

# PUBLIC ACCOUNTS COMMITTEE 1953-54

## NINTH REPORT

[Appropriation Accounts (Defence Services),  
1949-50 and 1950-51]

Vol. II—Appendices



सत्यमेव जयते

LOK SABHA SECRETARIT  
NEW DELHI  
September, 1954

**Ninth Report of the Public Accounts Committee on the Appropriation Accounts (Defence Services), 1949-50 and 1950-51—Vbl. II—Appendices.**

**Title Page:** for "SECREATARIT" read "SECRETARIAT"

Page (i), CONTENTS, Col. 1: before 'II', insert 'I'

Page 3, S. No. 4, Col. 6, line 12: for 'structure' read 'structures'

Page 13, Heading—*Expenditure Charged to Capital*, TOTAL DEFENCE SERVICES, Col. 5: for "4,10,68,80" read "4,10,68,080"

Page 16, para 3, line 2: for "thporitical" read "theoretical"

Page 17, Statement, under heading — Eastern Command: delete }

Page 17, Statement, under heading — Western Command: after 5,92,650 insert '}' against years '1947-48, 1948-49, 1949-50'

Page 17, footnotes, line 3: for '\*' read "\*\*\*"

Page 18, para 2—sub-para (b), line 5: for 'inadivisable' read 'inadvisable'

Page 43, Col. 5, Heading: for '(Col. 3-4J)' read '(Col. 3-4)';

Col. 8, Heading: for 'forefited' read 'forfeited'

Page 45, Col. 10, Heading: for 'contractons' read 'contractors'

Page 53, Heading: for '1948-9' read '1948-49'

Page 69, Col. 1, Heading: for 'ELECTRICITY' read 'ELECTRICITY'

Page 74, Statement, Minor Heads, line 13: for 'exsise' read 'Excise'.

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APPENDIX I

**Appropriation Accounts (Defence Services), 1948-49 and 1947-48 (post-partition) and Audit Reports thereon.**

*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	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
I	2	3	4	5	6
I	1948-49(II)*	2	Finance (Defence)	<p>Spending Departments should avoid inflating their estimates. All anticipated savings should be surrendered as soon as they become known without waiting till the end of the year. Departments should appraise properly their commitments and liabilities when it becomes apparent that the actual expenditure is likely to fall short of the provisions already made in the estimates. The general recommendations made in Chapter III of the Committee's Report relating to the Civil Accounts should also be followed by the Ministry of Defence.</p>	<p>The estimates have been and are being framed based on the latest known or foreseeable factors ; despite this, variations do occur owing to circumstances beyond control. However, no effort is spared to effect improvements wherever possible.</p>
2	1948-49(II)*	3	Defence Finance (Defence)	<p>While issuing instructions regarding allocation of Works Expenditure to 'Maintenance' or 'Capital' the Ministry of Defence should make it clear that these apply only to temporary accommodation and not to the other type. A copy of the instructions issued should be furnished to the Public Accounts Committee.</p>	<p>The Ministry of Defence have stated: "In pursuance of the direction" of the P. A.C. orders enhancing the rental value of temporary accommodation due to abnormal repairs done to them have been issued.</p>

\*1948-49 (II) denotes the Second Report of the Public Accounts Committee on the Accounts of (Defence Services) and Railways of 1948-49.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6

3 1948-49(II)\*\*

4 Defence

(i) As recommended by the Committee last year, the initial stock-taking of all stores should be completed as soon as possible and, thereafter, it should be ensured that the accounts, accurately record the quantities of each category of stores in stock, which should be verified in the process of stock-taking at regular intervals.

(ii) Under the existing system, it is easy to transfer a certain category of stores which may be in excess in one depot to another depot which is situated nearby at the time of the stock verification of that depot. A fool-proof method should be devised in consultation with the Ministry of Finance (Defence) to evolve an effective check to counteract against such indiscriminate inter-depot transfer of stores.

\*A note has been submitted to the Committee.

The matter has accordingly been examined. The transfer of stores from one depot to another is carried out on regular vouchers only, and no stores can be passed out from one depot to another without proper documents, which are checked by the security staff of the gate. In certain depots, e.g., Air Force Depots, Medical Depots and M. E. S. Depots, the stock position is controlled centrally by Air Headquarters, the Director General, Armed Forces, Medical Services, and Army Headquarters (Engineer-in-Chief's Branch) respectively. Moreover, they are situated away from each other, thus rendering inter-depot transfers of stores difficult. In the case of the M. E. S. Depots, the local authorities are not permitted to order transfer or move of stores in depots. Transfer orders are issued by the Engineer-in-Chief to satisfy specific demands and to replenish stores. All these checks therefore make fraudulent transfers almost impossible.

(iii) It should be impressed upon the subordinate authorities to devote their immediate attention to the proper linking of stores transactions.

4 1948-49(II)

4 Do.

Adequate arrangements should be made for the proper storage of bulk of the Defence stores at present lying in the open exposed to the inclemencies of weather.

Instructions to this effect already exist and in order to emphasise the matter, they are being repeated.

The Ministry of Defence have been most anxious to provide covered accommodation for storage of stores, but, unfortunately, inadequate financial provision, occasioned by financial stringency, has stood in the way. Despite it, however, substantial provision is being made for increasing covered accommodation, and the position has improved considerably in many branches. Prefabricated structures are also being provided for the protection of military stores. Everything possible is being done to make good the deficiency of covered accommodation.

5 1948-49(II)

5 Works, Housing and Supply

Defence

All other Ministries

Urgent steps should be taken by Government to draw up suitable standard forms of contract providing adequate safeguards to protect the interests of the Public Exchequer and these forms should invariably be used by the purchasing organisations.

The Ministry of W. H. & S. have stated as below :—

“ So far as the D.G., S. & D. are concerned, standard forms of contracts and conditions governing the same already exist. The standard forms and conditions for all types of contracts on the supplies side are constantly under review and suitable changes are introduced in them as and when necessary in consultation with appropriate authorities. Adequate safeguards to protect the interests of the Public Exchequer are already provided in the existing standard forms of con-

\*Not printed.

\*\*1948-49 (II) denotes the Second Report of the Public Accounts Committee on the Accounts of (Defence Services) and (Railways) of 1948-49.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6

tracts, which have been drawn up in consultation with the Ministries of Finance and Law.

All contracts are placed by the I. S. M. Washington and I. S. D. London in standard forms and no deviations are made without the specific concurrence of the Legal and Financial Adviser of the Purchase Organisation. The conditions of contract forms used by the I. S. D. and I. S. M. have been recently examined and certain improvements have been suggested to I. S. D., London to bring their form in line with the form used by the I. S. M., Washington, with a view to safeguard the interest of the Government".

The Ministry of Defence have submitted a separate note.

6 1948-49(II) 6 and 45 Defence . . . A Rate-book of naval stores should be compiled urgently. A note showing the progress made in this direction should be furnished to the Committee.

7 1948-49(II) 7 Do . . . The recovery of overpayments mentioned in para. 35 of the Audit Report (Defence Services), 1950 should, as far as practicable, be effected or these overpayments should at least be taken into account in

The Chief Commissioner, Manipur has already been asked to effect recovery of overpayments as far as that is practicable or to adjust against future payments. To obviate such



the case of individuals who may receive further payments under subsequent claims of compensation. A suitable procedure should be evolved in order to prevent the recurrence of such losses in future. An adequate organisation should be set up to vouchsafe the correct payment and account of compensation claims in such instances.

losses in future, only 80% of the claims checked by the Assistant Accounts Officer and passed by the Chief Commissioner are being paid. The remaining 20% will be paid after audit of the claims. Regarding the setting up of an organisation for the purpose, one already exists in the shape of the Claims Office (consisting of certain Officers) directly under the control of the Chief Commissioner, Manipur.

The existing machinery, both in the Depots and the Accounts Offices, should be overhauled to see that arrears of recovery of hire charges of the type referred to in para. 36 of the Audit Report (Defence Services), 1930 are not allowed to accumulate as it becomes difficult to fix responsibility in such cases at a distant date.

A note has been submitted to the Committee.

Delays in the setting up of courts of inquiry or for instituting proceedings involving losses on account of fraud, negligence, financial irregularities etc. should be avoided. The sanctity of observing the highest standards of financial propriety in the matters of public expenditure should be impressed upon all the spending authorities under the control of the Ministry of Defence.

Instructions exist for the convening of Courts of Enquiry with the least possible delay following losses.

The recommendations contained in para. 37 of the First Report of the Estimates Committee relating to the purchase of jeeps in the United Kingdom should be implemented without delay.

The Ministry of Works, Housing and Supply have submitted as below:

8 1948-49(II)

Do.

9 1948-49 (II)

Do.

10 1948-49(II)

Defence

Works, Housing & Supply.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6

"As regards the suggestion to draw up model contracts, it may be stated that all contracts are placed in a standard form and no deviations are made from them without the specific concurrences of the legal and financial advisers of the Purchase Organisation. The conditions of contract form used by the I.S.D., London, has been recently examined by the Assistant Solicitor and certain improvements have been suggested to the D.G., I.S.D., London to bring his form in line with the form used by the I.S.M., Washington, with a view to safeguard the interest of Government".

The Ministry of Defence have stated as below :  
 " As regards the contract with ANTIMISTANTS LTD., Government have inquired into all the points mentioned in para. 37 of the Report of the Estimates Committee, and have come to the conclusion that no useful purpose would be served by pursuing the subject further. There is very little that the Defence Ministry can add to what the Defence Ministry representatives said at the meetings of the Public Accounts Committee".

Works, Housing &  
Supply

External Affairs

Other Ministries  
concerned.

The tendency on the part of the Ministries concerned to shift responsibility from one to the other should be avoided. Any confusion or fluidity in the sphere of responsibility between the various authorities responsible for the placing of indents or execution thereof should be removed forthwith and the matter placed on a satisfactory footing. A detailed note showing the action proposed to be taken by Government in this connection should be furnished to the Committee.

*Appendix XXXI*

The Ministries of Defence and External Affairs have noted the recommendations.

10 Works, Housing &  
Supply

External Affairs

Government should re-examine the methods and organisation of the D.G., I. S. D., London with a view to defining in clear terms his duties and powers and his relationship with the High Commissioner and the Ministry of Works, Production and Supply in order to ensure that he functions efficiently.

The Ministry of Works, Housing and Supply have stated as below :

“ The question of appointing a Stores Purchase Committee to review the purchase machinery and procedure (including the purchase organisations located abroad) and to suggest the changes that might be necessary is under consideration of this Ministry. Meanwhile, the existing rules relating to the policy and procedure for purchase of stores and engagement of freight to India, followed by the D.G., I.S.D., London, has been suitably revised and the High Commissioner has been asked to implement the revised rules early. The powers of purchase of the D.G., I.S.D., London and of the High Commissioner have been revised and in

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6

cases where the High Commissioner exceeds his powers, he should make a reference to the Government of India for sanction. Provision has also been made for the I.S.D. to consult the Financial Adviser attached to the H. C., London, whenever necessary."

The Ministry of External Affairs have noted the recommendations.

Monthly report of the progress made in the supply of jeeps under the "New Contract", should be submitted to the Committee.

13 1948-49(II)

Defence

10

49 jeeps have arrived in India, and one jeep is held in Belgium as a specimen to guide inspection. Due to the increase in the world price of jeeps, the supplier has asked for a price increase. It seems unlikely, therefore, that further supplies will be received against the existing contract. The legal position is being examined in consultation with the Ministry of Law with a view to taking a final decision.

14 1948-49(II)

Do.

25

A self-contained note setting forth the decision arrived at by the Ministry of Defence, as also the views expressed by the Ministry of Finance, in regard to case reported in para. 4 (b) of the Audit Report (Defence Services) 1950, disclosing the circumventing of restrictions in rules for concluding a "Term Contract" should be furnished to the Committee.

\*A note has been submitted to the Committee.

15	1948-49(II)	36	Do.	With reference to the case referred to in Para. 7 of the Audit Report, Defence Services, 1949, a note showing the reasons for the waiver of the amount of Rs. 1,26,433 referred to in para. 3 (b) (iv) of the Memorandum submitted to the Committee should be furnished. The Committee should also be informed of the steps taken to effect recoveries of the outstanding balances.	A note has been submitted to the Committee.
	1947-48 (Post partition)	9			
16	1947-48 (Post-partition).	20P	Do.	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.	A report was submitted to the Committee of 1951-52 (cf. Appendix XXII of the Second Report). A further report has been submitted to the Committee.

\*Not printed.

## APPENDIX II

### Statement comparing Expenditure with Grants for 1949-50

Number and Name of Grant or Appropriation	Original Grant or Appropriation		Final Grant or Appropriation		Expenditure with Grant or Appropriation		Expenditure compared with Original Grant or Appropriation		Expenditure compared with Final Grant or Appropriation	
	2	3	4	5	6	7	8	9	10	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
<i>Expenditure Charged to Revenue</i>										
76—Defence Services, Effective—Army Voted	1,32,64,38,000	1,48,33,60,000	1,33,71,40,795	+ 1,07,02,795	— 14,62,19,205					
77—Defence Services, Effective—Navy Voted	8,64,17,000	8,64,17,000	6,87,91,519	— 1,76,25,481	— 1,76,25,481					
78—Defence Services, Effective, Air Force, Voted	13,69,41,000	13,69,41,000	12,23,78,623	— 1,45,62,377	— 1,45,62,377					
79—Defence Services, Non-effective, Voted	13,41,31,000	14,03,91,000	13,70,46,829	+ 29,15,829	— 33,44,171					
Charged	2,000	4,000	4,555	+ 4,555	+ 555					
Total expenditure charged to Revenue—	1,68,39,29,000	1,84,71,13,000	1,66,53,62,321	— 1,85,66,679	— 18,17,50,679					
Total expenditure charged to Revenue—	1,68,39,27,000	1,84,71,09,000	1,66,53,57,765	— 1,85,69,234	— 18,17,51,234					
} Voted	2,000	4,000	4,555	+ 4,555	+ 555					
} Charged	2,000	4,000	4,555	+ 4,555	+ 555					

*Expenditure Charged to Capital*

103—Defence Capital Outlay—									
Voted . . . . .	3,20,00,000	1,95,13,649	1,95,13,649	3,20,00,000	1,95,13,649	1,95,13,649	3,20,00,000	1,95,13,649	—1,24,86,351
TOTAL—Defence Services . . . . .	1,71,59,29,000	1,87,91,13,000	1,68,48,75,970	1,87,91,13,000	1,68,48,75,970	1,68,48,75,970	1,87,91,13,000	1,68,48,75,970	—19,42,37,030
{ Voted . . . . .	1,71,59,27,000	1,87,91,09,000	1,68,48,71,415	1,87,91,09,000	1,68,48,71,415	1,68,48,71,415	1,87,91,09,000	1,68,48,71,415	—19,42,37,585
{ Charged . . . . .	2,000	4,000	4,555	4,000	4,555	4,555	4,000	4,555	+ 555

---





*Expenditure Charged to Capital*

107-- Defence Capital Outlay-- Voted	2,15,00,000	6,78,68,000	4,18,79,883	+ 2,03,79,883	- 2,59,88,117
TOTAL Defence Services	1,81,90,92,000	2,03,09,62,000	1,86,01,60,080	+ 4,10,68,80	- 17,08,01,920
TOTAL	1,81,90,88,000	2,03,09,58,000	1,86,01,55,248	+ 4,10,67,248	- 17,08,02,752
	4,000	4,000	4,832	+ 832	+ 832

{ Voted  
{ Charged

## APPENDIX IV

### Ministry of Defence

*Public Accounts Committee—Audit Para. No. 17 (iii) (a) of Audit Report, Defence Services, 1952—Stock Verification in units and formations (other than factories) during 1950-51—Recording of wrong certificate of cent. per cent. stock-verification in a certain Engineer Park.*

At the outset it may be stated that the Audit Para. was NOT accepted by this Ministry for inclusion in the Audit Report, Defence Services, 1952. When it was sent to this Ministry in the draft form by the Director of Audit, Defence Services, for acceptance, he was informed that no certificate of 100 per cent. stock-verification was recorded by the Garrison Engineer of a certain Engineer Park. On receipt of this information, the Director of Audit, Defence Services, stated that the case had been referred to the Command Officer and that a further communication would be made to this Ministry. In the meantime, this item was included in para. 17 (iii) (a) of Audit Report, Defence Services, 1952. It has, however, again been verified from the Chief Engineer, Eastern Command, that no certificate of cent. per cent. stock-verification during 1949-50 and 1950-51 was recorded, as only 90 per cent. check was done during the year. The Chief Engineer, Eastern Command, had, in fact, applied for condonation of the failure to carry out 100 per cent. stock-verification, which was duly accorded, with the concurrence of the Ministry of Finance (Defence).

