 1944-45 due to deterioration in an Ordnance Depot without suitable covered storage accommodation	63,595
27	Loss arising from disposal of 1,13,864 cwts. of cotton waste from Central Provision Office stocks purchased against Eastern Group Supply Council demands at rates lower than those paid to contractors on account of sudden notification of reduction in demands	2,14,210
28	Loss incurred in 1945 in the disposal of 24,52,364 lbs. of surplus vegetables received from the Bengal vegetable scheme and sold to Bengal Govt. at a rate lower than the purchase price. The surplus was occasioned by the unanticipated reduction in requirements	2,94,235
29	Loss as a result of destruction at a Reserve Supply Depot in 1946 of surplus orange juice which was found deteriorated due to defective package and storage under adverse climatic conditions for which no individual responsibility could be fixed	1,02,546
30	Loss of surplus Flame Thrower Fuel due to deterioration and consequent destruction in P.O.L. Depot in 1946	4,45,560
31	Loss of Insect Mite Repellant during 1946 at a Hygiene and Chemical Depot due to leakage in transit and to adverse storage condition for which no individual was to blame	2,48,992
32	Seven cases of losses (ranging from Rs. 16,400 to Rs. 61,795) of RIASC stores condemned and destroyed as unfit for consumption at various supply depots due to deterioration caused by wartime conditions, such as storage under adverse conditions, over stocking, defective packing, etc.	2,29,172
33	Loss of RIASC supplies in transit received short at consignee supply Depots. The claim has not been pursued with Railways in view of the overall settlement with Rlys. of all outstanding claims prior to October 1946	48,461
34	Ten cases of losses in 1947 (ranging from Rs. 16,330 to Rs. 76,131) of petrol oil and lubricants from storage installations due to causes such as evaporation, leakage, spillage in decanting and pumping operations etc. The losses were considered reasonable owing to the temporary nature of installations. Instructions to take all possible precautions and measures to keep losses to a minimum have been issued.	3,91,933
35	Loss of petroleum due to fire while in transit to a supply depot during April and May 1946. Claim not pursued with Railways in view of the over-all settlement with Railways of all claims prior to October 1946.	19,078

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Serial No.	Nature of losses written off with particulars	Amount Rs.
36	Loss of stores due to fire in a Burma Refugee Organisation Camp	60,140
37	Loss of clothing by fire in April 1947 in a Depot Battalion Sappers and Miners. No blame could be attached to any particular person by the Court of Enquiry	22,563
38	Cost of buildings and furniture found damaged or missing on the closing down of an R.A.F. Station in February 1946. Court of Inquiry could not fix any responsibility as no evidence was available	17,622
39	Engineer Stores were found deficient during stock taking in March 1946 after the closing of Engineer Parks situated in War Zone. The losses were due to various reasons arising out of conditions created by war in a war zone. No disciplinary action against any individual was possible	1,15,396
40	Cost of coil screen and Camouflage nets found deteriorated in March 1946 in an Engineer Park through long storage. Court of Inquiry was not considered necessary as the loss was not attributed to neglect on anyone's part. Similar loss is not likely to recur as regular inspections are now practicable	22,333
41	6110 Nos. of glass window sheets received in a damaged condition in an Engineer Park in April, 1945, from an Engineer Stores Depot. No individual responsibility could be fixed by the Court of Inquiry.	15,621
42	Cost of furniture found deficient in an Airfield on its being vacated by the U.S.A. A.F. in July 1944 without proper handing over. No Court of Inquiry was possible and no remedial measures were feasible as the loss was due to war conditions	1,30,657
43	5 cases of buildings comprising amounts ranging from Rs. 18,900 to Rs. 64,234 destroyed by fire during the period May 1945 to July 1947. Courts of Enquiry were held but no individual responsibility could be fixed	1,61,696
44	6 cases of buildings comprising amounts ranging from Rs. 18,401 to Rs. 87,258, destroyed by storms from October 1944 to May 1947	2,81,376
45	5 cases of MES stores comprising amounts ranging from Rs. 17,906 to Rs. 78,815 found deficient during the periods 1943 to 1947 in various Engineer Stores Depots and Garrison Engineer Stores Yards due to short receipts and inaccurate issue of stores or records not being available. No individual responsibility could be fixed	1,35,666
46	7 cases of MES stores comprising amounts ranging from Rs. 18,543 to Rs. 89,356 found deficient in various Engineer Stores Depots during April to September 1947. These are only book losses arising from incorrect identification and wrong accounting in the past. Surpluses found in identical stores have been taken on charge	3,66,018
47	Cost of engineer stores deteriorated in an Engineer Park situated in an operational area. In spite of periodical turnover of the stock, the rapid deterioration could not be checked due to war time conditions prevailing in the area, heavy load of work etc.	1,69,061

LOSSES TO WHICH NO MONETARY VALUE COULD BE ASSIGNED

- 48 Loss incurred due to rations being issued to troops accommodated in a British Red-Cross Hostel from August 1945 to April 1946. Due to non-availability of records, it cannot be verified whether these troops had also drawn rations money in addition. The officer responsible for the issue of the rations has since been released from service and the hostel abolished.

NOTE 1—Out of ten cases of losses included at Serial No. 34, four cases of losses (amounting to Rs. 1,41,552) relate to post-partition period and have been exhibited in Appendix B to the Appropriation Accounts, Defence Services, 1947-48 (15-8-47 to 31-3-48).

APPENDIX XVIII.B

*Statement showing infructuous expenditure in excess of Rs. 20,000 in each case on works stopped on account of termination of war administration-
tively approved during the period 15-8-47 to 31-3-48.*

Sl. No.	Brief particulars of works abandoned	Estimate of cost adminis- tratively approved	Infructuous expenditure incurred	Net infructu- ous expendi- ture (i.e.) after allowing credit of sale proceeds realised from salvaged materials etc.	Remarks
1	2	Rs.	Rs.	Rs.	
1	Construction of Technical Buildings at Coanada	40,170	22,195	22,195	There were no salvaged stores at the time of stoppage of work.
2	Provision of additional accommodation at Chakra- bhata (Bilaspur).	21,12,000	16,62,000	awaited	Building handed over to C.P. and Berar Govt. for accommodation of refugees. The question of permanent transfer to Provincial Government is not yet settled.
3	Provision of additional accommodation at Kargi Road (Bilaspur).	22,51,000	16,52,000	10,00,353	
4	Provision of accommodation for Engineer Park, Arkonal.	5,61,000	2,82,720		Not yet disposed of pending decision on utility of the Nissen huts by T.A. Units.
5	Provision of additional accommodation at Tilda Air- field under long term plan.	20,15,000	11,11,657	awaited	Remarks as against item 2.
6	Provision of additional accommodation at Raipur Airfield under Long Term Plan.	21,17,000	13,79,167		Buildings were handed over to the Director General of Civil Aviation and to Madhya Pradesh Government. The final terms of transfer have not yet been decided.

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1	2	3	4	5	6
		Rs.	Rs.	Rs.	
7	Restoration & replacement of buildings at Royal Artillery Depot, Deolali.	2,56,000	42,524	42,524	
8	Provision of additional accommodation for the Homeward Bound Trooping Depot, Deolali.	14,85,940	1,92,768	1,89,843	Consists of only additions and alterations to existing buildings which are not to be intended to be disposed of.
9	Provision of additional Domestic and Technical Accommodation at Hakimpet.	22,27,000	13,55,274	10,36,582	The credit of Rs. 3,18,402 represents sale of stores.
10	Provision of work services at Hakimpet Airfield under Long Term Re-inforcement and Transport plan.	5,85,000	2,17,703	2,02,538	
11	Provision of additional Bulk storage for petroleum at Sewari, Bombay.	..	1,12,360	awaited	<i>Ex-post-facto</i> sanction was accorded.
12	Provision of additional domestic and technical accommodation and Taxi tracks Godsvari.	19,74,000	2,37,732	awaited	} Expense Vouchers relating to the transaction have since been received and the stores are under disposal.
13	Construction of Technical and domestic buildings at Tadepalligudam.	5,94,000	2,00,046	awaited	
14	Provision of additional works at Gannavaram	16,78,000	4,49,474		Cost of stores realised from disposal amounts to Rs. 2,840. Disposal of assets is expected to materialise shortly.
15	Provision of additional domestic and technical accommodation at Uturdespet.	39,54,000	23,48,438	17,43,686	Cost of assets sold barring those retained by the M.E.S. is only Rs. 6,04,262.
16	Provision of accommodation for the special wireless centre at Eastu (Ranchi).	7,99,200	1,52,322	..	Buildings or materials thereof have not yet been disposed of.
17	Expansion of accommodation at West African Leave Camp.	2,39,930	1,87,877	..	Ditto.
18	Conversion of I.T. Camp to accommodate British Troops at Lohardaga.	2,85,000	1,18,787	1,16,257	The salvaged material of this project was disposed of along with those of other projects. The assessed value of the salvage materials so far as this project is concerned is Rs. 2,630 approximately.