2. The Director of Audit, Defence Services, to whom the matter was referred, contends that the facts stated in the para. were confirmed by the Controller General of Defence Accounts. The Controller General of Defence Accounts, to whom a reference was made by this Ministry in turn, states that the original concurrence was given by the Controller of Defence Accounts, Eastern Command, Meerut, through some misunderstanding. The Controller of Defence Accounts, Eastern Command, has also confirmed this position and has further stated that disciplinary action is being taken against the individuals responsible for the mistake in his office. The Controller General of Defence Accounts, has also confirmed that no certificate of 100 per cent. stock verification was recorded by the Garrison Engineer, Allahabad.

3. This note has been shown to the Director of Audit, Defence Services.

## APPENDIX V

### Ministry of External Affairs

**SUBJECT:—***Proceedings of the Public Accounts Committee.*

Recently, a communication was received from the Parliament Secretariat saying that the Public Accounts Committee desired that a representative of the Ministry of External Affairs should attend the meetings of the Committee in which some paragraphs in the Audit Reports on the Appropriation Accounts of the Defence Services for 1951 and 1952, relating to alleged irregularities in regard to certain contracts (listed below) entered into by the High Commissioner of India in the United Kingdom for the purchase of stores for the Defence Services, came up for consideration of the Committee.

1. Contract for the purchase of jeeps for the Defence Services of India entered into by the High Commissioner of India during 1948-49.
2. Contracts with intermediaries in the United Kingdom for obtaining certain stores manufactured in a European Continental country.
3. Advance payment to the U.K. Government for the supply of certain Defence Stores.
4. Procurement of blankets in the U.K. for the Defence Services.
5. Loss on purchase of aviation stores in the United Kingdom.

2. A statement showing the various departments of the High Commission of India in London and their controlling authorities in India is enclosed. It will be seen that, although the High Commissioner for India in London is under the general administrative control of the Ministry of External Affairs, the financial as well as the general control of the various technical and specialist departments of the High Commission vests in the respective Ministries and Departments of the Government of India, and *not* in the Ministry of External Affairs.

3. The Ministry of External Affairs directly controls only the Central Departments of the High Commission, *e.g.*, the Chancery and the Accounts, External, Consular, Establishment, Organisation and Methods, General, Legal and Publicity Departments. This Ministry has little to do with the internal administration and activities of the technical and specialist departments. The subjects mentioned in the Audit Reports of the Accounts of the Defence Services referred to above concern the Ministry of Defence on whose behalf the stores were purchased, and the Ministry of Works, Housing and Supply who control the India Stores Department. In a note on co-ordination and a detailed scrutiny of the budget estimates of the High Commission of India in London, forwarded to the Parliament Secretariat in December 1952 for submission to the Public Accounts Committee, it was made clear that the External Affairs Ministry is *not* in a position to comment usefully on the technical requirements of other Ministries and

Departments and that there would be no special advantage in introducing a system giving the External Affairs Ministry a theoretical overall control over the entire budget estimates of the High Commission. The same principle applies to the financial and general activities of the High Commission.

\* \* \* \* \*

*Statement showing the various Departments of the High Commission of India in London, and their controlling Authorities in India.*

Serial No.	Name of the Department	Budget Demand in which included	Controlling authority in India
1	Auditor, Indian Accounts	Demand—Audit .	Comptroller and Auditor General of India.
2	(i) Central Departments including Chancery.	Demand External Affairs	Ministry of External Affairs.
	(ii) Legal Advisor's Department.	Do.	Do.
	(iii) Publicity Organization in London.	Do.	Do.
3	Indian Scientific Liaison Office.	Demand—Scientific Research.	Ministry of N. R. & S. R.
4	Education Department .	Demand—Education .	Ministry of Education.
5	Medical Adviser's Department.	Demand—Medical .	Ministry of Health.
6	India Stores Department.	Demand—Supplies .	Ministry of W. H. & S.
7	Commerce Department	Demand—Commercial Intelligence and Statistics.	Ministry of Commerce and Industry.
8	Military, Naval, and Air Adviser's Deptts.	Defence Services—Effective Army, Navy and Air Forces.	Ministry of Defence

## APPENDIX VI

### Ministry of Defence

*Statement showing the latest position in regard to outstandings of rent referred to in Para. 40 of Defence Audit Report, 1952.*

Year	Eastern Command	Western Command	Southern Command	Total
	Rs.	Rs.	Rs.	Rs.
1942-43 . . . . .	..	..	Nil	Nil
1943-44 . . . . .	..	..	Nil	Nil
1944-45 . . . . .	..	..	224	224
1945-46 . . . . .	..	..	1,517	1,517
1946-47 . . . . .	1,252	..	5,331	6,583
1947-48 . . . . .	76,451		85,305	1,61,756
1948-49 . . . . .	1,74,919	} 5,92,650	2,47,983**	1,74,919
1949-50 . . . . .	2,49,515*			4,97,498
				5,92,650 (W.C.)
<b>TOTAL.</b>	5,02,137	5,92,650	3,40,360	14,35,147

NOTE.—\*(Excluding Cawnpore Division. The amount pertains to a period upto 12/49).

\* Upto 3/50.

It will be seen that a sum of Rs. 14,35,147/- is now due as against the sum of Rs. 33,24,647/-, referred to in the Audit Report.

Dated the 16th July, 1954.

## APPENDIX VII

No. F. 59/14/53/5189-E/D (Q. & Eng),

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE,

New Delhi—11, the 8th August, 1953.

### OFFICE MEMORANDUM

**Subject** :—Appointment of Arbitration Tribunals to decide cases of disagreement under Works contracts.

**Reference** :—Parliament Secretariat Office Memorandum No. 46(7)-F. C. /53 dated the 3rd July 1953.

The undersigned is directed to refer to the above quoted memorandum and to say that the question of substituting tribunals for single arbitrators has already been considered a number of times by the Government but the decision has been adverse. For the first time in 1948 it was decided to adopt this system as an experimental measure in the case of certain war-time contracts but the experience has not been encouraging. Some of the disputes referred to joint arbitration towards the end of 1951 have still not been resolved as reference to an Umpire was inevitable. Further these joint arbitrations have proved very costly to both the parties and particularly to Government. The disputes pertaining to one set of contractors had to be referred to an Umpire due to disagreement between the Joint Arbitrators. In the case of another the joint arbitrators were able to agree and issue awards in only about 12 comparatively simple and straight forward cases but they disagreed in 8 cases which involved more complicated claims involving large amounts. Out of these 8 cases awards of only 4 cases have so far been published by the Umpire, and further hearings of the cases in respect of two contractors are still to take place. Thus some of the disputes remain unresolved for about 2 years from the date the panel of joint arbitrators was originally agreed to between the two parties.

2. Notwithstanding this, Ministry of Defence on the representation of the Builders' Association considered the question again but for the following reasons decided in favour of the continuance of the existing system :—

- (a) Government servants in responsible positions have been, and should, continue to be, trusted to discharge fairly the duties of arbitrators even in matters which involve Government interests. If this is disputed as a general proposition, the implications would be far and wide.
- (b) In India we still have not got authorities and institutions of the same standing as the Institutions of Civil, Mechanical, Structural or Electrical Engineers in U. K. or the Royal Institution of British Architect or Royal Institution of Chartered Surveyors etc. Till such time as we are able to develop such institutions with authority, it may be inadvisable to follow the U. K. analogy.
- (c) The Ministry of Works were not adopting the procedure of joint arbitration for C. P. W. D. contracts and the Ministry of Industry and Supply who temporarily departed from a similar system to joint arbitration had to revert to it in the interests of simplicity and speedy administration.
- (d) The method of joint arbitration will be more expensive—an important consideration in the existing financial stringency.

3. The Builders' Association again raised this question last year. This time they modified their Demand to "joint arbitration or one single neutral arbitration acceptable to both parties". It was, however, decided that before finally coming to a conclusion the report of a committee appointed by the Ministry of Works, Housing and Supply with the following terms of reference be awaited :—

- (i) to encourage healthy competition amongst contractors ;
- (ii) to reduce possibilities of disputes between the contractors and the C. P. W. D.,
- (iii) to attract honest and reputed contractors to undertake Government works, by eliminating or suitably modifying defective provisions of the agreement ;
- (iv) to ensure rational tendering and economical execution of the work ;
- (v) to ensure equitable treatment to contractors ; and
- (vi) to ensure correct preparation of estimates and Notices inviting tenders.

4. The Ministry of Defence propose to take up the question again and obtain the orders of the Government on it after the report of the Committee, which is in print, is received.

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## APPENDIX VIII\*

*Statement containing information on the points raised by the Public Accounts Committee at their meeting held on 2-7-1953 in connection with Para. 47 of Audit Report, Defence Services, 1952 (Irregular Disposal of Engineer Stores).*

Q. (a) Why were no hire charges recovered from the party from July 1945 to August 1949, during which period the plant was in possession of the party?

A. (a) Upto the date of sale, the plant was lying in original crates in the contractor's premises. Owing to the cessation of hostilities, the earlier intention to erect and operate the plant (through the contractor) for the manufacture of packing cases, was not implemented. In the absence of an agreement for sale the plant had to be treated as a loan for accounting purposes. The question of recovery of hire charges was raised in Internal Audit, an attempt was made to realise the hire charges from the Contractor. He, however, refused to pay the same.

Q. (b) Why did Government waive the recovery of the hire charges amounting to Rs. 61,005?

A. (b) As the issue was shown as a loan issue, the Regional Audit Officer during June 1949, maintained that hire charges should be recovered or Government sanction obtained to waive it. A Receivable Order was sent to the contractor for payment of hire charges. He declined to pay on the ground that he had not agreed to hire the plant. Government sanction for waiving the charges was, therefore, obtained.

Q. (c) Why was no security deposit of the approximate value of the plant taken from the party?

A. (c) It is not possible to say from available records why no deposit was taken. As far as can be made out, the plant was issued initially on the understanding that the party would operate it only as a contractor on conditions which would have been settled had the Government proceeded with the scheme. Subsequently, the situation altered and the question of sale was being pursued. In the circumstances, the question of obtaining Security Deposit from the party did not arise.

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\*See also appendix IX.



## APPENDIX IX

### Ministry of Defence

*Statement containing information on the point raised by the sub-Committee of the P.A.C. at their meeting held on 14-8-53 in connection with Para. 47 of Audit Report, Defence Services, 1952— (Irregular disposal of Engineer Stores).*

Q. Why was no security deposit taken from the party or the approximate cost of the plant on the basis of cost plus 10 per cent. realised from the party immediately after the sale was concluded?

A. In this connection, a reference is invited to Part (c) and the answers furnished by this Ministry to the three questions put by the Public Accounts Committee *vide* Parliament Secretariat Office Memorandum No. 57 (4)-III-FC/53, dated the 10th July 1953, and the Ministry of Defence Office Memorandum No. 59/13/II/4946-E/D (Q & Eng.) dated the 1st August 1953 (Appendix VIII). We have no material enabling us to add to the answers already furnished.

## APPENDIX X

### Ministry of Finance (Defence)

#### *Appropriation Accounts, Defence Service, 1949-50 and 1950-51 and the Audit Reports thereon*

II. Para. 27 of Audit Report, 1951—Debtor balances in Army Other Ranks' accounts.—

A note stating the machinery devised by the Ministry to guard against overissues of advances and consequent losses to Government, duly vetted by the D.A.D.S., should be submitted to the Committee.

As explained in the note *under para. 26*, a soldier's account is in debt when he has drawn pay and allowances over and above those he is entitled to. The main causes for the existence of Dr. balances in the accounts of a soldier are:

- (i) Issue of advances of pay and allowances to the soldiers proceeding on leave.
- (ii) Payment of certain miscellaneous personal allowances in anticipation of their credit in the individual's pay account.
- (iii) Issue of advances over and above the entitlements of the individuals.

2. The position of Dr. balances in soldier's account has been engaging the serious attention of administrative and accounts authorities from the very beginning. A statement showing the position of Dr. balances from the quarter ending August 1950 to February 1953 is placed below\*, from which it will be seen that the position of Dr. balance has considerably improved so much so the total Dr. balance at the end of February 1953 is only 40 lakhs as compared to about 100 lakhs as it stood on 31st August 1950. Out of the debtor balance of 40 lakhs, 10 lakhs are due to payment of advances to men proceeding on leave, and are accordingly permissible Dr. balances. These are easily recoverable through the pay accounts of the soldiers affected in subsequent months as and when pay etc. falls due.

3. As regards the Dr. balances mentioned at (ii) and (iii) above, the following measures have been taken:—

- (i) The payment of advances against certain miscellaneous personal allowances in anticipation of their credit in the I.R.L.A. throws the account in debt. It has, therefore, been suggested to the A.G.'s Branch that the allowances should be paid to the individuals only after audit and authorisation of payment by our regional Cs.D.A. As these allowances are for services in kind and they are under certain conditions commuted into a monetary compensation, the proposal to eliminate the allowances from the I.R.L.As. itself is under consideration.

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\*See page 24.

- (ii) With a view to exercising control over state of indebtedness to soldiers various instructions as indicated below have been issued from time to time:—
- (1) I.A.O. 1906/43 enjoining upon:—
    - (i) Officers Commanding Units to ensure that the soldier is not permitted to draw advances in excess of his net entitlement;
    - (ii) Commandants Regtl: Centres/Depots etc. to bring to notice of the O.Cs. Units cases where soldiers are being allowed to run into debt; and
    - (iii) In cases of Dr. balances, Commandants Regtl: Centres/Depots were authorised to reduce and refix family allotments and to request O.Cs. to reduce the payment of advances to the soldiers until the Dr. balance is liquidated.
  - (2) I.A.O.2070/43 enjoining upon the O.Cs. Units that they should not make any payment to O.Rs. against future entitlements.
  - (3) I.A.O.2096/44 stating that before Dr. balances are communicated to the O.Cs. Units, Officers I/c Records should compare the casualties with the Soldier's Sheet Roll to ensure that all casualties affecting the pay had been adjusted in both the I.R.L.A. and Sheet Roll.
  - (4) A.I.534/44 laying down the restricted rates of advances of pay to soldiers in debt.
  - (5) I.A.O.2065/45 stating that Officers Commanding Units should have the Pay books accurately posted up-to-date in order to restrict payment of advances within entitlements.
  - (6) I.A.O.1694/46 drawing the attention of the paying officers that in the case of overissue of advances, they will be held responsible to make good such overpayments, unless they are able to produce good evidence in support of their action.
  - (7) A.O.793/49 Reproducing Government of India, Ministry of Defence letter No. 40725/P.S.3 (E)/7692-A/D-5 dated 9-7-49 laying down the revised restricted rates of advances of pay to soldiers in debt.
  - (8) A.G.'s Branch letter No. 48671/PS.3(d)/PS.3(e) dated 8-5-50 to HQ Commands stating that all cases of Dr. balances where orders regarding the issue of advances have been consistently ignored, should be reported by the Pay Accounts Offices to Command Headquarters.
  - (9) A.O.25/51 stating that the restricted cash advances should be strictly applied in cases in which O.Rs. are in debt in excess of a month's emoluments of the individual concerned or Rs. 100 whichever is more irrespective of whether the debit balance is proposed to be challenged or not.
  - (10) A.O. 12/S of 1951 enjoining upon the paying officers to ensure that advances are restricted strictly within net entitlements as recorded in Pay books and not against any anticipated credits.

In order to effect further improvement in the position of Dr. balances, it has been suggested to the A.G.'s Branch that strict instructions should be issued to the paying officers that (i) payments should be made only after they fall due, (ii) advances should be kept strictly within the net entitlements taking into account the state of the account as shown in the latest quarterly statement of account and (iii) in cases where heavy debtor balances are brought to the notice of Headquarters formations by the Pay Accounts Offices, Headquarters formations should promptly investigate and assess responsibility of the Paying Officers. The question of issuing necessary further instructions to the above effect is under consideration in the A.G.'s Branch.

**Comparative Statement of Dr. Balances in the I.R.L. Accounts of J.C.Os., O.Rs. and N.Cs.E. from the Quarter ended 8/50 onwards.**

<i>Quarter ended</i>	<i>Total amount of Dr. Balances in I.R.L.As.</i>		
	<i>Rs.</i>	<i>A.</i>	<i>P.</i>
8/50	1,00,05,100	9	0
11/50	88,10,788	12	0
2/51	78,59,199	1	0
5/51	64,62,839	8	0
8/51	40,10,590	2	0
11/51	37,89,580	14	0
2/52	45,58,941	2	0
5/52	45,35,597	9	0
8/52	37,59,269	1	0
11/52	32,92,170	11	0
2/53	40,77,878	7	0

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**APPENDIX XI**  
**Ministry of Defence**

*Note stating action taken on item 16 of the Statement of Outstanding Recommendations of the Public Accounts Committee.\**

In paragraph 2 of the Report submitted on paragraph 20 of the Proceedings of the Public Accounts Committee on the accounts of 1947-48 (Post-partition), reproduced in Appendix XXII of their Second Report on the accounts of 1948-49, it was stated that the question of periodical verification of balances (with Imprest Holders) being made by Officers of the Military Accounts Department was under consideration. This examination has since been completed in consultation with the Controller General of Defence Accounts, Ministry of Finance (Defence) and the Director of Audit Defence Services.

2. Under the existing regulations all public accounts (including imprests) and cash balances of units are checked quarterly by an audit board consisting of senior officers of different units. In addition, periodical surprise checks of cash balances by senior administrative/executive officers are also carried out and irregularities, if any, are reported to the Station Commander.

3. In view of the above and the fact that officers of the Defence Accounts Department have to give advance intimation of their arrival in the units and they have no executive authority over the officers operating the accounts, surprise check by them, as suggested by the Committee, was not found either necessary or practicable. Under the existing rules, however, local audit officers of the Defence Accounts Department are already vested with the power to check cash balances of the units whenever they find the accounts to be unsatisfactory and feel the necessity for such a check. The Government are satisfied that the existing arrangements are adequate.

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\*See Appendix I.

## APPENDIX XII

### Ministry of Defence (Navy)

#### I. Defence Audit Report, 1951.

**Para. 49—Short recoveries on account of outside work executed in a dockyard.**

**Q.** Who are the officers responsible for using the terminology 'Basic labour' and not defining it precisely? What action do Government propose to take against them in the matter.

**A.** The word 'basic' labour was inserted in the draft orders by the Ministry of Finance (Defence) (Navy). In May 1950 the Controller of Defence Accounts (Navy) drew the attention of the Ministry of Finance (Defence) (Navy) to the anomaly of using the word 'basic' in calculation of overhead charges on pay and allowances. Consequently Government orders were amended in August 1950 and the word 'basic' was deleted.

Government do not propose to take any action for the specific use of the word 'basic' in the original Government letter. This is a *bona fide* mistake as the officers responsible for the use of the terminology 'basic labour' were under the impression that others who would have to apply the orders would not find any difficulty in correctly interpreting the terminology. As soon as the difficulty in interpreting the terminology was brought to their notice Government orders were amended.

#### II. Defence Audit Report, 1952.

**Para. 52—Absence of control over production costs in Naval Dockyard.**

**Q.** What action are Government taking to introduce the cost accounting system in respect of proper evaluation and accounting of jobs executed in the Naval Dockyard?

**A.** The general lines of the system that should be introduced have been settled after discussion with Naval Headquarters and Finance Ministry. The main difficulties in introducing the system are the dearth of staff in the Naval Dockyard who can do proper estimating and absence of statistical data. The question of the augmentation of the staff is receiving careful attention. The Captain Superintendent of the Naval Dockyard Bombay is also building up data for the preparation of correct estimates of production cost. A 'Library of Costs' based on the statistics of the past expenditure is being compiled. Care will be taken to analyse the actual expenditure, so that abnormally high or low figures are not included in estimates for jobs executed in Naval Dockyards. A proposal to sanction the appointment of a cost accounts adviser is receiving Government's consideration.

## APPENDIX XIII

### Ministry of Defence

(1) *Audit Report, Defence Services, 1951—Para. 49.*

**Q.** Whether the original proposals on the basis of which Government issued orders in December 1949 directing *inter alia* that an *ad hoc* overhead charge of 140 per cent. on basic labour should be added to direct costs were submitted through the Controller of Defence Accounts (Navy) and whether the statement showing the calculations of actual labour charges included dearness and other allowances?

**A.** Owing to the impending reorganisation of the Dockyard and the inadequate system of cost accounting, the Captain Superintendent Dockyard was unable to indicate the surplus capacity of the Dockyard or to suggest an *ad hoc* rate of overhead charges to be adopted for private and semi-government jobs. Consequently it was decided to fix the percentage for overhead charges on the basis of those levied by private yards. C.D.A. (N) was, however, not consulted when the *ad hoc* figure of 140 per cent. on labour was adopted and incorporated in the Government orders. Subsequently CDA (N) however, worked out the percentage for overheads from the statistics of actuals during 1950-51 and was satisfied that the figure of 140 per cent. was quite justified.

As regards the concluding sentence of the question it may be stated that dearness and other allowances were not included in the calculations of labour charges since Government orders were interpreted to mean only basic pay. The position was, however, rectified later.

**APPENDIX XIV**

**No. 228/53/D. (Fy.)**

**GOVERNMENT OF INDIA**

**MINISTRY OF DEFENCE**

*New Delhi, the 24th August 1953*

**Memorandum**

**SUBJECT:—Public Accounts Committee—Consideration of the Appropriation Accounts (Defence Services) 1949-50 and 1950-51 and Audit Reports thereon.**

The undersigned is directed to refer to para. 2 of enclosure of Parliament Secretariat Office Memorandum No. 57 (4)-IV-FC/53, dated the 17th August 1953, on the above subject, and to say that—

- (i) the accounts of the Ordnance Factories for the years 1951-52 and 1952-53 have not so far been printed. There are no spare copies available of the accounts for the years 1949-50 and 1950-51. Copies have, however, been called for from the Director General, Ordnance Factories and these will be sent to the Parliament Secretariat when received.
- (ii) Expenditure on Ordnance Factories is budgeted for under Main Head 5 of the Army Budget. For purposes of accounting, Ordnance Factories are considered part of the Army Establishments. The cost of stores supplied to the M.G.O. Branch is, therefore, not separately debited to that Branch. Stores manufactured for the Navy, Air Force and other Organisations are debited to their respective estimates by contra-credit to Main Head 5 as deduction from expenditure.



## APPENDIX XV

### Ministry of Finance (Defence)

**SUBJECT:—**Settlement of outstanding claims against the U.K. Government.

**REFERENCE:—***Parliament Secretariat memorandum No. 57(4)-II-FC/53 dated 7-7-53.*

The amounts outstanding in respect of claims preferred against the U. K. Government are shown below :—

(a) Balances outstanding in the Remittance Account to end of March 1953.

	£	
(i) Freight and Shipping charges incurred in connection with the despatch of H. M. G. stores from India.	2,558,000	Certain details in support to the debits have been called for by the U. K. Government and these are in the process of collection. The question of the clearance of these outstandings is engaging the constant attention of the C. G. D. A. and this Ministry and special steps are being taken to expedite the settlement.
(ii) Supplies of stores to the War Office, the Admiralty and the Air Ministry.	516,000	
(iii) Other debits of Miscellaneous nature.	673,000	
(b) Balance due in respect of rations supplied to H. M. G. Gurkhas during the period 1-4-48 to 31-3-50.	35,400	Claim is under verification by the British Gurkha authorities. Some of the rate lists asked for by them have been supplied and the rest are being supplied.
(c) Custodial charges on Air Ministry's earmarks left in India subsequent to 1-4-48.	5,700	The final claim on this account has been sent on 3-8-53.

2. There are certain claims not yet preferred pending collection of details or those which are in the process of settlement according to agreed procedure. It is presumed that details of these are not required by the Public Accounts Committee.

## APPENDIX XVI

### Ministry of Finance (Defence)

*Appropriation Accounts (Civil), 1949-50 and Audit Report, 1951*

1. Para. 28:

(i) What is the exact date on which instructions were issued for recasting the Provident Fund Accounts and recalculation of Government contribution and interest thereon? From what date these instructions were given effect to?

These instructions were issued on 9-7-1951 and on 27-10-1951. The Accounts Officer was instructed to give effect to the instructions with effect from the 1st April 1951. The terms of the instructions are reproduced below:—

“It has been decided in consultation with the Ministry of Finance (Defence) that with immediate effect interest payable on Government contribution should be calculated on the basis of the actual balance in the ‘Bonus Account’, ignoring altogether the note below Rule 28 of I.N.D.W.P. Fund Rules (proposed to be deleted after the question of raising Government contribution from 75 per cent. to 100 per cent. of workers contribution is settled). These orders take effect from 1-4-1951”.

(ii) What portion of Rs. 32,000 representing the interest credited in excess is non-recoverable on account of the employees having demitted service or other reasons?

As the orders were given effect to with effect from the accounts for the 1st April 1951, technically there has been no overpayment or over-crediting of interest. This position was made known to audit. In these circumstances, there is no amount which can now be regarded as overpaid.

(iii) What action has been taken against the Accounts Officer concerned for making a wrong interpretation of the rule relating to the calculation of interest on the Government contribution to the Provident Fund subscriptions? Why could not the mistake be detected by the Accounts Officer earlier? Is this officer still in service? If so, what post is he holding at present?

The question of taking disciplinary action against the Accounts Officer does not arise because this was more a case of revision of rules rather than an erroneous interpretation by the officer.

APPENDIX XVII

No. 29(9)/D(AG)/53.

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE

New Delhi, the 8th July, 1953

Office Memorandum

**SUBJECT:**—*Consideration of the Appropriation Accounts (Defence Services), 1949-50 and 1950-51 and Audit Reports thereon.*

**REFERENCE:**—*Parliament Secretariat Office Memorandum No. 57(4)-II-FC/53, dated the 2nd July 1953.*

(1) Para. 30 of Defence Audit Report, 1951.

*Non-recovery of proportionate outfit allowance.*

(a) (What is the date on which the defect in the rule was pointed out in Audit?)

1st March 1949.

(b) (Why did it take about 2 years to take a decision re: the application of basic rules?)

The position was noticed by Audit authorities who referred the matter to Army Headquarters for the correct interpretation of the orders issued in Army Instruction 16/S/48. The Ministry of Finance (Defence) agreed with the Audit authorities that the grant of fresh outfit allowance should be subject to proportionate refund in accordance with the basic rule in the P and A Regulations. The basic rule referred only to the grant of initial outfit allowance. There was no reference whatsoever to any subsequent renewals. The Ministry of Defence and the Services were of the opinion that there was no justification for making any proportionate refund of the renewal allowance, as the renewal was intended to reimburse the officers for the expenditure they incur on the renewal of certain items of uniform during the preceding seven years and partly for purchasing new items on the completion of seven years. Since there was considerable difference of opinion between the Ministries of Defence and Finance, it was not really a question of rectifying any defect or omission in the rule. An entirely new decision had to be taken which naturally took some time—in fact, there is still a difference of opinion about the justification of the decision. Whenever a lacuna is found in the rules, Government examine the case and take action to amend the rules suitably. Any such amendment cannot obviously have retrospective effect. The rules as they stood were correctly intended and interpreted.

**\* (2) Para. 51 of Defence Audit Report—1952—Delay in disbandment of a hill depot:**

(A report stating the action taken against the administrative officers concerned who were responsible to employ and pay the personnel of the hill depot in question till 3rd September 1950 knowing full well that there was no sanction for the same and thus resulting in an extra expenditure of Rs. 20,769, may be furnished to the Committee).

The hill depot establishment should have been closed down after the departure of the British troops. However, when it was kept on beyond the date of sanction, its budget should have been properly framed and submitted for the sanction of the competent authority.

Headquarters, Eastern Command, investigated the case and stated that the various Station Staff Officers at Darjeeling, where the hill depot was constituted, were mostly non-permanent officers who worked part time as Station Staff Officers and did not appreciate the organisation and establishment of a hill depot. They considered the hill depot to be a part of the establishment of the Station Staff Office. Consequently, they failed to frame budgets or obtain funds for the depot. The Joint Controller of Military Accounts, Patna, to whom the S.S.O., Darjeeling, was submitting the monthly pay bills of the establishment continued to pass the bills for payment until June 1949 even though there was no sanction for the maintenance of this establishment. In May 1949, the J.C.M.A. asked for the authority to the continuance of the depot but the Station Staff Officer could not produce one. The J.C.M.A. brought the failure of the officer to produce the authority, to the attention of Headquarters, Calcutta Sub Area, on the 16th July 1949. Immediate steps were then taken to make arrangements to close down the hill depot and the depot was finally closed on the 3rd September 1950. Headquarters, Eastern Command, recommended that it would not be of any use pursuing the matter further as no particular individual could be blamed for the series of irregularities that had occurred. Government sanction, which was sought, was then accorded in Ministry of Defence letter No. 41183/AG/ORG 1(d)/1032/D(AG) dated the 14th February 1952.

The case has since been reopened and Headquarters, Eastern Command, have been asked to get the explanations of those concerned for the various irregularities. It has been pointed out to them that there was no justification for paying the personnel of the depot with cash obtained on emergency cash requisitions for the period of 14 months ending September 1950. Every effort is being made to try and fix individual responsibility with a view to consider the question of disciplinary action against those concerned. The report from Headquarters, Eastern Command, is expected by the 1st August 1953.

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\* See also Appendix XVIII

## APPENDIX XVIII

### Hill Depot—Darjeeling.

1. All Hill Depots should have been closed down after the departure of the British troops in India. As the Hill Depot at Darjeeling was continued after the departure of British troops, a proper budget estimate for it should have been framed and submitted for allocation of funds and sanction of the competent financial authority. Neither course was, however, followed.