19	Conversion and bringing up to scale of ancillaries for British Troops at Dipatoli/Kojatoli—Ranchi.	3,08,000	1,09,827	..	Buildings or materials thereof have not yet been disposed of.
20	Provision of accommodation for Central Institute at Kojatoli, Chas (North) and Chas (South).	1,59,970	60,827	Not known	The amounts of credits realised on account of sale proceeds of these buildings could not be differentiated as all the Govt. assets in the camp were sold in one lot.
21	Expansion of Chas Hospital by 600 beds	4,70,300	4,48,278	Not known	Ditto.
22	(a) Provision of accommodation for two Indian Base General Hospitals at Dinapore.	7,80,500	2,24,002	..	Only temporary structures have been auctioned realising Rs. 7,300. Permanent structures are still in use.
	(b) Provision of accommodation for one Combined Military Hospital, Dinapore.	4,89,000	4,16,183	..	Buildings or materials thereof are still in use and have not been disposed of.
23	Improvement to road A-4 from Haludpukur to Jamshedpur.	67,680	56,795	56,795	This being road works, Govt. did not get any return of expenditure.

APPENDIX XVIII-C

Statement showing items of expenditure exceeding Rs. 5,000 in each case—referred to in the first sub-para. of para. 30 of Appropriation Accounts, Defence Services, for the year 1947-48 (15-8-47 to 31-3-48)—in respect of which the necessary sanction of the Government of India is omitted.

Sl. No.	Particulars of items	Head of account in which included	Amount involved	Circumstances in which the expenditure was admitted without proper authority	Present stage of the action taken to regularize the expenditure
1	2	3	4	5	6
1	C.M.A., W.C., MUMBAI. Running payments made to contractor Mohinder Singh Ahluwalia for the construction of the Military Poultry Farm, Jullundur during 1945 in respect of which the original Contract Deed was not available.	Main Head 3	6,448	Running payments were made to the contractor for the construction of the Farm in 1945. On receipt of the final bill in 1947, it was found that the payments could not be admitted in audit as the Contract Deed was not made available by the Farm or the Asstt. Director of Military Farms, Western Command to the Audit Officer. Government sanction is, therefore, necessary for the expenditure.	The Director of Remount Veterinary & Farms, Army Headquarters Q.M.G.'s Branch, Simla has intimated that the matter is under reference to the E-in-C's Branch.
2	Payment to labour employed locally by the O.C., 17 Sup. Coy., R.I.A. S.C., Delhi Cantt. during the period 15-8-47 to 31-3-48.	Main Head 2C(b)	1,53,838	Labour was employed by the O.C. locally on nerrick rates of pay without concluding a contract for the same in contravention of Rules. Sanction of Govt. is necessary for the regularisation of the expenditure incurred.	The case is resting with the Q.M.G.'s Branch who are taking necessary action to obtain Government sanction for the expenditure in question.

Appendix XVIII.

3	C.M.A., F.C., Mysore. G.E., DHEMA DUK.—Expenditure on account of acquisition of field firing and training areas, Raipur District, Dehra Dun.	Main Head 8	15,563	Government sanction for the acquisition of land at a cost of Rs. 14,000 was initially accorded. But a sum of Rs. 15,563-5-0 was, however, paid on this account on an award by the District Judge, Saharampur. The owners of the land have preferred an Appeal to the High Court, Allahabad. As the cost of acquisition exceeded 10% of the original amount sanctioned by Government, fresh sanction is now necessary for the expenditure.	The necessity for the expenditure has been accepted by the Govt. and formal sanction has been held over, until the case is decided by the High Court.
4	C.A.F.A., CALCUTTA. Loss of stores in Ordnance Factory, Muradnagar during the period from 1944 to 1947.	Main Head 3-A	34,808	The losses are stated to be due to accumulated small over-issues to demanding sections over a long period or as a result of technical stock check or variation in scale etc. and consequently, the accounts were not maintained satisfactorily. In view of the large amount involved, sanction of Govt. was called for to bring the ledger balances on line with the ground balances.	The matter has been referred by the D.G.O.F. to the Ministry of Defence for obtaining sanction of the Government of India.
5	Loss of stores in Ammunition Factory, Kirtes during 1946, 1947 & 1948.	Main Head 3-A (a)	20,00,000	Same as above	Ditto.

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Re.

6	F.C.M.A. (O.Rs.), AMBALA. Overpayment of E.D. pay in conjunction with Grade pay paid to RIASC (Supply) personnel prior to January 1947.	Main Head I (e)	Not known	E.D. pay in conjunction with Grade (Supply) personnel holding appointments authorised in their establishment. Until the issue of GHQ letter No. 9726/AG-18, dated 26-4-44, there was no rule or order precluding the above payment. The overpayment was due to oversight in that no action to discontinue the payment of E.D. pay was taken even on the issue of the above letter.	The matter is under consideration by the DFA (AG) and the A.G.'s Branch.
7	C.A.A.F., DZERGA DUN. Expenditure relating to Air Force Works placed under objection by the A.G., C.P. and Berar, Nagpur for want of administrative approval (2 items).	Main Head 10-H	24,941	Expenditure was incurred in excess of that for which administrative approval was accorded.	The matter is under reference with the A.G., Madhya Pradesh, Nagpur who is pressing the C.R.I.E., Jabalpur for obtaining the revised administrative approval.

APPENDIX XIX

Ministry of Defence

Analysis of items in the consolidated Trading Account and Profit and Loss Account of Military farms for the year 1947-48 (15-8-47 to 31-3-48) by Commands.

"32. The Committee observed that the only trading account of Military farms which was furnished in the Appendix was a consolidated account of all farms. As the number of farms had greatly increased they desired that separate trading accounts for farms by commands or circles should be furnished in future in order to enable them to see which set of farms was being run at a profit and which at a loss. This would enable them to exercise better control".

As desired in para. 32 (reproduced in the margin) of the Proceedings of the Military Accounts Committee on the accounts of 1943-44 Commandwise Trading Account and Profit and Loss Account of Military Farms, in support of the consolidated accounts printed at pages 7 to 9 of the Commercial Appendix to the Appropriation Accounts, Defence Services 1947-48 (15-8-47 to 31-3-48), are enclosed for the information of the members of the Public Accounts Committee. (cf. Annexure to this Appendix.)

Public Accounts Committee

Annex

Analysis of items in the consolidated trading account and consolidated profit and loss account of

PROFIT AND

Dr.