2. The following irregularities occurred in this case:—

- (a) Sanction of the competent authority was not obtained to the continuance of the Hill Depot.
- (b) No proper budget was framed or allocation of funds asked for.
- (c) Sanction for a proper establishment of the Hill Depot was not obtained.
- (d) Funds for pay and allowances of the personnel employed in the Depot were obtained on Emergency Cash Requisitions.

3. Headquarters Eastern Command, investigated the case and found that the various Station Staff Officers at Darjeeling, who were non-permanent and part-time incumbents did not appreciate the implications of a Hill Depot establishment, and considered it to be a part of the Station Staff Office. They did not, therefore, frame budgets nor applied for allotment of funds. If they had done so, the case would have been noticed by the Formation Commander concerned. The Joint Controller of Military Accounts, Patna, to whom the monthly pay bills of the establishment were submitted by the Station Staff Officer, Darjeeling, continued to pass them until June 1949, although there was no proper authority for the maintenance of the establishment. In May 1949 when the Joint Controller of Military Accounts, Patna, asked the Station Staff Officer Darjeeling to produce the authority for the maintenance of the Depot, the Station Staff Officer could not do so. This failure was not reported by the Joint Controller of Military Accounts to any higher authority until the 16th July 1949. On that date a copy was endorsed by the Joint Controller of Military Accounts to Headquarters Calcutta Sub Area. The local Formation Headquarters thereupon took steps to close down the Hill Depot establishment and this was completed on the 3rd September 1950.

4. The case was recommended to Government for regularization, and necessary sanction was accorded in Ministry of Defence letter No. 41183/AG/Org.1(d)/1032/D (AG) dated 14th February 1952.

5. The case was reopened recently with a view to affixing responsibility for the irregularities on the officers concerned, and disciplinary action against them. After going through the records carefully it has been found that all the persons responsible for the irregularities had either been released or retired, and were therefore not available for

disciplinary action. Further, the individuals responsible for the irregularities cannot be tried by Court Martial at this stage because under Section 122 of the Army Act, 1950, no trial by Court Martial of any person for any offence (except those of mutiny, desertion or fraudulent enrolment) can be commenced after the expiration of a period of three years from the date of such offence.

6. In the circumstances it is not possible to take any further action in the matter and there is, therefore, no alternative but to treat the case as closed.

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## APPENDIX XIX\*

### Ministry of Defence.

*Statement containing the information promised by the representatives of the Ministry of Defence at the meeting of the Public Accounts Committee on the 3rd July 1953 in respect of para. 8 (Payments relating to settlement of cases out of court) of Defence Audit Report, 1951.*

(i) *The names, addresses, etc., of the Directors of Messrs. New India Construction Co., Ltd.*

Shri J. P. Lentin, Sole Proprietor, The New India Construction Co., Lentin Chambers, Dalal Street, Fort, Bombay.

(ii) *A copy of the Arbitrator's award*

Copy enclosed as Annexure 'A'.

(iii) *A copy of the relevant extracts from High Court's judgment in this case; and*

An extract from the High Court's judgment setting aside the award is attached as Annexure 'B'.

(iv) *A note summing up the grounds on which the Advocate-General suggested the compromise.*

Extract from letter dated the 14th March 1950 from Shri C. K. Daphtary Advocate General, Bombay, to Shri Bhawani Shankar Rao, F.A., is attached as Annexure 'C'.

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#### Annexure 'A'

##### *Copy of the Award*

KNOW ALL MEN unto whom these presents shall come, I Sydney Moody Blagg, Lieutenant Colonel of the Royal Engineers, Member of the Institution of Electrical Engineers, London, Member of the American Institution of Electrical Engineers, SEND GREETINGS.

WHEREAS by an arbitration agreement contained in a Contract Document entitled, "D.C.E. Bombay Area No. 14 of 46/47, dated the 18th of March 1947, made between the Governor General in Council, as represented by the Deputy Chief Engineer, Bombay Area, Bombay and Mr. J. P. LENTIN, Sole Proprietor of the New India Construction Company of Lentin Chambers Dalal Street, Fort, Bombay, it was agreed to refer all matters in dispute arising out of the works and undertakings covered by the said contract document. D.C.E. Bombay Area No. 14 of 46/47" to a sole Arbitrator; AND WHEREAS differences and disputes have arisen concerning the works and undertakings covered by aforesaid Contract Document; and Whereas the Chief Engineer, Southern Command did nominate me as Arbitrator, and I accepted the nomination and the parties accepted me as Arbitrator to decide the said dispute.

NOW I, the said Sydney Moody Blagg aforesaid as Arbitrator have taken upon myself the burden of this Reference and having weighed and considered several allegations of the said parties and also the vouchers and documents

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\*See also Appendix XX.

that have been given in evidence before me; and having visited and inspected the works in the presence of both the said parties together; and the Claimant having informed me during the course of the hearing, that he withdraws from the Reference his claim in respect of "Works car idle from 20 February to 7 April 1947" and the Claimant having also informed me, during the course of the hearing, that he accepts an offer made by the Respondent of rupees three thousand seven hundred and fifty (Rs. 3,750) against the claim for "extra purchase price of Mangalore tiles" and having informed both the said parties that I shall write in my Award this sum offered and accepted; and having been requested by both the said parties take into consideration a supplementary claim which the Claimant submitted and which relates to the same matters in dispute and having agreed to decide this supplementary claim along with the other claims do hereby MAKE and PUBLISH this my award in writing of and concerning the matters so referred to me as follows, that is, I AWARD AND ADJUDGE that in the disputes about the date of acceptance of the tender and delay in handing over the site; delay and hindrance in consequence of failure to remove ordnance stores from bays of sheds; hold up of the work while changes in design were under consideration; failure to supply water for the works and failure to secure supply to controlled stores for the work; the Claimant LENTIN succeeds in his action against the Respondent as represented by the Commander, Royal Indian Engineers Bombay and established his claim for the most part, THEREFORE I AWARD AND DIRECT that the respondent shall pay the Claimant, in full and final settlement of all claims, a sum amounting to Rs. Two Lacs Fifteen thousand, six hundred and seventy four (Rs. 2,15,674) and in addition to this sum the Respondent shall also pay the Claimant the sum of rupees three thousand seven hundred and fifty (Rs. 3,750) which he offered and which the Claimant accepted during the course of the hearing AND I FURTHER AWARD AND DIRECT that the Respondent shall pay Claimant's costs of the Reference as set forth below:—

Against the receipt of Mr. K. A. SOMJEE, Barrister-at-Law, Claimant's Counsel in the Reference a sum amounting to rupees two thousand seven hundred (Rs. 2,700). And further against the receipt of Messrs. Mazagaonwalla & Co. Claimant's Solicitor in the Reference, a sum amounting to Rupees, three thousand four hundred (Rs. 3,400).

AND I ALSO DIRECT that the Respondent shall bear the cost of the stamp duty on the Award and two copies thereof, amounting to a sum of Rupees thirty six (Rs. 36).

IN WITNESS my hand this twenty-fifth day of February 1948.

(Sd.) S. M. BLAGG.

#### Annexure 'B'

*Extract from Judgment of the Honourable Mr. Justice Tendolker, High Court Original Side.*

AWARD NO. 46 of 1948.

The first objection that is urged against the award is that it awards to the Claimants an amount in excess of their claim. The Claimants had put in before the arbitrator particulars of their claim which contained 28 items totalling Rs. 2,72,187-11-6. There was an additional unnumbered item at the end "Loss of time, loss of interest, business losses and damages for breaches of contract etc." against which no specific amount had been shown as claimed. Against this claim the arbitrator allowed a sum of Rs. 2,15,674 and a further sum of Rs. 3,750 was allowed by consent and the arbitrator allowed two sums aggregating Rs. 6,100 by way of costs. On these figures it is urged by the Claimants that the arbitrator has in fact awarded less than what they claimed and not more. That would appear to be so at sight. Unfortunately for the Claimants the arbitrator has in his award set out the heads of claim in respect of which, in his opinion, the Claimants succeeded. By implication he must be deemed to have disallowed all claims not covered by those different heads. The award sets out:

"I award and adjudge that in the disputes about the date of acceptance of the tender and delay in handing over the site; delay and hindrance in consequence of failure to remove ordnance stores from bays of sheds; hold up of work while changes in designs were



under consideration; failure to supply water for the works; failure to secure supply of controlled stores for the works; the Claimant ... succeeds in his action against the respondent and ... established his claims for the most part".

Now if one looks at the particulars of the claim item No. 25 is "twenty per cent. profit including interest on our capital on above total of Rs. 2,13,984-2-3, the total being the total of the first 24 items in the particulars. It is difficult to see how any claim for profits can legally be made out as damages but quite apart from this consideration, which may not be relevant for the purposes of determination of the present petition, this item clearly does not fall within any of the heads of claim which the arbitrator holds as established. He must, therefore, be deemed to have disallowed this item of claim. Item 26 relates to costs. Since costs have been separately allowed in the award this item again is not taken into account in making a lump sum award of Rs. 2,15,674. It is also clear that with regard to the last item which appears under item No. 26 and which, as I have set out above, shows no figure against it the arbitrator has not in his award stated that he allows anything in respect of these claims which must by implication be deemed to have been refused. The five claims enumerated in the award can thus relate only to the first 24 items in the particulars of the claim which total to Rs. 2,13,984-2-3. Out of these items again item No. 5 for Rs. 1,575 was withdrawn by the claimants as mentioned in the award. Item No. 11 for Rs. 3,812-8-0 was settled by consent for Rs. 3,750 which has been awarded separately. Therefore excluding these two items from the sum of Rs. 2,13,984 the total claim in respect of the heads of claim allowed by the arbitrator comes to Rs. 2,08,596-10-3. It is obvious that the amount awarded exceeds this amount by over Rs. 7,000. The complaint of the Petitioner is, therefore, justified. The arbitrator had no jurisdiction to award any amount in excess of the claim and in so far as he does so he is guilty of legal misconduct. On this ground alone the award is liable to be set aside.

The next objection urged on behalf of the Petitioner is that in awarding damages for failure to secure supply of controlled stores the arbitrator was acting without jurisdiction. There are only two items in the particulars of claim which relate to this head viz., Item No. 18 Cement Rs. 2000 and Item No. 24 Nails Rs. 5000. Now by virtue of clause 7 of the contract between the parties the Petitioner was liable to supply articles mentioned in Exs. A and C to the tender. In ex. A there is only one item which is neither cement nor nails and in Ex. C there is no item. It is clear therefore that under the contract there was no obligation on the Petitioner to secure the supply of either the cement or the nails which were the only two items of controlled stores in respect of non-supply of which damages were claimed and have been allowed. In my opinion the arbitrator had no jurisdiction to award such damages. Mr. Taraporewalla had contended that the amount allowed in respect of these two items are only Rs. 2,000 and Rs. 5,000 and the award may be set aside to that extent only but this contention is clearly untenable because the award is a lump sum award and it is not open to the Court to separate from the lump sum any items which obviously were taken into account by the arbitrator. The award is liable to be set aside on this ground also.

The rest of the objections to the award urged on behalf of the Petitioner proceed on the footing that all items of claim from No. 1 to 24 except No. 5 and 11 have in any event been allowed in full although, of course, as I have held earlier an excess amount in fact has been awarded.

The first of such objections is that damages have been claimed and allowed as from the 20th of February 1947 while they should have been allowed only from the 7th of April 1947. Item No. 3 claims an amount in respect of salaries of staff for the period between the 20th February 1947 and the 7th April 1947. Item No. 4 claims damages for a truck lying idle during the same period. It must have required great courage on the part of the Claimants to put forward such fantastic claims. It is quite obvious that the agreed date of handing over the site was the 7th of April 1947, but in any event that date cannot be earlier than the 20th of March 1947 which was the date mentioned in the letter of acceptance dated the 18th of March 1947. The claimants in their wisdom thought fit to withdraw item No. 5 but they did not act similarly in respect of items Nos. 3 and 4. Their courage was rewarded in that the arbitrator appears to have awarded both these items of Rs. 3,090

and Rs. 2250 in full. As part of the same argument my attention was drawn also to items Nos. 20, 21 and 22. These items claim damages in respect of salaries of staff, costs of a staff car to take engineers and supervisors to works and back and Mr. Lentin's personal visits to works during the period between the 20th of June described as the date on which the work was to have been completed, and the 30th of November 1947. Here again the date of completion was agreed between the parties to be the 7th of August 1947 and on what conceivable footing the claims could have been made on the basis that 20th of June was the date on which the work was to have been completed, it is difficult to see. The basis of the award in respect of these items quite obviously is that the date of commencement of the work was the 20th February and the date of completion the 20th of June. This is quite obviously legally untenable. On the face of it therefore the award is obviously erroneous and on this ground again it must be set aside.

\* \* \* \* \*

Lastly although this has not been made a ground for challenging the award in the petition the allowance in full of the items which I have discussed above and the award of a sum which on the face of it is nothing short of fantastic is to my mind strong evidence of the fact that the arbitrator never applied his mind to any matters before him. A glance of some other particulars of the claim also leads to the same conclusion. Thus item No. 3 claims the salary of staff from the 20th of February to the 7th April and item No. 20 claims the salary of staff from the 20th of June to the 30th November. Quite obviously if the arbitrator had applied his mind to these two items he would be bound to disallow the claim in respect of salary of at least a month and a half. If these two items are allowed in full as they apparently are, the claimants paid for their staff only from the 7th of April to the 20th June 1947 i.e. roughly for a period of two and a half months while the period for completion of the contract was in any event to be four months and they thus escape their ordinary liability to pay for the staff for the full period for completion which was originally contemplated.

Again, if one looks at item No. 4 and 7 which relate to a claim for a truck lying idle the damages are calculated at Rs. 50 per day. The amount to my mind is very gross and if the arbitrator had applied his mind to it at all he could not have conceivably allowed it. The two items together total Rs. 11,950. In my opinion therefore the arbitrator has failed to apply his mind at all to any of the matters before him and he has thus been guilty of legal misconduct. On this ground also the award is liable to be set aside.

However in so far as a sum of Rs. 3,750 has been awarded separately in respect of item No. 11 by consent and that part of the award is separable from the rest. I set aside only the rest of the award.

#### Annexure 'C'

*Extract from letter dated 14th March 1950 from Shriyut C. K. Daphtary, Bar-at-Law, Advocate General of Bombay to Shriyut K. Bhavanishankar Rao, Financial Adviser to the Government of India, Military Finance, New Delhi.*

Dear Sir,

This relates to certain proceedings in the High Court of Bombay arising out of an Award made by Col. Blagg in the disputes between the New India Construction Co., and the Dominion of India. The firm acted as Contractors for the Military in regard to certain construction at Kandivli in Greater Bombay. The contract was a lump sum contract and the stipulated amount was duly paid. When I say duly, I mean the exact sum was paid but after the very great delay which one usually associates with the Government of India. Contractors then claimed a sum of over Rs. 2,78,000 under various heads of extra expenditure and damage sustained by reason of the fact that various acts to be done at times stipulated for in the contract by the Military were not done at those times and certain obligations which lay upon the Military Authorities were also not carried out. The Award as ultimately made is for the sum of Rs. 2,15,674 plus Rs. 3,750 plus Rs. 6,100 for costs. This Award was challenged by the Dominion by Petition in the High Court and the learned Judge trying the matter set aside the Award for certain reasons recorded in his judgment. From this an Appeal was filed and I appeared for the Dominion at the hearing of the Appeal.

2. On reading the papers before the matter came up, I was definitely of the opinion that the Judgment of the Lower Court could be sustained with the utmost difficulty, if at all. I do not think it is necessary to set out the various considerations which moved me to that opinion. When the Appeal came up for hearing the tendency of the Court was, in my opinion, rightly in favour of the Appellants and against the Dominion. The result would have been a decree for the full amount of the Award and also for costs of the Appeal and also the costs incurred in the Lower Court, which altogether would amount to about Rs. 2,50,000. The Judges themselves suggested that it was a fit matter for a compromise between the parties and after certain amount of negotiations a sum of Rs. 1,59,000 was agreed upon without any costs being payable of the proceedings in the Court by either side to the other. The case then stood over for me to contact the appropriate authorities with regard to the settlement. The representatives of the Southern Command, Poona, saw me two days later and I was informed by them that it would take a considerable time to obtain any final answer from Delhi. As the matter was to reach again in two or three days, as it did, and no further adjournment was possible as the Bench was breaking up, I on my own responsibility and, exercising the discretion which I had, agreed to a settlement on the terms already mentioned and a decree was accordingly taken yesterday.

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## APPENDIX XX

No. 58(7)/5570-E/D (Q & Eng),

GOVERNMENT OF INDIA

MINISTRY OF DEFENCE,

New Delhi—11, the 25th August, 1953.

### OFFICE MEMORANDUM

SUBJECT—*Public Accounts Committee—Appointment of a sub-committee to investigate into the case referred to in Para. 8 of the Defence Audit Report, 1951.*

The undersigned is directed to refer to the Parliament Secretariat Office Memorandum No. 79(1)-FC/53 dated the 7th August, 1953, on the above subject, and to say that the information desired is given below :—

(i) Date of filing the appeal in the Bombay High Court against the judgment of Mr. Justice Tendolkar. 3rd January 1949.

(ii) Date of the first hearing of the Appeal 6th March 1950.  
(The Appeal was first scheduled to be heard on the 5th September 1949 but was later on postponed and it actually came up for hearing after 4 months).

(iii) Date when the Advocate-General, Bombay, first asked for an adjournment of the proceedings. The Advocate-General asked for a brief adjournment on the 8th March 1950.

(iv) Whether the Advocate-General was at any stage informed that the Government were averse to any offer for a compromise being made for more than Rs. 51,000. Through the representative of the Chief Engineer, Southern Command, who was in touch with the Advocate-General along with the Central Government's Solicitor at Bombay, the Advocate-General wanted to know :—

(a) to what extent would Government be prepared to effect a compromise ? He recommended compromise upto Rs. 1.5 lakhs.

(b) who would be the competent authority to sanction and authorise the same ? He was told by the representative of the Chief Engineer, Southern Command, that the authority would be E-in-C, Army Headquarters, in consultation with the Financial Authorities at Delhi. The Advocate-General, however, stated that the Honourable Judge was not prepared to postpone the case to a further date and that he could get only a couple of days' adjournment. The representative of the Chief Engineer, Southern Command, was in touch with the E-in-C's Branch from the 8th March 1950.

On the 9th March 1950, the Advocate-General was informed that the authorities were not likely to agree to anything beyond Rs. 70,000.

As no final decision from Delhi was received till the 11th March 1950, the Advocate-General decided to agree to the compromise of his own and the case was compromised on the 13th March 1950, when it came for hearing after the brief adjournment. A

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## APPENDIX XXI

### Ministry of Defence

*Note stating action taken by the Ministry of Defence on Item 15 of the Statement of Outstanding Recommendations of the P.A.C.\**

In paragraph 36 of the above report, the Public Accounts Committee made the following observations:—

“(b) Item 11.—The Committee considered the Memorandum furnished to them by the Ministry (Appendix XIV) and desired to know what were the reasons for waiving the recovery of Rs. 1,26,433 referred to in para. 3 (b) (iv) of the Memorandum. The Committee also wanted to know what was the present position of recoveries mentioned in para. 3 (c) of the Memorandum. In regard to the first point, the Committee were promised to be furnished with a note stating the reasons for the waiver. As regards the second point, it was stated that there had been no change since the Audit Report was printed and actually no recoveries had been made. The Committee desired that the Ministry of Defence should explore all possible avenues to effect recovery and that a report stating the attempts made by them in this respect should be submitted to the Committee in due course”.

All cases mentioned in para. 7 of the Audit Report for 1949 have been finalised and a statement showing the present position in respect of extra expenditure incurred, waived, recovered, balance still due from the contractors and the amount of security deposits forfeited/refunded to the contractors, is attached.

3. As regards the reasons for the waiver of a sum of Rs. 1,26,433 (which is shown under column 4 against “B” of the attached statement), attention is invited to the remarks pertaining to this item in the statement.

4. Details of the steps taken to effect recovery of the amount still due from the contractors, have been given in the remarks pertaining to “C” of the statement.

*Note:*—This note has been prepared taking into account the comments of the D.A.D.S. and the details of particulars furnished in the statements are in accordance with his suggestion.

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\*See Appendix I.

Statements showing extra expenditure incurred, waived, recovered, balance still due from the contractors and amount of Security Deposits forfeited/refunded in respect of A.S.C. contracts terminated in U.P. Area during 1947/48.

Serial No.	No. of contracts involved	Amount of extra expenditure incurred	Amount of extra expenditure waived	Amount recoverable from the contractors (Col. 3-4)	Amount already recovered from the contractors (Col. 5-6)	Balance still due from the contractors (Col. 5-6)	Amount of Security Deposits forfeited	Amount of Security Deposits refunded
1	2	3	4	5	6	7	8	9
A	6	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. Nil	Rs. 200 0 0	Rs. 8,000 0 0
B	11	2,37,833 4 5	1,26,433 5 0	1,11,399 15 5	1,11,399 15 5	Nil	33,100 0 0	..
C	101	9,28,585 4 10	Nil	9,28,585 4 10	4,34,154 4 3	4,94,431 0 7	1,87,150 0 0	26,800 0 0
D	5	80,932 6 2	80,932 6 2	Nil	Nil	Nil	10,850 0 0	..
123	12-47:350 15 5	2,07,365 11 2	10,39,985 4 3	5,45,554 3 8	4,94,431 0 7	2,31,300 0 0	34,800 0 0	..

Remarks— Serial A : Since the troops were withdrawn from the contractual areas, there was a virtual cessation of the contracts concerned. No extra expenditure was, therefore, incurred. As the Government did NOT suffer any loss, the amount of security deposits was refunded to the contractors except in the case of Sh. Abdul Ghani & Sons, as explained in Statement "A".

Serial B : It was stated by the civil authorities concerned that at the places concerned the performance of the contracts was rendered very difficult due to disturbances and unsettled conditions which prevailed in the contractual areas at the time. As these factors were considered beyond the control of the contractors concerned and as they did NOT take advantage of the situation by quoting higher rates subsequently for the same supplies, it was considered that in view of their *bona fide* intention recovery of a part of the extra expenditure (i.e. 90 per cent. of the extra expenditure incurred after the date of termination of the contracts) may be waived and the amount of security deposits forfeited.

Serial C : No extra expenditure was waived in these cases and recoveries have already been effected as shown in Statement "C". Action taken to realise the balance is as under :—

(a) In case of contractors who have since migrated to PAKISTAN, claims have been registered with the Custodian of Evacuee Property for recovery from the property of the contractors concerned left behind in India. Claims have also been registered with the Government of Pakistan for recovery from any amount due to the contractors by that Government and onward remittance to us.

(b) In the case of contractors who are still in India, claims have been registered with the Controller of Defence Accounts, Eastern Command, for recovery from any amount which may be due or which may become due to the contractors at any future date. In two cases, civil suits have been filed against the contractors for recovery of dues concerned. In a third case, the matter is *sub-judice* of a High Court, in the form of a counter-claim against the contractor, who has filed a suit against retrenchments effected from his bills for adjustment against Government dues.

Serial D : Total extra expenditure has been waived in these cases.

#### STATEMENT "A"

Serial No.	Name of contractor/s	No. of contracts involved	Amount of extra expenditure involved	Amount of security deposit forfeited	Amount of security deposit refunded	Remarks
1	Kumson Products Supply & Co.	4	Nil	Nil	Rs. 5,800 0 0	
2	Sh. Habibullah & Sons	1	Nil	Nil	Rs. 2,200 0 0	
3	Sh. Abdul Ghani & Sons	1	Nil	*Rs. 200 0 0	Nil.	*Forfeited in consideration of waiver of extra expenditure <i>vide</i> Statement "D".



STATEMENT " B "

Sl. No.	Name of contractors	No. of contracts	Amount of expenditure incurred		Total extra expenditure incurred (Col.4+5)	Amount of extra expenditure waived		Total extra expenditure waived (Col.7+8)	Amounts recoverable from contractors (Cols. 6-9)	Amount recovered	Security deposits forfeited.
			Before rescission	After rescission		Before rescission	After rescission				
1	2	3	4	5	6	7	8	9	10	11	12
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	Chuni Lal & Co.	10	96,361 12 2	1,38,358 2 0	2,34,619 14 2	Nil.	1,24,432 5 1,24,432	5 1,24,432	5 1,10,187 9 2	1,10,187 9 2	31,600 0 0
2	Lalta Pershad Nand Kishore.	1	990 1 0	2,223 5 3	3,213 6 3	Nil.	2,001 0	2,001 0	1,212 6 3	1,212 6 3	1,500 0 0
TOTAL :			11 97,351 13 2	1,40,481 7 3	2,37,833 4 5	Nil.	1,26,433 5 1,26,433	5 1,11,399 15 5	1,11,399 15 5	1,11,399 15 5	33,100 0 0

STATEMENT 'C'

Serial No.	Name of contractors	Num-ber of con-tracts	Amount of extra ex-penditure incurred		Amount of extra ex-penditure waived		Amount of extra ex-penditure recoverable from con-tractors		Amount already recovered	Balance due	Amount of security refunded		Amount of security deposit forfeited
			Rs.	Rs.	Rs.	Rs.	Rs.	Rs.			Rs.	Rs.	
1	2	3	4	5	6	7	8	9	10				
1	Habibullah Mohd. Bux	8	50,011 14 10	Nil	50,011 14 10	50,011 14 10	Nil	9,200 0 0	Nil	9,200 0 0	Nil	0 0	
2	Ch. Bhoori Singh	3	71,349 12 4	Nil	71,349 12 4	71,349 12 4	Nil	7,200 0 0	Nil	7,200 0 0	Nil	0 0	
3	K. S. Haji Fareh Mohd. & Sons.	8	47,844 7 9	Nil	47,844 7 9	47,708 15 9	2,138 8 0	Nil	Nil	Nil	26,200 0 0*	0 0	
4	Haji Abdul Karim Abdul Majid.	7	7,035 10 5	Nil	7,035 10 5	7,035 10 5	Nil	10,400 0 0	Nil	10,400 0 0	100 0 0*	0 0	
5	Haebatulla & Co.	25	252,015 9 9	Nil	252,015 9 9	Nil	252,015 9 9	Nil	53,710 0 0	Nil	53,710 0 0	0 0	
6	M.A. Halim Ghaznavi	5	21,272 13 3	Nil	21,272 13 3	2,404, 14 2	18,867 15 1	Nil	12,060 0 0	Nil	12,060 0 0	0 0	
7	Sh. Inayatulla & Sons	1	23,782 3 2	Nil	23,782 3 2	10,837 6 7	12,944 12 7	Nil	3,500 0 0	Nil	3,500 0 0	0 0	
8	Mohd. Iemal	4	1,471 13 8	Nil	1,471 13 8	1,471 13 8	Nil	Nil	5,600 0 0	Nil	5,600 0 0	0 0	
9	Maula Bux & Bros.	2	102,952 14 2	Nil	102,952 14 2	42,190 13 8	60,762 0 6	Nil	18,500 0 0	Nil	18,500 0 0	0 0	
10	Abdul Sattar	19	113,511 4 0	Nil	113,511 4 0	91,820 5 9	21,690 14 3	Nil	31,000 0 0	Nil	31,000 0 0	0 0	
11	Rahim Bux	1	48,130 11 11	Nil	48,130 11 11	1,170 4 0	46,960 7 11	Nil	5,000 0 0	Nil	5,000 0 0	0 0	
12	Yaqub Ali Mahfuz Ali Khan.	6	15,499 14 8	Nil	15,499 14 8	3,619 3 0	11,880 11 8	Nil	4,330 0 0	Nil	4,330 0 0	0 0	
13	Abdul Aziz Mushtaq Ahmad.	5	57,542 8 7	Nil	57,542 8 7	22,563 6 6	34,979 2 1	Nil	13,800 0 0	Nil	13,800 0 0	0 0	
14	Ch. Abdul Majid.	2	22,021 5 11	Nil	22,021 5 11	22,021 5 11	Nil	Nil	1,000 0 0	Nil	1,000 0 0	0 0	
15	A. Haeque	1	22,218 4 2	Nil	22,218 4 2	12,062 10 0	10,155 10 2	Nil	5,100 0 0	Nil	5,100 0 0	0 0	
16	Allah Bux M.M. Khan	2	49,832 7 3	Nil	49,832 7 3	27,794 2 8	22,038 4 7	Nil	5,750 0 0	Nil	5,750 0 0	0 0	
17	Sh. Abdul Ghani & Sons	2	22,091 9 0	Nil	22,091 9 0	22,091 9 0	Nil	Nil	1,500 0 0	Nil	1,500 0 0	0 0	

ROI

\*Adjusted towards amount recovered vide column 7.

@Forfeited in consideration of waiver of extra expenditure vide statement 'D'.

STATEMENT " D "

(Figures are in rupees.)

Serial No.	Name of the contractors	Number of contracts tendered	Amount of extra expenditure incurred	Amount of extra expenditure waived	Amount reco- verable from contractors	Amount of security deposit forfeited	Remarks
1	Sh. Abdul Ghani and Sons	5	80,932 6 2	80,932 6 2	Nil	10,850 0 0*	

\*This is in addition to those forfeited vide item 3 of the Statement A and item 17 of statement C.

## APPENDIX XXII

### Ministry of Defence.

*Note stating action taken by the Ministry of Defence on Item 5 of the Statement of outstanding Recommendations of the P.A.C.\**

1. While recommending that urgent steps be taken to draw up suitable forms of contracts providing adequate safe-guards to protect Government interests for use by Purchasing Organizations, the P.A.C. drew attention to Para. 6 of their Report on the Accounts for 1947-48 (Post-partition) wherein the desirability of prescribing standardised forms of agreements drawn up by committee consisting of the representatives of the Ministries of Finance, Defence and Law, after review of the existing ones, were to be brought into use.

2. In so far as the Contract forms in use in the M.E.S. are concerned, they are generally on the model of War Department contracts and provide reasonable safeguards to protect Government interests. As a result of their use over a considerable length of time before and during the last War, however, these forms were revised in 1947 in consultation with the Ministries of Finance (Defence) and Law. Since these forms were taken in use in early 1948, it was found necessary to further amend them. As a result some amendments were finalised and incorporated in these forms during 1948 to 1950. Certain further amendments were drafted and sent to the Ministry of Finance (Defence) in batches during September to November 1951, but were held up in view of the P.A.C.'s recommendations to set up a Committee *vide* para. 1 above. The question was considered in consultation with the Ministries of Finance and Law and the view taken was that it was impossible to lay down a uniform contract form for the use of all the Ministries nor did it seem to be intention of the P.A.C. However, the amendments proposed to be carried out in the Contract Forms pertaining to the M.E.S. Organisation appeared to be on the lines desired by the P.A.C. Since then efforts are being made to finalize the outstanding amendments in consultation with the Ministry of Finance (Defence) and Law, and already certain important amendments have been finalised and issued.