Particulars	E.C.	S.C.	All India
	Rs.	Rs.	Rs.
To Administrative Staff etc.	1,59,712	1,23,570	2,83,282
„ Pay & Allocs. of Staff & Officers	16,92,617	14,65,107	31,57,724
„ Mily. Accounts Deptt. charges for internal check.	27,484	30,792	58,276
„ Leave & Supr. allocs.	23,992	9,110	33,102
„ Travelling allowances etc.	56,575	74,728	1,31,303
„ Accommodation :—			
(i) Deferred revenue expr. brought forward from previous year.	7,46,501	17,56,626	25,03,127
(ii) Expenditure during the year	1,35,520	(—)92,190	43,330
(iii) Total of (i) & (ii)	8,82,021	16,64,436	25,46,457
(iv) Less deferred revenue expr. carried forward to next year.	3,08,641	3,13,865	6,22,506
(v) Net expenditure (iii)—(iv)	5,73,380	13,50,571	19,23,951
To water and electricity	62,255	69,777	1,32,032
„ Conservancy charges	8,806	991	9,797
„ Telephone charges	6,629	2,032	8,661
„ Part cost of Central Vety. Labtry.	1,602	3,307	4,909
„ Cost of free medical treatment	426	..	426
„ Plant & Machinery—repairs, etc. :			
(i) Value of stock-spare parts at beginning of the year.	5,14,601	5,05,089	10,19,690
(ii) Expenditure during the year	1,98,246	1,92,928	3,91,174
(iii) Total of (i) & (ii)	7,12,847	6,98,017	14,10,864
(iv) Less value of stock-spare parts at end of the period.	4,72,860	4,50,077	9,22,937
(v) Net expenditure (iii)—(iv)	2,39,987	2,47,940	4,87,927
To Miscellaneous stores (Stationery etc.)	5,89,970	4,57,096	10,47,066
„ Depreciation :—			
(i) Buildings	1,56,232	53,636	2,09,868
(ii) Live-stock	2,16,281	81,258	2,97,539
(iii) Plant & Machinery	1,08,097	77,797	1,85,894
To Casualties of cattle etc.	43,987	50,526	94,513
„ Condemnation of Cattle etc.	1,73,605	2,20,012	3,93,617
„ Interest on capital	2,13,235	1,99,955	4,13,190
„ Bad Debts	63	3,136	3,199
„ Development Farms	4,32,707	93,414	5,26,121
„ Net profit made during the year	4,26,832	7,184	4,34,016*
Total	52,14,474	46,21,939	98,36,413
Percentage of profit on turnover	5.3	0.11	3.08

Appendix XIX

Military Farms, for the years 1947-48 (15-8-47 to 31-3-48) by Commands.

LOSS ACCOUNT

Cr.

Particulars	E.C.	S.C.	All India
	Rs.	Rs.	Rs.
TRADING ACCOUNTS.			
To stock on 15-8-47 :			
Dairy Produce	2,06,390	10,34,986	12,41,276
Ice, Salt, Acid	32,921	43,811	76,732
Fodder	32,63,284	28,82,070	61,45,354
Other Misc. Stores	14,95,659	14,93,043	29,88,702
To purchases Ice, salt, acids, etc.	40,095	1,28,409	1,68,504
Customs duty on imported material . . . . .	..	..	..
Transfer of dairy produce between farms	2,08,452	1,53,560	3,62,012
Dairy produce & hire of Cattle	8,88,269	11,78,041	20,66,310
To Cultivation charges	3,20,884	3,78,367	6,99,251
To Rent of land	50,595	44,388	94,983
To food of animals including rent of grazing land & grazing charges	8,89,991	17,94,735	26,74,726
To rail charges & other transportation charges	1,27,365	2,22,789	3,50,154
To gross profits carried forward	38,25,443	13,01,606	51,27,049
Total	1,13,49,248	1,06,45,805	2,19,95,053
Percentage of gross profit on turnover	47.6	21.2	36.2
By Gross profit brought forward	38,25,443	13,01,606	51,27,049
" Miscellaneous receipts	11,25,496	32,18,610	43,44,106
" Interest on R.R. Fund	(—)1,59,501	(—)2,85,005	(—)4,44,506
" Receipts from casualties & condemnation	1,55,491	1,75,700	3,31,191
" Transfer of stores from revenue to capital	2,67,545	2,11,028	4,78,573
" Loss . . . . .	..	..	..
Total	52,14,474	46,21,939	98,36,413

*The consolidated P. & L. A/c as prepared for publication in the commercial Appx. shows a profit of Rs. 4,27,516 as against a profit of Rs. 4,34,016 shown herein. The difference of Rs. 6,500 is due to the adjustment made in the all India P. & L. A/c on account of M.A.D. charges for internal check.

By transfer of Dairy Produce between farms	2,08,452	1,53,560	3,62,012
" sale of dairy produce	62,70,005	49,60,521	1,12,30,526
" sale of Agricultural produce	12,43,779	8,88,504	21,32,283
" Development Farms	3,09,838	1,28,852	4,38,690
" Value of stock on 31-3-48 . . . . .	..	..	..
" Dairy produce	65,897	10,03,743	10,69,640
" Ice salt acids etc.	65,306	37,277	1,02,583
" Fodder	17,39,126	23,08,448	40,47,574
" Other Misc. stores	14,46,782	11,61,764	26,08,546
" Bad Debts	63	3,136	3,199
Total	1,13,49,248	1,06,45,805	2,19,95,053

APPENDIX XX

Memorandum in respect of Contribution to the Renewals Reserve Fund (Posts and Telegraphs).

While examining the Posts and Telegraphs Appropriation Accounts for 1945-46, the Public Accounts Committee considered a suggestion from the Auditor-General that a committee should be set up to determine the average lives of the assets of the Posts and Telegraphs Department, which would provide a scientific basis for contribution to the Renewals Reserve Fund. After considering the suggestion, the Committee observed in para. 75 of its report that in view of the large accumulated balance in the Renewals Reserve Fund, the matter was not one of very great urgency and might be left over for the present. It was, however, mentioned that the matter would again come up before the Committee in the reports for subsequent years.

2. A Depreciation Fund was established on 1st April, 1925 from which date the accounts of the Posts and Telegraphs Department were put on a commercial basis and the annual contribution from revenue to the Fund was calculated on the basis of certain assumed lives of the Capital Assets. This method was abandoned with the institution of the Renewals Reserve Fund from 1st April, 1936 when it was decided that the contribution to the new Fund should be calculated on broader considerations, such as (i) the amount likely to be required for rehabilitation of assets and (ii) the amount of Capital at Charge. This revised basis was adopted in accordance with the views of the then Accountant-General, Posts and Telegraphs (Mr. E.T. Coates) which were endorsed by the Public Accounts Committee in 1935. These views were expressed in the following words :—

“Instead of Depreciation Reserve Fund, calculated on a *pseudo-scientific* basis, the Department should constitute a Renewals and Replacement Reserve Fund on the basis of what is actually required year after year to cover renewals and replacements with a small margin; the contribution to such a fund should of course be subject to periodical review”.

3. During the period from 1936-37 to 1949-50, a sum of Rs. 9,36 lakhs (including special contributions of Rs 1,50 lakhs in 1942-43 and Rs. 1,00 lakhs in 1944-45) was contributed from Revenue to the fund and a sum of Rs. 4,31 lakhs was withdrawn from it to meet the cost of renewals and replacements. After eliminating the share pertaining to Burma (23,61) and Pakistan (97,54) and meeting the loss (1,02,00) on press traffic, the accumulated balance on 31st March, 1950 at the credit of the Renewals Reserve Fund stands at Rs. 5,86 lakhs which represents 14·4% of the Capital at charge of Rs. 40,79 lakhs.

4. It may be mentioned in this connection that the question of the method of calculation of contribution to the Railway Depreciation Reserve Fund was considered recently by the Railway Convention Committee, 1949 on whose recommendations it has been decided by the Ministry of Railways that an *ad hoc* contribution of Rs. 15 crores per annum should be made to this fund for the quinquennium commencing from 1-4-50. The accumulated balance at the credit of the Railway Depreciation Reserve Fund as on 31-3-1950 amounts to Rs. 97·42 crores representing 13·4% of the Capital at charge (Rs. 723·8 crores) on that date.

5. In these circumstances, it is suggested that the basis, which was approved by the Public Accounts Committee in 1935 and which has been followed ever since may be allowed to continue. If this is approved it is proposed to make an annual contribution of Rs. 75 lakhs for the next 3 years and to review the position at the end of that period.

6. The Accountant-General, Posts and Telegraphs, has suggested that a stock-taking of all assets should be conducted for assessing the exact value of assets of the Department existing in the Indian Dominion after partition as well as those taken over from the ex-Indian States. The matter is under consideration. The present method of contribution to the Fund will be further reviewed on the completion of this valuation.

APPENDIX XXI

Office Memorandum No. 23-A/2-51 dated the 15th January, 1951 from the Ministry of Communications re: Agreement with Air India International

SUBJECT: AIR INDIA INTERNATIONAL

As desired by the Public Accounts Committee two copies of the agreement between the Government of India and Air India International dated the 12th March, 1948 has been separately sent to the Parliament Secretariat. The principal financial provisions of the agreement are :—

(a) The Government of India have taken up 49 per cent (namely, Rs. 98 lakhs) of the capital (namely, Rs. 2 crores) of Air India International and have the option to take up further 2 per cent. at any time if they so desire.

(b) The Board of Directors consists of 6 members, 2 of whom including the Chairman being nominees of Air-India (Chairman's appointment being subject to the approval of the Government of India), one Director representing the general share-holders and the remaining three being Government nominees including a Special Director with powers to reserve specified items of importance for the decision of Government.

(c) Government is required to re-imburse to Air India International any loss incurred by it, after making provision for depreciation, for a period of 5 years, the loss for the purpose being the actual loss as disclosed by the final audited accounts of the Company.

(d) When the Company begins to make a profit, not less than 50 per cent of its annual profit is required to be returned to Government in repayment of the subsidy, if any, which had been paid to it in earlier years. The balance could be retained by the Company and out of that a dividend not exceeding 3½ per cent might be declared until the whole of the subsidy received by the Company from Government is paid off. Thereafter 50 per cent of the balance of profit made each year after deducting a sum equivalent to 5 per cent of the capital, is to be paid to Government.

(e) Payments made to Government in accordance with (d) above would not be subject to income tax.

(f) Air India is to be paid a management fee by Air India International for acting as the latter's Technical Managers on a sliding scale decreasing, in respect of Constellation operations, from 5 annas per mile for the first 1 million miles to 1 anna per mile for over 2½ million miles flown during the year.

(g) Air-India have also the exclusive booking agency in India for Air India International receiving commission at 10 per cent of the gross bookings of the latter company if it makes a profit and 7½ per cent. otherwise.

(h) Air India International would have exclusive rights of operation over all routes to the west of India within a specified zone, for a period of 10 years.

(i) Air India International has to bear the cost of its own staff exclusively recruited for its purpose and has to share the cost of staff serving both the concerns with the proviso that during the period any member of the staff of Air-India was exclusively looking after the affairs of Air India International, the latter has to bear his full cost.

Brief History of the Operations

Air India International was incorporated on 8th March 1948 and commenced operations on 8th June 1948 on the U. K. route with a frequency of one service a week. The frequency has since been progressively increased to 4 services a week (the fourth service is at present under temporary suspension). It is also operating a weekly service on the route Bombay-Karachi-Aden-Nairobi.

Financial Results 1948

The accounts for the Company for the year 1948 disclosed the following position :—

Operating loss	4,23,868
Normal depreciation	18,01,349
Initial expenses	12,70,184
Total loss	28,95,401

Public Accounts Committee

It has been agreed to spread the initial expenses over a period of five years and in accordance with the terms of the Agreement *vide* (c) of paragraph 1 above, the Government of India paid to the Company a sum of Rs. 19,79,254 comprising the operating loss, the normal depreciation and 1/5th of the initial expenses.

The loss is attributed to the following factors :—

(a) During the initial period of operation when the frequency was for the greater part only 1 service a week and later increased to twice weekly, the aircraft were not utilized to their maximum capacity ;

(b) Actual Operational Costs were considerably more than those anticipated;

(c) Certain foreign check crew and engineering staff had to be retained for an initial period when Indian personnel familiarised themselves with the handling of the complicated new type of aircraft and the new field of operations.

1940—

In the second year of operations, the Company made a small operating profit of Rs. 77,000 and an additional Rs. 8.5 lakhs by sale of one Constellation aircraft. In accordance with the terms of the Agreement with the Government of India the Company has made a provisional payment of Rs. 2,10,229 to Government which represents half of the total profit less 1/5th of the initial expenses carried over from the previous year. The Company's accounts are subject to audit by Government Auditors.

1950—

The Company expects that operations during 1950 will show a small profit.

APPENDIX XXII

Memorandum for the Public Accounts Committee on the item regarding "Expenditure on A. R. P. works on B. G. and M. G. system on the Bombay, Baroda and Central India Railway" appearing at page 86, Annexure 'A' to Part II of Appropriation Accounts of Railways in India (15th August 1947 to 31st March 1948).

During the course of the examination of the Appropriation Accounts of Railways in India for 1947-48 (post-partition) on 15th January 1951, the Public Accounts Committee wanted to know the reasons for which the expenditure on the item "Expenditure on A. R. P. works on B. G. and M. G. system (Rs. 78,372) on the Bombay, Baroda and Central India Railway" appearing at page 86 of the Appropriation Accounts of Railways in India for 1947-48 (15th August 1947 to 31st March 1948), Part II—Detailed Appropriation Accounts, which had been placed under objection in August 1941, could not be regularised so far. The reasons for which this item has still remained not regularised are given below :—

In view of the urgency of A. R. P. measures, the Railway Board decided in August 1941 that when the proposed A. R. P. schemes were in accordance with the prescribed policy, the Railways could proceed to incur expenditure thereon, but they must, as soon as possible, submit their estimates for financial sanction. The Bombay, Baroda and Central India Railway had incurred an expenditure of about Rs. 40 lakhs on various A. R. P. measures and regularised it by obtaining competent sanction to the block and detailed estimates, except for the sum of Rs. 78,372 which appeared in the Appropriation Accounts for 1947-48 (post-partition) as the item under reference.

The estimate prepared in June 1945 by the Deputy Chief Mechanical Engineer, Ajmer, to regularise this expenditure was found to be defective in certain respects and it was returned by the Accounts Department in August 1945 for necessary revision and submission through the Engineer-in-Chief, who was the co-ordinating officer for the M. G. system for the purpose of A. R. P. measures. In January 1948, the Deputy Chief Mechanical Engineer, Ajmer, replied after he had been reminded several times that he had submitted the estimate to Engineer-in-Chief. As the Engineer-in-Chief had not submitted the estimate, he was reminded in April 1948 and he replied that the matter was under correspondence with the Deputy Chief Mechanical Engineer. In October 1948 he stated that he had furnished the estimate, but on scrutiny it was found to be for a similar expenditure on another District. Thereafter the matter was not further pursued by the Accounts Office as the papers were merely linked and filed by the dealing clerk through a misapprehension. It was detected in October 1950, while preparing the Appropriation Accounts for 1947-48 (post-partition period) that the amount still remained unregularised. Although with the lapse of time it has become still more difficult to obtain the requisite details, special steps are being taken to get the information and obtain General Manager's sanction to regularise the position. The failure on the part of the staff concerned to take vigorous action for getting the expenditure regularised has been suitably taken up.

APPENDIX XXIII

Proceedings of the meeting of the Public Accounts Committee held on Friday, the 18th November, 1950 at 11 a.m.

The following were present :

Shri B. Das (*Chairman*)

Shri M. L. Dwivedi.

Professor K. T. Shah.

Shri H. G. Mudgal.

Pandit Munishwardatt Upadhyay.

Shri H. S. Rudrappa.

Shri S. N. Das.

Shri Bali Ram Bhagat.

Shri B. N. Munavalli.

Shri T. H. Sonavane.

Shri K.A. Damodara Menon.

Shri B. S. Hiray.

} Members

SECRETARIAT

Shri M. N. Kaul (*Secretary*)

Shri S. L. Shakhder (*Officer on Special Duty*)

2. The Committee first considered the programme for the examination of the Appropriation Accounts for 1947-48 (post-partition) and Audit Reports thereon. It was decided to hold the meetings of the Committee from the 8th to 18th January 1951 to consider these Accounts. It was agreed that the Committee should meet in the mornings only from 10-30 A.M. to 1-30 P.M. After some discussion the following programme was agreed to :

Defence Appropriation Accounts	. . . .	8th to 10th Jan. 1951.
Railways Appropriation Accounts	. . . .	11th & 12th Jan. 1951.
Civil Appropriation Accounts	. . . .	13th, 15th & 16th Jan. 1951.
Posts & Telegraphs Appropriation Accounts	. . . .	17th January, 1951.