3. A statement showing the defects removed by these amendments is attached as annexure 'A'.

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#### ANNEXURE 'A'

*Note on Defects remedied by important Amendments.*

*Defects removed.*

Amendment.  
No.

- 
10. Contractors are now under obligation to pay "Fair Wages" to the Labour, due to specific provision being made in the Contract.

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\* See Statement at Appendix I.

12. Contractor's *agreement* to issue old serviceable materials in respect of Term Contract, is not necessary. The Garrison Engineer may issue such materials if available.
15. Supply of water for construction etc., from MES sources did not form part of the contract and was previously treated as a separate transaction. The uncertainty about MES water supply to contractor, at the tender stage, was treated as a gambling element by the contractor. The amendment removes this defect and provides for issue of water, available, from MES sources, at a stipulated rate.
19. Tools and Plant were previously issued on loan to the contractor and the rate covered the wages of crew, fuel and lubricants only. Therefore, there was no incentive on the part of the contractor to use T & P efficiently.
- The amendment carried out provides the issue of T & P on Hire and the rates cover Depreciation, Interest, Maintenance, Crew, Fuel and Lubricants etc. The Hire rates being much greater than the rates on loan, the contractors do not allow the T & P remaining idle.
22. Periodical Services, viz., painting, white washing etc., have been excluded from the scope of the Term Contract and are being carried under a separate contract at rates cheaper than those under the Term Contract.
29. No provision existed for Extension of Contract period due to:—  
 (i) delay in issue of Govt. stores, or  
 (ii) reasons beyond contractor's control.
- Non-issue of Government stores is tantamount to a breach of contract by the MES and it is not equitable to refuse extension to contract period for reasons which are entirely beyond the control of the contractor.
- The amendment provides the remedy.
27. The amendment removes the ambiguity and clarifies the position for delay when the buildings are phased or grouped for the purpose of completion dates.
28. } The contract could not be cancelled by the MES prior to the expiry  
 29. } of contract period even if the contractor did not proceed with the  
 } works, with due diligence.
- The amendment provides for cancellation in such circumstances and also in the event of death of the contractor. It also provides for cancellation of contract in part or in full, for default on the part of contractor.
32. The Amendment makes the contractor responsible for supplying wholesome drinking water for the labourers.
33. The definition of "Fair Wage" has been revised, due to discontinuation of Nerrick rates of labour.
35. "MES Contractor's Labour Regulations" have been incorporated in the conditions of Contract.

## APPENDIX XXIII

### Ministry of Defence—D(CAOTG)

*Consideration of the Appropriation Accounts (Defence Services 1949-50 and Audit Report thereon).*

At the meeting of the Public Accounts Committee held on the 11th July, 1953, the representative of this Ministry promised to furnish the P.A.C. with information relating to the proportion which the expenditure incurred on provision of covered accommodation for stores bears to the total capital expenditure incurred during the years 1948-49, 1949-50, 1950-51 and 1951-52. The required information is given below:—

Year	Total capital expenditure.	Expenditure on provision of covered accommodation for stores.	Proportion that the latter bears to the former (col.2).
1	2	3	4
(In lakhs of rupees).			
1948-49	240.32	12.94	5.38%
1949-50	461.53	43.54	9.43%
1950-51	380.26	33.67	8.85%
1951-52	529.38	49.41	9.33%

## APPENDIX XXIV

### Ministry of Defence—D(O&C)

**SUBJECT:**—*Non-recovery of hire charges for stores issued on hire Para. 8 of the Second Report of the Public Accounts Committee on the Accounts of 1948-49 (Railways and Defence Services). Item 8 of the statement\* of outstanding Recommendations.*

The observations and recommendations of the Public Accounts Committee made in para. 8 of their second report on the Accounts of 1948-49 (Railways and Defence Services) have been examined. The necessity for overhauling the machinery for recovery of hire charges, which the Committee recommended, has been accepted and pursuant thereto, detailed instructions have been issued to both the accounting authorities and the Depots. These instructions it is hoped, will ensure the quick recovery of hire charges, by laying down separate responsibility:—(a) for issue of stores—mostly tentage, (b) for the return of stores when done with, and (c) for watching the progress of recovery of the hire charges. Provision has also been made for inspection and checking of the stores on their return and recovery for damages, other than those due to normal wear and tear, to the returned stores.

The instructions issued to the accounting authorities ensure audit of Registers and documents maintained by the Depots and maintenance of a complete record of all hire issues and prompt realisation and credit to the Government.

2. The outstandings from the Railway Department and the Thomson College, Roorkee, adverted to by the Committee in the Report, are being realised. Vouchers have been sent for acceptance and the old accounts are being closed.

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\*See Appendix I.

## APPENDIX XXV

### Ministry of Defence D(C&L)

**SUBJECT:**—Statement showing profit/loss made by individual Military Farms during the years 1948-49 and 1949-50.

“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”.

In accordance with para. 32 (reproduced in the margin) of the proceedings of the Military Accounts Committee on the Accounts of 1943-44, Command-wise Accounts of Military farms are furnished to the members of the Public Accounts Committee to enable them to see which set of farms is being run at a profit and which at a loss. As the Military farms are now running at a profit, losses, if any, sustained at individual Military farms are not ascertainable from the Command-wise Accounts which show only the resultant profits in each Command. It has therefore been decided in consultation with the financial and audit authorities to furnish for the information of the members of the Public Accounts Committee a statement (Annexure A) showing profit/loss made by each individual Military farm instead of Command-wise Accounts. The reasons for variation in profit/loss are also shown separately in the form of a statement (Annexure-B).

2. The data contained in the attached statement have been test checked by the Director of Audit, Defence Services.

#### Annexure 'A'

*Statement showing the break-up by individual Military farms of the net profit shown in the Consolidated Profit and Loss Account of Military Farms at page 12 and para 6 of page 1 of the Commercial Appendix to the Appropriation Accounts of the Defence Services for the year 1949-50. 1*

Name of Farm	1948-49		1949-50	
	Loss(—) Profit (+)		Loss (—) Profit (+)	
<i>Eastern Command</i>				
Agra . . . . .	(—)	33,593	(—)	72,629
Allahabad . . . . .	(+)	27,976	(+)	86,282
Bareilly . . . . .	(+)	38,779	(—)	42,583
Dehra Dun . . . . .	(+)	30,011	(—)	25,527
Jhansi . . . . .	(+)	68,449	(+)	67,569
Kanpur . . . . .	(+)	28,934	(+)	83,500
Lucknow . . . . .	(—)	1,31,099	(—)	60,605
Meerut . . . . .	(+)	4,28,711	(+)	49,334
Namkum . . . . .	(+)	88,090	(—)	26,983
Panagarh . . . . .	(+)	1,34,690	(+)	2,71,805
<b>TOTAL</b>	(+)	<b>6,80,948</b>	(+)	<b>3,30,163</b>



Name of Farm	1948- 9		1949-50	
	Loss (—)	Profit (+)	Loss (—)	Profit (+)
<b>Southern Command</b>				
Ahmadnagar . . . .	(+)	64,040	(+)	17,758
Bangalore . . . .	(+)	8,27,074	(+)	1,41,830
Belgaum . . . .	(—)	11,770	(+)	10,880
Deolali . . . .	(+)	26,167	(+)	1,48,883
Jabalpore . . . .	(+)	1,12,045	(+)	73,850
Katni . . . .	(+)	13,490	Since closed	
Kalyan . . . .	(—)	2,70,874	(—)	85,468
Kirkee . . . .	(+)	21,840	(—)	1,00,100
Pimpri . . . .	(+)	84,232	(—)	28,444
Secunderabad . . . .	..	..	(+)	9,663
Wellington . . . .	(—)	55,139	(—)	23,730
<b>TOTAL</b>	(+)	<b>8,11,105</b>	(+)	<b>1,65,122</b>
<b>Western Command</b>				
Anbala . . . .	(+)	1,56,332	(+)	2,50,991
Delhi . . . .	(+)	2,27,533	(+)	82,731
Ferozepore . . . .	(+)	77,759	(+)	1,89,681
Jullundur . . . .	(+)	2,79,955	(+)	79,319
Kasauli . . . .	(—)	37,275	Since closed	
Mhow   . . . .	(+)	84,814	(+)	1,87,729
Pathankot . . . .	(+)	5,01,168	(+)	5,35,226
<b>TOTAL</b>	(+)	<b>12,20,995</b>	(+)	<b>13,25,677</b>
<b>Command Stores</b>				
Meerut and Kirkee . .	(—)	14,541	(+)	1,22,022
<b>GRAND TOTAL</b>	(+)	<b>26,98,507</b>	(+)	<b>19,42,984</b>
<b>Adjustment on account of Defence Accounts Department charges . . . .</b>				
	(—)	5,923	(+)	4,752
<b>NET PROFIT</b>		<b>26,92,584</b>		<b>19,47,736</b>

**NOTE :—**

During the year 1948-49 the Military farms made a profit of Rs.26,98,507. This figure has been arrived at after adjustment of Rs. 1,26,865 on account of Defence Accounts Department charges for internal check. The correct amount that should have been adjusted on that account works out to Rs. 1,32,788, which means that the actual profit for that year amounts to Rs. 26,92,584.

Similarly the Military farms during the year 1949-50 adjusted in their accounts Rs. 1,17,933 on account of Defence Accounts Department charges for internal check. The amount is in excess by Rs. 4,752. This means if the correct amount, *vis.* Rs. 1,13,181, had been adjusted, the actual profit would have been Rs. 19,47,736 as against Rs. 19,42,984, shown against the grand total.

The Commercial Appendices to the Appropriation Accounts for the years 1948-49 and 1949-50, however, contain the correct figures of the Defence Accounts Department charges and the net profits.

### Annexure 'B'

Reasons for variations in profit on individual Military farms during the year 1949-50 as compared with 1948-49 are given below:—

#### Eastern Command

- Allahabad** (a) Increased production of fodder.  
(b) Increased receipts of maximum and minimum charges from units.  
(c) Increased realisations from sale of grazing rights of land, usufruct of fruit trees and production of gram from farm land.
- Thansi** . . . . . Payment of arrears of pay and allowances under New Pay Code.
- Kanpur** . . . . . Increased production of grain and fodder from farm land.
- Meerut** . . . . . (a) Write off of buildings.  
(b) Payment of arrears of pay and allowances.  
(c) Rearing of additional young stock.  
(d) Improvements to temporary buildings.  
(e) Purchase of bhoosa at high rates.
- Panagarkh.** . . . . . Increased trade at Military Farm Depots Calcutta and Shillong.

#### Southern Command

- Ahmadnagar** . . . . . (a) Rearing of more dry stock.  
(b) Payment of arrears of pay and allowances.  
(c) More construction of temporary buildings.
- Bangalore** . . . . . (a) Amalgamation of Military Farm Depot, Secunderabad with this farm during 1948-49 was alone responsible for a profit of Rs. 5,12,000.  
(b) Increase in administrative charges.  
(c) Reduction in value of newly purchased buffaloes.
- Belgaum** . . . . . During the year 1948-49 a sum of Rs. 35,740 was wrongly adjusted on account of Military Credit Notes.
- Deolali** . . . . . (a) Receipts due to transfer of Nasik Road buildings.  
(b) Valuation of home-bred young stock.
- Jabalpore** . . . . . (a) Purchase of ice at higher rates.  
(b) More repairs to machinery.  
(c) Death of three Friesian bulls.  
(d) Reduction in value of newly purchased buffaloes.
- Secunderabad** . . . . . This farm started running as an independent concern with effect from 1st April, 1949.

#### Western Command

- Ambala** . . . . . (a) Reduction in Establishment.  
(b) Pricing of stocks at incorrect rates which were higher than the actual rates.
- Delhi** . . . . . (a) Decrease in trade due to movement of troops.  
(b) Adjustment of administrative charges for the year 1948-49 in 1949-50  
(c) Adjustment of maintenance charges of Motor vehicles for the year 1948-49 in 1949-50.

- (d) Extra profit taken during the year 1948-49 on account of cost of temporary buildings of poultry farm handed over to Military Engineer Services due to incorrect accounting as no payment in respect of buildings for which credit was taken was adjusted by this farm.
- Porozepore* . . . . . (a) Transfer of fodder to Advance Base Supply Depot, Pathankot.  
 (b) More receipts of maximum and minimum charges.  
 (c) Readjustment of interest charges as during the year 1948-49 Rs. 27,438 were adjusted in excess through an error.  
 (d) Less expenditure on temporary buildings.
- Jullundur* . . . . . (a) Less production of fodder due to failure of rains.  
 (b) Rearing of all buff young stock.  
 (c) Re-roofing of temporary buildings.  
 (d) Reduction in value of newly purchased buffaloes.  
 (e) Increased administrative charges.
- Mhow* . . . . . Issue of more fodder to Army Service Corps.
- Pathankot* . . . . . (a) More receipts of interest charges on Government Account 'C'.  
 (b) Receipt of departmental charges on fodder supplied to Army Service Corps.
- Command Stores*
- Meerut* . . . . . (a) Reduction in Establishment charges.  
 (b) Increased realisations of handling charges as a result of issues of more stores.

Reasons for losses on individual Military farms during the year 1949-50 are given below :—

*Eastern Command*

Common causes for losses practically on all the losing farms in the Command during the year 1949-50 were as under :—

- (a) Less sales of dairy produce due to decrease in the strength of the garrison.  
 (b) Increase in the rates of grains purchased.  
 (c) Rearing higher percentage of calves,

Specific causes pertaining to individual farms are as follows:—

*Military Farm, Agra (Loss Rs. 72,629)*

- (a) Charges pertaining to previous year adjusted during 1949-50:—

	Rs.
Electricity charges . . . . .	10,800
Vehicle maintenance charges paid to E.M.E. . . . .	6,400
Interest charges . . . . .	5,200
(b) Loss of Baled fodder written off . . . . .	3,970
(c) Due to very little green fodder being available during the year, the herd was mostly kept on 'A' scale. Cost of concentrates was high and baled fodder cost that was imported was also high.	

*Military Farm, Bareilly (Loss Rs. 42,583)*

The loss is mainly due to re-roofing and repairs done to buildings out of revenue.