The programme for the 18th January 1951 was postponed for consideration at a later date.

3. The Committee then considered a Memorandum (Annexure) on the question whether the Reports of the Public Accounts Committee on the Accounts relating to the pre-partition period, i.e. upto the 14th August 1947 should be discussed in the House. It was agreed that these reports should only be laid on the Table of the House and not discussed.

Appendix XXIII

Annexure

Memorandum setting out the Question whether the Reports of the Public Accounts Committee on the accounts relating to the pre-partition period, i.e., up to the 14th August 1947 should be discussed in the House.

During the debate on the 31st March 1948 in the Constituent Assembly (Legislative) on the motion for election of members to the Public Accounts Committee, there was considerable criticism of the decision of the Ministry of Finance not to prepare the Appropriation Accounts which were outstanding at the time of the partition of the country except in respect of the Defence Services expenditure, which were necessary for purposes of sharing military expenditure. These accounts relate to the period from the 1st April 1945 to the 14th August 1947. The Ministry of Finance felt that there had been a misunderstanding about the actual position of these accounts and accordingly clarified it in their Memorandum, dated the 20th May 1948, addressed to the members of the Committee, the substance of which was :

- (1) The decision to discontinue the work on the Appropriation Accounts was due to a genuine doubt as to the competency of the Legislature (1948) of either Dominion or the Public Accounts Committee elected by them to scrutinise the Appropriation Accounts of the undivided Government as also to the inadequacy of the staff to take on this additional work. There was also the fact that consequent on inter-transfer of staff between the two Dominions, it would have been difficult to obtain suitable explanations or fix responsibility for irregularities which had occurred before the partition.
- (2) The Accounts Officers concerned have, however, been instructed to complete the accounts for the pre-partition period in accordance with the normal procedure to which the ordinary process of audit will be applied ; and the non-preparation of the Appropriation Accounts would not therefore mean that there will be no accounts at all for that period.
- (3) The Ministry of Finance had reconsidered the position in the light of the debate in the House and proposed that—
 - (i) the Appropriation Accounts for the year 1945-46, on which work had reached an advanced stage should be completed and placed before the Public Accounts Committee ;
 - (ii) for the years 1946-47 and 1947-48 (pre-partition period) the Public Accounts Committee could examine the Finance Accounts prepared by the Auditor General along with a memorandum, which the latter would prepare, for the consideration of the Committee, and which would bring out the important financial irregularities ordinarily appearing in the Appropriation Accounts.

2. At the same time, the legal aspects of the case also were examined by the Ministry of Finance, in consultation with the Ministry of Law, and explained in a Memorandum which was placed before the Public Accounts Committee at their meeting held on the 8th September, 1948. The points mentioned in that Memorandum were :—

- (1) The statutory obligation of the Auditor-General under the Government of India Act, 1935, as adapted, and the Government of India (Audit and Accounts) Order, as amended, to compile the Appropriation Accounts is only in respect of the period after the establishment of the Dominion and not for the period prior to the 15th August 1947 ; and that in compiling any such account, he would not be discharging a statutory function.
- (2) The Legislature of the Indian Dominion and the Public Accounts Committee elected by them are technically not competent to deal with the accounts of undivided India.
- (3) The authority of the Government of India and of the Legislature of the Indian Dominion does not extend to the period when they were not in existence and they cannot, therefore, regularise the excess over grants, voted or non-voted, in the pre-partition accounts.
- (4) In view of the legal position explained, the Public Accounts Committee, in dealing with the pre-partition accounts will not be discharging a statutory function but will only be helping the executive government to take adequate action in the matter of disposal of financial irregularities pertaining to the Indian Dominion brought to their notice.

Public Accounts Committee

- (5) These Accounts and Audit Reports and the Reports of the Public Accounts Committee thereon will not be laid before the Legislature or debated by it as section 169 of the Government of India Act, 1935, as adapted, relates only to the accounts of the Dominion. They may be placed in the Library of the House for the information of the members and action taken by Government, as usual, to implement the recommendations of the Public Accounts Committee.

3. The Public Accounts Committee, having considered the legal position, recommended in paragraph 2 of their Report on the accounts of the year, 1945-'6, as follows :—

“Normally these excesses will have to be voted by the Legislature. But we are advised that technically it is not within the competence of the present Legislature to deal with the excesses which relate to the pre-partition period (Appendix XXII) and we accordingly recommend that no action need be taken to regularise them.”

The Committee did not comment on the point that these accounts and reports need not be laid before the Legislature or debated by it. Having accepted, however, the legal position as explained in the Ministry of Finance Memorandum, it would appear to follow that the Committee also accepted the position that these reports etc., need not be laid before the Legislature.

4. In view of the fact that these accounts and reports relate to the pre-partition period and are more than three years old and in view of the legal position explained, it is proposed that they may be laid on the table of the House but no debate should take place. The Committee may kindly consider this question, and if approved, recommend this course of action to the House.

APPENDIX XXIV

Proceedings of the meetings of the Public Accounts Committee held on Saturday, the 2nd December, 1960.

The Committee met from 11 A.M. to 1 P.M.

2. The following were present :

Shri B. Das (Chairman).	}	<i>Members</i>
Prof. K. T. Shah.		
Shri M. L. Dwivedi.		
Shri Tribhuan Narayan Singh.		
Shri H. S. Rudrappa.		
Shri K. A. Damodara Menon.		

SECRETARIAT

Shri M. N. Kaul (*Secretary*).
 Shri S. L. Shakhder (*Officer on Special Duty*)

3. At the outset a point was raised whether the quorum for constituting a meeting of the Public Accounts Committee should be raised from four to five. After a brief discussion it was agreed to defer a decision on this matter for the present. It was, however, decided that the Chairman should write to the Members impressing on them the need for attending the meetings of the Committee. If for any reason a Member was unable to attend a meeting of the Committee he should normally inform the Chairman stating briefly the reasons for his absence.

4. The Committee then took up for consideration a recent reference received from the Ministry of Finance proposing that in view of the strong views held by the C. & A.G., a working arrangement under which the P.A.C. would examine the Audit Reports and Appropriation Accounts only after they had been laid before Parliament, might be adopted. After a brief discussion, it was decided to circulate relevant papers containing the opinion of the Ministry of Law, the views of the Auditor General and the orders of the Hon'ble the Speaker on the subject to the members of the Committee. The Committee decided to take up this matter for further consideration on Tuesday the 5th December 1960 at 2-30 P.M.

5. The Committee agreed to the following detailed programme of the meetings of the Committee to be held in January 1961.

Day.	Time.	Subject.
Monday, the 8th	10-30 A.M. to 1-00 P.M. 3-00 P.M. to 5-00 P.M.	General Discussion. Meeting with the C. & A.G.
Tuesday, the 9th	} 10-30 A.M. to 1-00 P.M.	} Defence I & S. } Defence. Food } Estimates.
Wednesday, the 10th		
Thursday, the 11th		
Friday, the 12th	} 10-30 A.M. to 1-00 P.M.	} Railways a/oa and Transport Ministry.
Saturday, the 13th		
Monday, the 15th	Do.	Communications Ministry & P. and T. Accounts.
Tuesday, the 16th	Do.	State Trading Accounts of all Ministries.
Wednesday, the 17th	Do.	I. & S. and Commerce Ministries.
Thursday, the 18th	Do	Finance Ministry.
Friday, the 19th	Do.	Home Affairs, U.P.S.O., States and I. & B. Ministries.
Saturday, the 20th	Do.	Food, Agriculture and Rehabilitation Ministries.

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6. The Committee then discussed the question of purpose and scope of Audit of the Accounts of the Indian Union and also whether the Committee should require the Comptroller and Auditor-General of India to give the Committee a report on the audit of Revenues and Receipts of the Indian Union. The Committee agreed that it was competent to consider such matters. The Committee further desired that an enquiry may be made from the Comptroller and Auditor-General whether the finance accounts relating to years 1946-47 and onward had been prepared and published. If they had not been compiled when they were likely to be completed. The Committee felt in this connection that unless they examined the receipt side of the accounts of the Indian Union, their examination of the accounts would not be complete. The Committee considered that matters arising out of the ways and means policy of the Government also fell within its purview.

7. The Committee noted that last year the Comptroller and Auditor-General had stated that it was not possible for his organisation to detect in the course of disbursements whether any particular grant approved by Parliament had been exceeded and he had promised to look into this matter and to inform the Committee of the procedure that he would propose for adoption so that the provisions of the Constitution were complied with. The Committee desired that the Comptroller and Auditor-General might be asked to give a memorandum to the Committee on this subject, and also to find out what information and data had been collected by an officer of the Ministry of Finance who, it was understood, had recently gone to the U.K. to study the procedure followed there in regard to this matter.

8. The Committee then proceeded to consider whether it was sufficient for the Comptroller and Auditor-General to check payments with sanctions alone and whether it was not the function of the audit authorities to audit the sanctions themselves in order to see that the need for obtaining the full value of the expenditure covered by the sanction had been kept in view by the sanctioning authorities. The Committee was strongly of the opinion that this was an important function of the audit authorities, and accordingly desired to discuss the matter fully with the Comptroller and Auditor-General on the 8th January 1951.

Appendix XXV

Proceedings of the Meeting of the Public Accounts Committee held on Tuesday, the 5th December, 1950.

The Committee met from 2-30 P.M. to 3-30 P.M.

2. The following were present :

Shri B. Das (<i>Chairman</i>).	}	<i>Members</i>
Prof. K. T. Shah.		
Shri M. L. Dwivedi.		
Shri Tribhuan Narayan Singh.		
Shri S. N. Das.		
Shri Bali Ram Bhagat.		
Shri B. N. Munavalli.		
Shri K. A. Damodara Menon.		

SECRETARIAT

Shri M. N. Kaul (*Secretary*).
Shri S. L. Shakdher (*Officer on Special Duty*).

3. The Committee noted the decision of the Honourable the Speaker that it was competent for the Public Accounts Committee to begin the examination of the Reports and Accounts as soon as they became available, but they should not submit any reports thereon to Parliament before the Accounts were laid on the Table of the House.

The Committee also discussed the procedure for the submission of the Audit Report by the Comptroller and Auditor-General to the President, but as this matter concerned the Comptroller and Auditor-General, it was decided to discuss this aspect of the matter informally with him on the 8th January, 1951.

4. The question regarding the separation of Accounts from Audit was also raised, but further consideration of the matter was postponed by the Committee till the relevant material was collected and a comprehensive Memorandum obtained from the Ministry of Finance.

5. The Committee then reconsidered the programme of the meetings to be held in January, 1951 drawn up at its meeting held on the 2nd December, 1950. It was decided not to hold meetings on Saturday, the 13th and 20th January, 1951 as previously fixed. The following revised programme was approved by the Committee :

8-1-51	. . .	Morning Session—General Discussion.
		Afternoon Session—Meeting with the Comptroller and Auditor-General.
9-1-51	. . .	} Ministry of Defence.
10-1-51	. . .	
11-1-51	. . .	
12-1-51	. . .	Ministry of Railways.
15-1-51	. . .	Ministries of Railways and Transport.
16-1-51	. . .	Ministry of Communications and Posts and Telegraphs Department.
17-1-51	. . .	State Trading Schemes—All Ministries.
18-1-51	. . .	Ministries of Industry & Supply and Commerce.
19-1-51	. . .	Ministry of Finance.

It was decided to take up the examination of the Ministries not included in the present programme at a later date.

The Committee adjourned till the 8th January, 1951.

APPENDIX XXVI

Proceedings of the Meeting of the Public Accounts Committee held on Monday, the 26th March, 1951.

1. The Committee met from 5-45 P.M. to 7-15 P.M.
2. Those present were :

Shri B. Das (*Chairman*).

Prof. K.T. Shah
Shri H.G. Mudgal
Pandit Munishwardatt Upadhyay
Shri H.S. Rudrappa
Shri S.N. Das
Shri Bali Ram Bhagat
Shri B.N. Munavalli
Shri T.H. Sonavane
Shri K.A. Damodara Menon

} *Members*

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

SECRETARIAT

Shri M. N. Kaul (*Secretary*).

Shri S. L. Shakhder (*Officer on Special Duty*).

3. At the outset, a reference was made to the letter dated the 3rd March, 1951 from Prof. K.T. Shah suggesting the form and structure of the Report of the Public Accounts Committee, and also the examination of the Accounts covering the Revenue side, Public Debt and the Liabilities and Assets of the Government as deduced from the balances recorded in its books. The Comptroller and Auditor-General informed the Committee that the compilation of the Finance and Revenue Accounts for the period 1946-47 was already nearing completion and that it was likely to take some time before the Accounts for the year 1947-48 (post-partition) could be ready as the question regarding the settlement of Debt and other outstanding adjustments was still pending with the Pakistan Government. He further stated that since the Finance Accounts were also 'Public Accounts' the Public Accounts Committee was quite competent to take up the examination thereof simultaneously with the Appropriation Accounts of the corresponding year. The Committee held a brief discussion over the other points raised in Professor Shah's letter referred to *ibid* inasmuch as they related to the form of the Report of the Committee on the Accounts of the year 1947-48 (post-partition). It was decided that while presenting the Report to Parliament, the Chairman might add some of the points raised during the course of the discussion in the introductory part of the report.

4. A reference was also made to an earlier letter from Prof. Shah in which he had suggested that an Introduction containing precepts from the ancient Hindu books like *Kautalya's Arthashastra* and the *Sukramit* should be added in the various Public Account Codes which were being revised and published by the Comptroller and Auditor-General of India. The Comptroller and Auditor-General told the Committee that Prof. Shah's suggestion was not feasible as there were a large number of Account Codes issued by him and also that by doing so no practical purpose was likely to be served from the accounts and audit point of view. He added that he was sending a reply to this effect explaining the reasons for not accepting the suggestion put forth by the Honourable Member.

5. The Committee shared the view expressed by the Comptroller and Auditor-General that the Executive Government was not taking adequate action to implement the recommendations made by the Public Accounts Committee. The Comptroller and Auditor-General stated that he was looking into the matter as to what effective steps should be taken to ensure early and effective action in the matter. The Committee desired that the matter should be pursued with the Government and the result intimated to them in due course.

6. The Comptroller and Auditor-General brought to the notice of the Committee that the state of accounting and auditing arrangements, as revealed in the report under consideration and as also found by him from the report of one of his officers whom he had deputed to take up examination of the Accounts of the various multi-purpose projects and State Trading Corpora-

Appendix XXVI

tions, was far from satisfactory and some measures should be adopted to tighten up the Audit control over the spending of money by these autonomous bodies or the Government Departments managing and executing the projects. The Central Tractor Organization was cited as an instance in this connection. He suggested that to remedy this state of affairs, an enabling measure should be enacted by Parliament whereby it should be laid down that the power of audit control of all Corporations set up by Government or undertakings financed by Government should vest in the Comptroller and Auditor-General of India. In the latter case the investment of money by Government should be made subject to the express provision that the accounts are audited by the Comptroller and Auditor-General.

7. Before the Committee took up consideration of the draft of the First Report on the Appropriation Accounts of the year 1947-48 (post-partition), the Comptroller and Auditor-General congratulated the new Secretariat of the Public Accounts Committee viz., the Parliament Secretariat, for the manner in which the First Report of the Sovereign Committee had been drafted.

8. The Committee then proceeded with the consideration of the draft Report. The report was approved subject to some minor additions and alterations here and there suggested by the Comptroller and Auditor-General.

In connection with the appointment of Arbitrators referred to in the penultimate sentence of para. 6, it was decided to appoint 'three' persons instead of 'two'—one of whom should be a highranking judicial Officer.

In the heading of para. 7, it was decided to insert the words "and Manufacturing" between the words 'State Trading' and 'Schemes'.