*Military Farm, Dehra Dun (Loss Rs. 25,527)*

	Rs.
(a) Adjustment of vehicles maintenance charges for the previous year . . . . .	16,090
(b) Re-roofing of cattle sheds from revenue . . . . .	3,680
(c) Loss of fodder . . . . .	7,430

**Military Farm, Lucknow (Loss Rs. 60,605)**

(a) Charges for previous years adjusted in 1949-50:—	Rs.
Rail Charges . . . . .	6,460
Interest Charges . . . . .	5,630
Vehicles maintenance charges paid to E.M.E. . . . .	11,750
(b) Re-roofing of temporary buildings from revenue . . . . .	19,130
(c) Expenditure incurred on production of grains and fodder but receipts therefrom credited during 1950-51. . . . .	14,680

**Military Farm, Namkum (Loss Rs. 26,983)**

(a) Re-roofing and repairs to buildings from revenue. . . . .	28,000
(b) Decrease in sale rates for milk from -/6/9 to -/6/- per lb. resulted in less realisation by . . . . .	80,000
(c) Previously requirements of Dairy Produce for Ramgarh were taken over by the Army Service Corps at Namkum, but commencing from 1949-50 direct delivery is being made at Ramgarh on farm trucks. This resulted in an extra expenditure during 1949-50 amounting to . . . . .	24,000

**Southern Command****Military Farm, Kalyan (Loss Rs. 85,468)**

(a) Cost of Revenue Works—such as of re-roofing Cattle Sheds. . . . .	56,857
(b) Adjustment of Railway Warrant and Credit Note Charges pertaining to 1948-49 in the Accounts for 1949-50. . . . .	12,200
(c) Telephone charges for 1947-48 and 1948-49 paid in 1949-50. . . . .	1,500
(d) Rearing of calves and eventual transfer to other farms at no value, feeding of transferred fodder at high landed cost and more casualties and condemnations. . . . .	15,000

**Military Farm, Kirkee (Loss Rs. 1,00,100)**

(a) Cost of Revenue Works. . . . .	25,000
(b) Abnormal casualties and loss sustained in the sale of condemned animals.. . . .	36,800
(c) Special depreciation charges on newly purchased animals. . . . .	4,000
(d) Maintenance charges of Motor Vehicles for 1947-48 adjusted during 1949-50. . . . .	18,000
(e) Feeding of baled fodder received from other farms at high landed cost . . . . .	8,000
(f) Cost of barley loss accounted for in the Accounts for 1948-49 adjusted in 1949-50 on receipt of intimation from grain Depots. . . . .	9,000

**Military Farm, Pimpri (Loss Rs. 28,444)**

The loss is mainly due to special depreciation charges on newly purchased milch cattle.

**Military Farm, Wellington (Loss Rs. 23,730)**

(a) Special depreciation charges on newly purchased buffaloes. . . . .	13,700
(b) Reduction in the sale rate of milk issued during the period 1-4-49 to 31-7-49 from Rs. -/7/6 to Rs. -/6/- per lb. Loss on 1,06,490 lbs. at Rs. -/1/6 per lb. . . . .	8,980

## APPENDIX XXVI

### Ministry of Defence

*Mode of recruitment of Engineer Officers to the M.E.S.—both Civilians and Commissioned Officers.*

**(a) Army Officers:**

- (i) Young Officer Cadets—2 years course in the Military Wing of the National Defence Academy, Dehra Dun. Then 2 years Technical University Graduates Course at the College of Military Engineering, Kirkee.
- (ii) Young engineering graduates from Civil Universities attend a 35 weeks Graduates Course at the College of Military Engineering, Kirkee, before being posted to the M.E.S.

Normally after completing either of the above courses, Officers are first posted to Engineer Units for some time before being posted to M.E.S.

**(b) Civilian Officers:**

- (i) By departmental promotion of suitably qualified and deserving subordinates.
- (ii) By advertisement and recruitment (through the U.P.S.C.) of young engineering graduates.

## APPENDIX XXVII

### Ministry of Defence

*The extent of work done (in terms of money) through the agency of (i) contractors (ii) departmental labour and (iii) Engineer (Pioneer, etc.) Units during the financial years 1949-50 and 1950-51.*

Sl. No.	Detail	1949-50	1950-51
		Rs. in lakhs	Rs. in lakhs
1	Capital Outlay . . . . .	532.30	482.81
2	Works other than Capital (Major Works and Minor Works)	93.59	83.67
3	Maintenance Building and Communication. . . . .	456.47	542.28
4	Maintenance and Operation of Installations. . . . .	213.29	199.97
		1295.65	1308.73

N.B. (1) Figures above include National Defence Academy Project, but exclude works in JAMMU & KASHMIR Area.

2. No definite figures regarding the value of works executed by Daily Employed Labour or Engineer Units are available. Almost all M.E.S. Works and Maintenance Services are carried out by Contract ; the employment of Daily Employed Labour is generally restricted to certain Maintenance Services such as repairs to Electrical & Mechanical installations, petty repairs to furniture, repairs to pot-holes on roads and the like. The value of such works would be a very small fraction of the total expenditure—say between 1 and 2%.

The value of work done by Military Units would be almost negligible, as Units are generally employed only on Operational Works or in exceptional cases where a particular work has a training value or it is not practicable to conclude contracts.

## APPENDIX XXVIII

### Ministry of Defence

*Note re: Para. 53 of Audit Report, 1952—Irregularities in the Naval Stores Depot*

Q. Did the Ministry of Defence on receipt of the report of the Court of Inquiry feel satisfied that the Court had taken due notice of the fact that proper Accounts in the Naval Stores Depot had not been maintained and that the Naval Stores Officer and his subordinates had refused to produce the relevant documents before Audit?

A. The report of the Court of Inquiry did not reveal any serious irregularity in the accounting system. The court did take cognisance of such facts relating to the accounting system as came to its notice during the proceedings.

Again, on receipt of the report of the Court of Inquiry, the question of disciplinary action was not considered firstly because the Court of Inquiry did not consider that such action would be justified on the basis of their findings and secondly because the Audit authorities to whom the papers were shown also did not suggest that disciplinary action was called for. No notice can now be taken of this aspect, since the N.S.O. concerned is no longer in service. Although there might have been some initial reluctance to produce some of the documents to audit they were eventually produced.

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## APPENDIX XXIX

### Ministry of Finance (Defence)

Q. Does there exist an adequate machinery to cost all work orders and finished goods produced in the Ordnance Factories under the control of the Ministry of Defence? Is the costing done on a percentage basis or for each and every article?

A. A regular Cost Accounting system exists in all the Defence Ordnance and Clothing Factories under the control of the Ministry of Finance and this system provides an adequate machinery to cost all work orders. A cost card is opened for each job undertaken in the factory and shows the expenditure incurred under different elements of cost, viz., labour, material and overhead charges separately in each shop/section of the factory concerned with the manufacture thereof. On the completion of the job these cost cards are closed and the actual cost of manufacture is then compared with the pre-determined estimated cost. Costing is done for each and every job order and not on any percentage basis.



## APPENDIX XXX

### Ministry of Defence

SUBJECT:—*Disposal of Work connected with the Public Accounts Committee*

The Public Accounts Committee enquired the other day whether there are satisfactory arrangements in the Defence Ministry for the disposal of the work arising out of the Committee's deliberations. This is only to confirm what I mentioned to the Committee in reply that the Co-ordination Section of the Ministry is responsible for progressing action on the P.A.C. report. In a big organisation such as the Defence Ministry, with its associated Services Headquarters, the Co-ordination Section is the appropriate section to deal with the P.A.C. report which affects all the branches and Services. This section receives all references from the P.A.C. secretariat and either arranges for necessary replies to be sent by the appropriate officer where one particular officer is concerned, or it collects the necessary information from various sources and then arranges to send a consolidated reply. It also ensures that all action which the Ministry has to take on the basis of the recommendations of the P.A.C. is taken and necessary orders issued by the branches concerned.

Every attempt is made to deal with the P.A.C. matters expeditiously. Occasionally, some delay is unavoidable particularly when the reply to be sent or the action to be taken has to be agreed with Finance, Accounts or Audit authorities.

## APPENDIX XXXI

### Ministry of Defence

*Report with reference to the last sub-para. of para. 10 of the Report of the Public Accounts Committee on the accounts 1948-49*

In the above report, the Public Accounts Committee desired that monthly report of the progress of supply of jeeps under the new contract should be submitted to them. The following is the position with regard to the submission of the monthly report.

2. In the statement forwarded to the Parliament Secretariat on the 12th June 1952, showing the action taken or proposed to be taken on the recommendations of the Committee, pertaining to the Defence Ministry, the entry made in column 6 against the above recommendation is reproduced below:—

“49 jeeps have arrived in India and one jeep is held in Belgium as a specimen to guide inspection. Due to the increase in the world price of jeeps, the supplier has asked for a price increase. It seems unlikely, therefore, that further supplies will be received against the existing contract. The legal position is being examined in consultation with the Ministry of Law with a view to taking a final decision”.

3. The Committee had asked for monthly report “of the progress in the supply of jeeps”. Since it had been mentioned in the reply quoted in para. 2 above that no further supplies of jeeps were expected (and there have been none either since), it was thought that, it was not necessary to send nil report every month. If however, the Committee intended that nil report should have been submitted, the Defence Ministry regret the omission which was occasioned in the circumstances explained above.

## APPENDIX XXXII

### **Note stating action taken by the Ministry of Works, Housing and Supply pursuant to item 11 of the Statement of Outstanding Recommendations\*.**

*Procedure followed in respect of procurement of stores with particular reference to Defence indents.*

The procedure for acceptance of indents particularly Defence items is briefly as follows:—

The Ministry of Defence utilise fully the procurement agency of this Ministry in regard to procurement of Defence stores to be obtained from the trade and they leave it to the purchase organisations to arrange procurement in accordance with the specifications indicated in the indents.

(a) *Items procured through D. G. S. & D.*—Indents for indigenous Trade items are placed by the Defence indentors on the D.G.S. & D. for procurement. All action for procurement is the responsibility of the D.G.S. & D. except for inspection which is mostly done by a Service agency.

(b) *Items procured from UK/Europe.*—Indents are placed by Service Indentors on the Service Advisers to the High Commissioner in U.K. Indents for stores procurable from Service Departments and Ministry of Supply of H.M.G. are retained by them. But the D.G.I.S.D. London is responsible for all residual action, e.g., payment of advances and final payment, taking delivery and despatch to India of stores, inspection, etc., D.G.I.S.D. is also responsible for all procurement action in respect of trade items including inspection.

(c) *Items procured from U.S.A.*—Indents are placed by Defence indentors on the Service Attaches in Washington who retain those indents which are for procurement from the U.S. Government departments and pass on the rest to the I.S.M., Washington. The division of functions in U.S.A. is identical with that in U.K.

2. On receipt of the indents, the D.G.S. & D. scrutinise them to see among other things that they are complete in all respects so that they can proceed with procurement action. The D.G.S. & D. ensure:

(a) that the description and nomenclature of stores given in the indent are clear and free from ambiguity; that specifications or particulars to guide the supply have been correctly quoted and are in keeping with the description of stores. Technical particulars, etc. are vetted by officers of the Inspection wing and points of doubt are clarified by reference to the indenter before passing on the demand to the Supply Section concerned for procurement action.

(b) that the packing, consignment instructions and mode of despatch have been clearly specified;

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\*See Appendix I.

- (c) that a date by which supply is required has been stated;
- (d) that the indenter has completed the financial certificate on the indent certifying availability of necessary funds to cover the cost of stores and Departmental charges (where leviable) and have specified the Accounts Officer who will accept debits after payment has been made by the Accounts Officers of the D.G.S. & D. or, if the Indenting Officer is a non-Government indenter, whether the indent is accompanied with necessary deposit to cover the cost of stores and Departmental Charges.

Only after all these points have been fully examined and settled to the satisfaction of the D.G.S. & D., the indent is finally accepted for procurement action. In case it is found that supply cannot be arranged by the date specified in the indent, the Indenting Officer is informed and his prior concurrence to supply by a suitable date is obtained before covering the demand.

Once the demand is accepted by the D.G.S. & D., thereafter it becomes the responsibility of that organisation to arrange supply of the stores keeping in view the date by which supply has been asked for and the funds provided by the indenter. The Directorate General is permitted to exceed the Indenting Officer's estimated rates without his prior concurrence upto certain limits. In the case of Defence Indents, according to the present arrangements, the demands can be covered at rates exceeding the indenter's estimates upto  $66 \frac{2}{3}$  per cent. without prior reference to the Defence indenter, provided the extra expenditure to be incurred on this account does not go beyond Rs. 5 lakhs.

Supplies are governed by the Standard Conditions of Contract which have been drawn up by the Government of India in consultation with the Ministry of Law. The delivery dates stipulated in the contract are extended where considered necessary, with or without penalty. Indenting Officers are always kept informed of such extensions and in important cases they are consulted before granting an extension of delivery dates. Copies of all amendments to the contract, whether affecting rate, delivery date or any other term thereof are invariably endorsed to the Indenting Officer who is thus kept associated with every development concerning the contract.

Progress against every demand is watched by the Purchase Organisations from the time indent is accepted right upto the time deliveries are completed. Indentors are kept informed at every stage by issue of Progress and Delay Reports and they are thus constantly kept in the picture concerning the position of their demand and are at liberty to raise at all stages any point concerning delay or hold up. For effecting a closer liaison between the D.G.S. & D. and Defence Ministry in order to facilitate and expedite the procurement of Defence stores, a Defence Services Liaison Cell is attached to the organisation of the D.G.S. & D.

3. The Purchase Organisations of this Ministry act only as agents in respect of purchase and inspection of the stores. As such, the authorities on whose behalf they act are called-upon to bear losses in cases in which:

- (a) they are not lawfully and equitably to be borne by the suppliers or carriers, or

(b) they are not due to any unauthorised or negligent act on the part of the Purchase Organisation.

Cases falling under category (b) are dealt with on the general principles laid down for the investigation and treatment of such cases by the Government of India.

4. It will be seen from the above that the roles of the various authorities in the matter of procurement of stores are clearly understood and no confusion exists as to the sphere of responsibility between the Indentors and the Purchase Organisations in regard to the acceptance of an indent and the arranging of supplies in satisfaction of the demand.

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# APPENDIX XXXIII

No. F.10(8)-B/52  
GOVERNMENT OF INDIA

## MINISTRY OF FINANCE

*New Delhi, the 13th May, 1954*

### Memorandum

In paragraph 40 of the First Report of the Public Accounts Committee on the Appropriation Accounts (Civil and Posts and Telegraphs) of 1948-49 and Unfinished Accounts (Civil) of 1947-48 (Post-partition), the Committee desired that, until the compilation of Finance Accounts was printed upto date, the Finance Ministry should present to them a skeleton of the form devised in consultation with the Comptroller and Auditor General in which the accounts embracing the receipt and debt sides in respect of revenue earning Ministries will be prepared to enable the Committee to make an early start in the matter of scrutinising the Receipt and Borrowing sides of the accounts with a view to suggest measures for economising public expenditure.

2. The matter has been considered in consultation with the Comptroller and Auditor General. The figures of receipts and disbursements under the various revenue, service, debt and remittance heads for the year can be made available in the forms enclosed.

3. In the case of capital, debt and remittance heads, the progressive figures cannot be given except under "N-Public Debt" until the accounts as at the date of partition are closed and the figures of respective opening balances as on that date become available. Only the transactions during the year can thus be furnished except under section "N-Public Debt" where, in addition, the opening and closing balances of the year can also be furnished.

4. If the above information will meet the requirements of the Committee, the necessary statements will be prepared and submitted to the Committee.

*I—General Abstract of Receipts and Disbursements*

(In lakhs of Rs.)

Receipts	Details <i>vide</i> statement	Actuals for	Disbursements	Actuals for
Revenue Receipts . . . . .	A		Expenditure on Revenue Account (AA).	
Capital Accounts not met from Revenue . . . . .	B		Capital Accounts outside the Revenue Account.	
Public Debt incurred . . . . .	C		Public Debt discharged. . . . .	
Unfunded Debt incurred . . . . .	"		Unfunded Debt discharged.	
Deposits and Advances . . . . .	"		Deposits and Advances. . . . .	
Loans and Advances by the Central Government . . . . .	"		Loans and Advances by the Central Government.	
Remittances . . . . .	"		Remittances. . . . .	

## I—General Abstract of Receipts and Disbursements—contd.

(In lakhs of Rs.)

Receipts	Details <i>vide</i> statement	Actuals for	Disbursements	Actuals for
Transfer of Cash between England and India	C		Transfer of cash between England and India.	
Reserve Bank Deposits	„		Reserve Bank Deposits.	
Total Receipts	„		Total Disbursements.	
Opening Balance	„		Closing Balance (BB).	