In the heading of para 8, it was decided to substitute the word "Statutory" for "State".

9. Some minor corrections in the proceedings of the Meetings of the Committee as indicated by the Comptroller and Auditor-General were also approved.

10. The Committee authorised the Chairman to sign the Report on their behalf and present it to Parliament.

Public Accounts Committee

Date	No. of Members attending the meeting	Duration	Business transacted
16-1-51	12	[2½ hours	Consideration of the Appropriation Accounts of the Railways in India.
17-1-51	13	[2½ hours	<i>State Trading Schemes</i> —Ministries of Works, Mines & Power, Agriculture and Industry and Supply.
18-1-51	13	2½ hours	Consideration of Civil Accounts relating to the Ministries of Industry and Supply and Commerce.
19-1-51	12	2½ hours	Consideration of Civil Accounts relating to the Ministry of Finance (including Revenue Division).
26-2-51	11	1½ hours	Consideration of the draft report on the Accounts of 1947-48 (post-partition.)

NOTE.—(1) The individual attendance of Members at each meeting has been shown at encement of the Proceedings of the meeting concerned.

(2) In addition to the above meetings, the Public Accounts Committee also held two *informal* meetings on the 10th August, 1950 and 8th January, 1951 lasting 1 and 2½ hours respectively.

APPENDIX XXIX

Statement showing summary of the recommendations of the Public Accounts Committee on the Accounts of the year 1947-48 (post-partition).

S. No.	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations
(1)	(2)	(3)	(4)
1	4-R	Ministry of Finance.	The Ministry of Finance should frame necessary rules and regulations to ensure that the spending Ministries exercise proper checks and show complete responsibility in the matter of budgeting and keeping control over expenditure and in cases of laxity it should be the duty of that Ministry to take appropriate action in the matter.
2	5-B	Ministry of Finance.	The Ministry of Finance should once again draw the attention of all the Ministries to the suggestion contained in Para 7 of the Report of the Public Accounts Committee of the year 1944-45 and a suitable procedure should be devised in consultation with the Comptroller and Auditor-General whereby the indenting Department should ascertain telegraphically the precise position in regard to supplies within the year and estimate as accurately as possible the total expenditure against its appropriations.
3	9-R 44-P	<u>All Ministries of Government of India.</u> Director General, P. & T.	The Government of India should impress upon the heads of Departments that replies to Audit objections should be sent with the utmost promptitude and that immediate steps should be taken to remove defects in the administrative system existing in their departments which may be brought to their notice through the Audit Notes.
4	10-R 95-P	<u>Ministry of Finance</u> All other Ministries.	With reference to the case mentioned in Para 21(1) (3) of the Audit Report on Civil Accounts, 1949, the Ministry of Finance should formulate comprehensive rules and regulations, for the institution of a system of 'Administrative Audit' in consultation with the Comptroller and Auditor-General and incorporate them in the existing Codes etc., and a report submitted to the Committee in due course.
5	110-P	Ministry of Finance	With reference to Grant No. 72-Miscellaneous-sub-head 1-3.—Small Savings Scheme, the Committee wished to have a note on the progress made in the re-organisation of this scheme and economy effected.
6	7-R 87-P	<u>Ministry of Finance</u> All other Ministries.	Special steps should be taken to review the existing State Trading and Manufacturing Schemes under the control of the Government of India

(1)	(2)	(3)	(4)
			with a view to seeing that they were not sustaining any loss and that an adequate return commensurate with the capital invested in the scheme was forthcoming. A complete review of the schemes should be submitted by the Finance Ministry in respect of all the State Trading Schemes under the overall control of the Government of India before the consideration of the Accounts for 1948-49.
7	3-P	Ministry of Finance (Defence).	A Memorandum outlining in detail the various aspects of the financial control exercised by the Finance Ministry over Defence Expenditure should be submitted to the Committee.
8	5-P	Ministry of Defence	A Memorandum should be submitted to the Committee in due course showing the progress made in reviving the Equalisation Fund.
9	6-R 7-P	Ministry of Defence All other Ministries.	It was suggested that a Committee consisting of representatives of the Ministries of Finance, Defence and Law should be set up to go into the existing contract forms in use by the Defence Services with a view to drawing up standardised contract forms which should be strictly adhered to and no deviation therefrom made except under the express orders of the Government of India. At all events every contract should be entered into only after competent, legal and technical advice has been taken.
			It was further suggested that similar action should be taken in respect of other Ministries of the Government of India. The Committee also desired to be furnished with certain standard forms of major contracts which were in common use.
10	6-P	Ministry of Defence.	With reference to para 12 of the Financial Adviser's Review on the Appropriation Accounts (Defence Services), the question of allocation of works expenditure to 'maintenance' or 'capital' should be further examined in consultation with Audit Authorities and a report submitted to the Committee in due course.
11	9-P	Ministry of Defence.	The Committee desired to know the reasons which necessitated the conclusion of fresh contracts in the cases referred to in para. 7 of the Audit Report, Defence Services, 1949. They also desired to be apprised of the decision of the Government on the question of (i) taking disciplinary action (ii) imposing penalties on the contractors and (iii) regularising the expenditure in this case.
12	11-P	Ministry of Defence.	A target date should be fixed by which all the ground balances of the entire Military stores should be verified and correct balances under each category of store entered in registers so that there was no room for any irregularity or fraud thereafter. The Committee should be informed in due course of the progress made in this respect.

(1)	(2)	(3)	(4)
			The Committee should be furnished with a statement showing the total value of stores under each category on hand on the 15th August, 1947 and 31st March, 1948.
13	13-P	Ministry of Defence	A Memorandum outlining the present procedure obtaining on the Defence side for the reconstruction of store accounts and registers on the basis of duplicates of the relevant documents and vouchers etc. should be furnished to the Committee. The Defence Ministry should issue necessary instructions to ensure that officers of proved integrity only be put in-charge of store holding establishments.
14	13-P	Ministry of Defence	A Memorandum should be furnished to the Committee showing in detail how the stores were declared surplus or unserviceable and disposed of, which authorities were empowered to declare the stores unserviceable and how they were salvaged.
15	14-P	Ministry of Defence	With reference to sub-para. 4 of the M.A.G.'s Certificate contained in para. 30 of the Defence Accounts, the Committee desired that the question regarding adjustment of the outstanding amounts due from Jammu & Kashmir State Government and other States and Departments should be expedited and the matter reported to them at an early date.
16	16-P	Defence	With reference to Appendix F to the Defence Accounts, the Committee desired to be informed how the authorities were planning to avoid recurrence of the instances of over-estimating shown therein.
17	17-P	Defence	Adequate steps should be taken in consultation with Audit to prevent huge losses of cash, over-payments etc. in future resulting from the negligence of the officers concerned. A memorandum showing the measures adopted for tightening control in the matter should be submitted to the Committee in due course.
18	18-P	Defence	It was suggested that one or two members of the Committee might visit one or two Military Stores Depots to appraise their proper working.
19	20-P	Defence	With reference to para. 20 of the Audit Report 1949, the Committee wanted to know whether Government had accepted the suggestion of the Audit authorities for the restriction of the amount of imprest on the basis of actual immediate requirements and the periodical verification of balance being made by the officers of the Military Accounts Department.
20	21-P	Defence	The Committee wanted to know what procedure had been adopted to bring down the debtor balance in the pay accounts of other ranks and to restrict the future payments.

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(1)	(2)	(3)	(4)
21	53-P 23-P	Works, Production & Supply.	Steps should be taken to accelerate the clearance of the outstanding sale accounts. A Memorandum stating the exact number of the outstanding sale accounts and their latest position may be furnished to them at an early date.
22	24-P	Defence	<p>(i) With reference to Para 6 of the Audit Report, 1949, a report setting forth the steps taken to realise the excess amount drawn by the parties as also the amount actually recovered should be submitted to them.</p> <p>(ii) In order to obviate such losses being caused to Government in future, a procedure should be evolved in collaboration with the Civil authorities and the Audit to ensure that no payments on account of compensation are authorized unless the certificate of compensation is granted by the Military authorities requisitioning the land.</p>
23	26-P	Defence	A Memorandum setting forth the existing procedure followed by the M.E.S. authorities in scrutinising tenders whether they contained an estimate of the work to be executed item by item or whether they were prepared on a lump sum basis should be submitted to the Committee.
24	28-P	Defence	A Memorandum outlining the revised policy laid down by the Government of India for the provision of b read by the Army Service Corps to the Armed Forces and for the closing down of bakeries which were being run uneconomically should be submitted to the Committee.
25	30-P	Defence	With reference to para. 2 of the Defence Audit Report, the matter regarding accounting of 'overhead expenses' inasmuch as the charging of idle facilities to production cost was concerned, should be examined in the light of commercial principles in consultation with Audit and a report submitted to them in due course.
26	31-P	Defence	<p>A memorandum should be submitted showing:—</p> <p>(i) the quantities and value of tinned food imported during the pre-partition period, as compared to those in the post-partition period.</p> <p>(ii) in detail the procedure regarding supply of food articles to the Defence personnel and to their families.</p>
27	34-P	Communications <hr/> All other Ministries.	The Committee wanted to know whether agreement similar to that entered into by Government with the Air India International Ltd., had been executed by the Government of India with any other Company whereby exemption from the payment of income-tax had been granted.
28	36-P	Communications	The Committee desired to be furnished with a note giving the up-to-date amount that was merged in the general balances.
29	40-P	Director-General Posts & Telegraphs <hr/> Ministry of Finance.	With reference to para. 8 of the Appropriation Accounts, Posts and Telegraphs, a uniform policy should be evolved by all Ministries for allocating contributions to the Renewal Reserve.

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(1)	(2)	(3)	(4)
			Funds constituted by them and that this matter should be regarded as urgent and gone into thoroughly by a Committee of experts.
			So far as the Posts and Telegraphs Department was concerned, a detailed examination of the matter should be undertaken as already recommended by the previous Committee in para 75 of its Report relating to the year 1945-46.
30	41-P	Director-General Posts & Telegraphs.	With reference to the cases of defalcations or loss of public money referred to in para. 14(a) of the Audit Report, the Committee desired that recoveries should be made from the persons concerned in cases in which contributory negligence was proved.
31	74-P	Natural Resources & Scientific Research.	A Memorandum setting forth details of the scheme relating to the purchase of Machinery for Mica Miners, particularly with regard to its financial aspect should be prepared and submitted to the Committee in due course.
32	74-P	Ditto	The net financial results of the working of the scheme named 'All India Reserve Pool of Electrical Generating Plant' after its accounts were finalised by the end of February, 1951 should be furnished to the Committee.
33	75-P	Comptroller and Auditor-General.	The Committee was promised to be furnished by the Comptroller and Auditor-General in due course a report of an examination conducted by one of his officers on the accounts of such projects as Bhakra-Nangal, Hirakud, Sindri and Damodar Valley Corporation.
34	78-P	Food & Agriculture	(i) A co-ordinated plan should be evolved in consultation with the Audit authorities in fixing the prices of tractors, the recovery thereof from the State Governments and its proper accountal. (ii) A complete note outlining the formation of the Central Tractor Organisation, the necessity for its continued existence, the amount loaned by the International Monetary Fund, the mode of its repayment to the General Revenues, the method of recovery from the States, the amount of interest charged from the States and the circumstances that led to the commencement of the operations without making any adequate proper accounting arrangements may be furnished to the Committee. The desirability of including the accounts of this Organisation in the Commercial Appendix should be considered in collaboration with the Accountant General, Food, Rehabilitation and Supply.
35	80-P	Food & Agriculture	With regard to the Scheme for the purchase of Agricultural and Dairy Machinery, the Committee desired to be furnished with a detailed Memorandum tracing the origin and growth of this scheme and the financial implications involved in its working.

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(1)	(2)	(3)	(4)
36	83-P	Commeroe & Industry Comptroller and Auditor-General	With reference to the question of allocation of the profits accruing from the operation of the Standard Cloth Scheme, the Committee desired that an agreement should be arrived at between the Ministrie's of Finance and Commeroe and Industry and the Comptroller and Auditor-General about the quantum of the profits and the deductions be made on account of interest and overhead and other ancillary expenses before distributing them to the States and the matter reported to them in due course.
37	84-P	Commeroe & Industry	In connection with the report of Japanese cloth the Committee wished to be apprised of the result of the claim preferred with the Customs Department for the refund of Rs. 10,96,624 which represented the excess sum already paid on that account.
38	86-P	Works, Production & Supply	A statement showing the amount of the net deficit after final settlement of the outstanding issues in regard to the recovery from Messrs. Sir Lindsay Parkinson & Co. Ltd., in connection with the scheme for the production and supply of coal, should be prepared and submitted to the Committee in due course.
39	88-P	Commeroe & Industry	A review of the working of the undermentioned State Trading Schemes showing their latest financial position should be prepared and placed before them along with the Accounts for the year 1948-49 after getting it verified by the Accounts :— (i) 'Consumer Goods imported on Government account,; (ii) 'Purchase of Paper'
40	89-P	Works, Production & Supply	Commenting on the disposal of the Reserve Stores under the late D.G.M.P., the Committee desired that a procedure should be evolved whereby the irregularities noticed in the case are avoided in future.
41	92-P	Commeroe & Industry	With reference to the case mentioned in para. 21(i)(2) of the Audit Report, the Committee desired to know in due course of the action taken against the defaulting Officer.
42	14-R 84-P	Railways	A Committee comprising of an Accounts Officer and an Engineering Officer should be set up immediately by the Railway Board to review all the cases mentioned in Annexure 'A' of Part II of the Appropriation Accounts of the Railways in India and the progress made in the matter reported to the Public Accounts Committee. The Committee also desired to be furnished with a Memorandum showing the improvement effected in the clearance of the items mentioned above held under objection, as shown in the Annexure 'A' with special reference to the expenditure relating to (i) the A.R.P. Works on B.G. and M.G. system of B.B. & C.I. Rly. and (ii) Khargpur-Kalaunda Doubling.

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(1)	(2)	(3)	(4)
43	53-P	Railways	A report showing the progress made in the early clearance of the balances outstanding under suspense on 31st March, 1948 should be submitted to the Committee at the time of the examination of the Accounts for the year 1948-49.
44	16-R 65-P	Railways	With reference to the case mentioned in para. 24 of the Railway Audit Report, the Committee suggested that a suitable procedure should be laid down in consultation with the Indian Purchase Missions abroad whereby shortages are recouped, soon after the delivery of the Loco., plants etc. imported from foreign countries. The Committee also wanted to have a report of the progress made in this case.
45	18-R 67-P	Railways	The existing rules regulating the Discipline and Conduct of Railway Servants should be reviewed to see that a suitable action is taken against the Railway staff who are found wantonly indifferent or careless in the handling or despatch of goods or bad transhipment.
46	20-R 70-P	Railways	The Committee desired to know the steps taken by the Railway Board to rationalize distribution of stocks between the different Railways and also to remove imbalance between different categories of stores held by them in the light of the recommendations of the Shroff Committee.
47	21-R 50-P	Railways	Adequate steps should be taken by the Railways Administrations to impart proper training to the staff in the Railway Accounts Offices and to conduct regular courses and desired that a detailed Memorandum showing the steps taken to improve this aspect of the matter should be submitted to the Committee in due course. A departmental examination should be prescribed, the passing of which should be made an essential condition for confirmation of Upper Division Clerks in the Railway Accounts Offices.
48	22-R 51-P	Railways	The Committee desired to know of the progress made in the separation of Financial and Accounts functions on the Railways.
49	60-P	Railways	The Committee desired to know in due course of the instructions issued by the Railway Board to the Railway administrations regarding the timely adjustment of inter-railway transactions to avoid lapse of funds.
50	68-P	[Railways	A Memorandum outlining the technical and commercial aspects of the method of costing of the manufacture of loco motives by the Tatas as compared with the units manufactured in the Chittranjan Locomotive Workshops should be furnished to them in due course after getting the details scrutinized by Audit.