(AA) Revenue Surplus/Deficit during the year =

(BB) Increase/Decrease of balance during the year =

## STATEMENT A

## Summary of Revenue and Expenditure

(In lakhs of Rs.)

Revenue	Revised Estimates	Actuals	Expenditure	Revised Estimates	Actuals
I	2	3	4	5	6
1. CONSOLIDATED FUND OF INDIA—			1. CONSOLIDATED FUND OF INDIA—		
PRINCIPAL HEADS OF REVENUE—			DIRECT DEMANDS ON THE REVENUE—		
I.—Customs			1.—Customs		
II.—Union Excise Duties.			2.—Union Excise Duties.		
III.—Corporation Tax			3.—Corporation Tax.		
IV.—Taxes on Income other than Corporation Tax.			4.—Taxes on Income other than Corporation Tax.		
V.—Estate Duty			5.—Estate Duty		
VI.—Opium.			6.—Opium.		
VII.—Land Revenue			7.—Land Revenue.		
VIII.—State Excise Duties.			8.—State Excise Duties.		
IX.—Stamps.			9.—Stamps.		
X.—Forest.			10. Forest.		
XI.—Registration.			11.—Registration.		
XII.—Receipts under Motor Vehicles Act.			12.—Charges on account of Motor Vehicles Act.		
XIII.—Other Taxes and Duties.			13.—Other Taxes and Duties.		
TOTAL			TOTAL		

1	2	3	4	5	6
<b>IRRIGATION—</b>			<b>REVENUE AC- COUNT OF IR- RIGATION WORKS—</b>		
XVII.—Works for which Capital Ac- counts are kept— Gross Receipts.			17.—Interest on works for which Capital Accounts are kept.		
Deduct—Working Expenses.			18.—Other Revenue Expenditure.		
Net Receipts.			TOTAL		
XVIII.—Works for which no Capital Accounts are kept.			<b>CAPITAL ACC- COUNTS OF IR- RIGATION, ETC., WORKS MET FROM REVENUE—</b>		
TOTAL			19.—Construction of Irrigation Works .		
<b>POSTS &amp; TELE- GRAPHS.</b>			<b>POSTS AND TELE- GRAPHS REVE- NUE ACCOUNT.</b>		
XIX.—Posts and Telegraphs			20.—Posts and Tele- graphs Interest on Debt.		
Deduct—Working Expenses.			<b>DEBT SERVICES—</b>		
Net Receipts.			22.—Interest on Debt and other Obli- gations.		
XX.—Interest.			Deduct—Interest trans- ferred to :— Railways, Irrigation, Posts & Telegraphs, State Governments Commutated value of Pensions, Other heads.		
<b>CIVIL ADMINIS- TRATION—</b>			<b>TOTAL TRANS- FERS—</b>		
XXI.—Adminis- tration of Justice.			Net.		
XXII.—Jails and Convict Settle- ments.			23.—Appropriation for Reduction or Avoidance of Debt.		
XXIII. Police.			TOTAL		
XXIV.—Ports and Pilotage.			<b>CIVIL ADMINIS- TRATION—</b>		
XXV.—Lighthouses and Lightships.			25.—General Ad- ministration.		
XXVI.—Education.			26.—Audit.		
XXVII.—Medical.			27.—Administration of Justice.		
XXVIII.—Public Health.			28.—Jails and Con- vict Settlements.		
XXIX.—Agriculture.					
XXX.—Veterinary.					



1	2	3	4	5	6
XXXI. Co-operation.			29. Police.		
XXXII. Industries and Supplies.			30. Ports & Pilotage.		
Deduct Working expenses.			31. Lighthouses and Lightships.		
Net Receipts.			34. Tribal Areas.		
XXXIII. Aviation.			35. External Affairs.		
XXXIV. Broadcasting.			36. Scientific Departments.		
XXXVI. Miscellaneous Departments.			37. Education.		
TOTAL			38. Medical.		
CURRENCY & MINT—			39. Public Health.		
XXXVII. Currency.			40. Agriculture.		
XXXVIII. Mint.			40-A. Rural Development.		
TOTAL			41. Veterinary.		
CIVIL WORKS, ETC.—			42. Co-operation.		
XXXIX. Civil Works.			43. Industries and Supplies.		
XL. Receipts from Multi-purpose River Schemes.			44. Aviation.		
			45. Broadcasting.		
			46. Miscellaneous Departments.		
ELECTRICITY SCHEMES—			TOTAL		
XLI. Receipts from Electricity Schemes.			CURRENCY & MINT—		
Gross Receipts.			48. Currency.		
Deduct Working Expenses.			49. Mint.		
Net Receipts.			TOTAL		
MISCELLANEOUS—			CIVIL WORKS, ETC.		
XLIV. Receipts in aid of Superannuation.			50. Civil Works.		
XLV. Stationery & Printing.			51-B. Other Revenue Expenditure connected with Multi-purpose River Schemes.		
			TOTAL		

1	2	3	4	5	6
XLV-A.—Contributions from Railways.			ELECTRICITY SCHEMES—		
XLVI.—Miscellaneous.			52.A.—Other Revenue Expenditure connected with Electricity Schemes.		
XLVI.-A.—Receipts from Road Transport Schemes—Gross Receipts. Deduct—Working expenses. Net Receipts.			CAPITAL ACCOUNT OF ELECTRICITY SCHEMES WITHIN REVENUE ACCOUNT—		
TOTAL			53.—Capital Outlay on Electricity Schemes.		
DEFENCE SERVICES—			MISCELLANEOUS—		
XLVII.—Defence Receipts Effective.			54.—Famine.		
XLVIII.—Defence Receipts Non-effective.			54-A.—Territorial and Political Pensions.		
TOTAL			54-B.—Privy Purses and Allowances of Indian Rulers.		
CONTRIBUTIONS AND MISCELLANEOUS ADJUSTMENTS BETWEEN UNION AND STATE GOVERNMENTS—			55.—Superannuation Allowances and Pensions.		
L.—Miscellaneous Adjustments between Union and State Governments.			56.—Stationery and Printing.		
EXTRAORDINARY ITEMS—			57.—Miscellaneous.		
LI.—Extraordinary Receipts			Total		
LII-B. Civil Defence.			DEFENCE SERVICES—		
LII-C.—Pre-partition Receipts.			58.—Defence Services Effective—Army.		
TOTAL			59.—Defence Services Effective—Navy.		
RAILWAY REVENUES AS PER RAILWAY BUDGET—			60.—Defence Services Effective—Air Force.		
TOTAL—Revenue. Excess of Expenditure over Revenue or Deficit.			60-A.—Defence Services Non-Effective.		
			TOTAL		

1

2

3

4

5

6

CONTRIBUTIONS  
AND MISCEL-  
LANEOUS AD-  
JUSTMENTS  
BETWEEN  
UNION AND  
STATE GOVERN-  
MENTS—

61.—Grants-in-aid  
to States.

62.—Miscellaneous  
Adjustments bet-  
ween Union and  
State Governments.

TOTAL

EXTRAORDINARY  
ITEMS—

63.—Extraordinary  
Charges.

63-A.—Expenditure  
connected with  
Post War Planning  
and Development.

63-B.—Community  
Development Pro-  
jects.

64-B—Civil Defence.

64-C.—Preparation  
Payments.

TOTAL

RAILWAY EX-  
PENDITURE AS  
PER RAILWAY  
BUDGET—

Total-Expenditure  
met from Revenue.

Excess of Revenue  
over Expenditure  
or Surplus.

STATEMENT 'A'  
*Statement showing the percentage distribution of total Revenue and Expenditure by major items of Revenue and Expenditure*

1	2	3	4	5	6	7	8
Revenue	Amount	Percentage of total Revenue	Percentage of total expenditure	Expenditure	Amount	Percentage of total Revenue	Percentage of total expenditure
Customs' . . . . .				Customs			
Union Excise Duties . . . . .				Union Excise Duties, . . . . .			
Corporation Tax . . . . .				Corporation Tax			
Taxes on Income other than Corporation Tax . . . . .				Taxes on income other than Corporation Tax.			
Opium . . . . .				Opium . . . . .			
Land Revenue . . . . .				Land Revenue . . . . .			
State Excise . . . . .				State Excise . . . . .			
Stamps . . . . .				Stamps . . . . .			
Forest . . . . .				Forest . . . . .			
Registration . . . . .				Registration . . . . .			
Receipts under Motor Vehicles Acts . . . . .				Charges on account of Motor Vehicles Acts.			
Other Taxes and Duties . . . . .				Other Taxes and Duties.			
Total—Principal Heads of Revenue . . . . .				Total—Direct Demands on Revenue.			
Railways—Net Revenue				Railways—Interest and Miscellaneous charges.			
Irrigation—Net Receipts Posts and Telegraphs—Net Receipts				Irrigation . . . . .			
Debt Services . . . . .				Posts and Telegraphs			
Civil Administration' . . . . .				Debt Services . . . . .			
Currency and Mint . . . . .				Civil Administration' . . . . .			
				Currency and Mint			

I	2	3	4	5	6	7	8
Civil Works and Miscellaneous Public Improvements. Miscellaneous . . . Defence Services . . . Extraordinary Items . . .				Civil Works and Miscellaneous Public Improvements. Miscellaneous . . . Defence Services . . . Contributions and Miscellaneous Adjustments between Union and State Governments . . .			
Total—Revenue Receipts . . .				Extraordinary Items Capital Expenditure within the Revenue Account.			
				Total Expenditure on Revenue Account . . .			

## STATEMENT 'A' II

Statements showing Receipts under certain Heads of Revenue by Minor Heads for year.....

(In Lakhs of Rupees)

Major Head	Minor Heads	Revised Estimates	Actuals
I. Customs	Sea Customs		
	Imports		
	Exports		
	Miscellaneous		
	Land Customs		
	Receipts in England		
	TOTAL		
II. Union Excise Duties	Excise duty on Motor spirit		
	Excise duty on Kerosene		
	Excise duty on Silver		
	Excise duty on Sugar		
	Excise duty on Matches		
	Excise duty on Ingots		
	Excise duty on Mechanical Lighters		
	Excise duty on Coal and Coke		
	Excise duty on Tobacco		
	Excise duty on Vegetable Produce		
	Excise duty on Betelnuts		
	Excise duty on Tea		
	Excise duty on Coffee		
	Excise duty on Tyres		
	Miscellaneous		
Receipts in England			
Share of net proceeds assigned to States.			
	TOTAL		
III. Corporation Tax	Ordinary Collections		
	Advance payment of Tax under Section 18-A of the Indian Income Tax Act 1922		
	Miscellaneous		
	Receipts in England		
	Deduct—Refunds		
		TOTAL	
IV. Taxes on Income other than Corporation Tax.	Income Tax		
	Super Tax		
	Advance payment of tax under Section 18-A of the Indian Income Tax Act, 1922		
	Miscellaneous		
	Receipts in England		
	Deduct—Refunds		
	Share of net proceeds assigned to States.		
	TOTAL		

**STATEMENT "B"**  
*Capital Receipts and Expenditure outside the Revenue Account*  
 (In lakhs of Rs.)

Capital Receipts	Revised Estimates	Actuals	Capital Expenditure outside the Revenue Account	Revised Estimate	Actuals
			Capital Outlay on Salt Works . . . . .		
			Capital Outlay on Forests . . . . .		
			Commercial . . . . .		
			Strategic Discharge of Debenature . . . . .		
			Capital Outlay on Vizagapatam Port . . . . .		
			Capital Account of Irrigation, etc. Works—Construction of Irrigation etc. works . . . . .		
			Capital Outlay on Posts & Telegraphs . . . . .		
			Capital Outlay on Schemes of Agricultural Improvement and Research . . . . .		
			Capital Outlay on Industrial Development . . . . .		
			Capital Outlay on Civil Aviation . . . . .		
			Currency Capital Outlay . . . . .		
			Capital Outlay on mints . . . . .		
			Initial Expenditure on New Capital at Delhi . . . . .		
			Capital Outlay on Civil Works . . . . .		
			Payments on Commuted Value of Pensions . . . . .		
			Payments to Retrenched Personnel . . . . .		
			Defence Capital Outlay . . . . .		
			Capital Outlay on Schemes of State Trading . . . . .		
			Grants to State Governments for Development . . . . .		
			<b>TOTAL—Capital Expenditure outside the Revenue Account</b>		
			<b>TOTAL—Capital Receipts</b>		

## STATEMENT 'C'

*Debt, Deposit and Remittance Accounts Summary of Receipts and Disbursements  
by Major Heads*

(In Lakhs of Rupees)

Heads of Receipts	Actuals for	Heads of Disbursements	Actuals for
N. Public Debt Incurred . . . . .		N. Public Debt Discharged . . . . .	
O. Unfunded Debt . . . . .		O. Unfunded Debt . . . . .	
P. Deposits and Advances . . . . .		P. Deposits and Advances . . . . .	
Q. Loans and Advances by the Central Government.		Q. Loans and Advances by the Central Government.	
S. Remittances, . . . . .		S. Remittances . . . . .	
T. Transfer of Cash between England and India		T. Transfer of Cash between England and India.	
U. Reserve Bank Deposits		U. Reserve Bank Deposits. . . . .	
<b>SUMMARY</b>		<b>SUMMARY</b>	
Total Receipts under Debt, Deposits, etc., heads.		Total Disbursements under Debt, Deposits, etc., heads.	
Total Revenue as per State- ment 'A'.		Total Expenditure as per Statement 'A'.	
Total Receipts . . . . .		Total Disbursements. . . . .	
V. Opening Balance . . . . .		V. Closing Balance . . . . .	
<b>GRAND TOTAL</b>		<b>GRAND TOTAL</b>	

(Details as per Account No. I of part B. II of the Central Finance Accounts 1946-47,



APPENDIX XXXIV  
Lok Sabha Secretariat

MEMORANDUM FOR CONSIDERATION OF THE PUBLIC ACCOUNTS COMMITTEE  
*Finance Accounts of the Central Government*

In pursuance of a suggestion from late Prof. K. T. Shah, a Member of the Public Accounts Committee, it was decided by the Committee at its meeting on the 18th September, 1951, that the scope and functions of the Committee should also extend to the scrutiny of the revenue side of the Government Accounts with special reference to the borrowing, Public Debt etc. The Comptroller and Auditor-General while welcoming this decision, pointed out that in the present state of his Department it would not be possible for him to undertake the audit of receipts in the near future and observed that the Finance Accounts with the Audit Report thereon prepared by him every year contained all the information required by the Committee. He, however, informed the Committee that the compilation of these Accounts for 1947-48, the year of partition of the country, was delayed because of the difficulty in the finalisation of pre-partition accounts due to non-settlement of the Debt Balances, on the date of partition, with the Pakistan Government. This, in turn, he added, delayed the compilation of these accounts for the subsequent years as the balances under the various heads are required to be carried forward. As the Committee's aim for the examination of these accounts was to explore the various sources of revenue, how they should be developed and utilised, it was felt that such an examination could not be postponed till the Finance Accounts were ready. It has, therefore, been decided that in order to enable the Committee to start scrutinising the receipt and borrowing side of the Accounts, the Ministry of Finance should present to them a skeleton of a form devised in consultation with the Comptroller and Auditor-General in which the accounts embracing the receipt and debt sides will be prepared.

Accordingly the Ministry of Finance has forwarded a Memorandum with the skeleton forms devised in consultation with the Comptroller and Auditor-General of India. The lay-out of the forms is similar to the statements included in the Finance Accounts referred to in the above paragraph. This is for the approval of the Committee.