

REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1924-25.

Vol. II—Evidence



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SIMLA
GOVERNMENT OF INDIA PRESS
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1926

Evidence taken at the first meeting of the Public Accounts' Committee held on Monday, the 26th July 1926, at 3 p.m.

PRESENT.

The Hon'ble Sir BASIL BLACKETT, *Chairman*

Maulvi Syed MURTUZA Saheb Bahadur,

Mr. N. M. JOSHI,

Rev. Dr. E. M. MACPHAIL,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH,

Colonel J. D. Crawford,

Dr. S. K. DATTA,

} *Members.*

Sir FREDERIC GAUNTLETT, the Auditor General, was also present.

Mr. J. E. C. JUKES, Financial Secretary.—*Witness.*

Mr. J. E. C. Jukes then made the following statement:—

“ Mr. McWatters submitted in 1924 the statement printed as Appendix to the report considered in that year. The primary question under discussion was the question in what cases a demand should be presented as gross to the Assembly and in what cases it should be presented *net*. We have at last reached a final conclusion on this subject after very long and very detailed discussion with the Legislative Department and the Auditor General. A large number of highly technical points was involved. I will try and avoid them and state as briefly, and in as simple words as I can, the conclusions reached, and if any doubts remain in the minds of members, perhaps they will ask questions and I will endeavour to answer them.

The first question is, what is a net grant? A net grant is a grant in which, although the expenditure on the department or service concerned is actually shown in full, the Assembly is not asked to vote the full amount. Certain deductions are made, and the amount so reached after the deductions is the amount submitted to the vote of the Assembly. A gross grant of course is one from which no such deduction is made. It is a fundamental principle of the reformed constitution that all votable expenditure should ordinarily be submitted to the vote of the Assembly. The first question which arises therefore, is this: are deductions of this kind in any case properly admissible? The conclusion which was reached as the result of our discussions was that they are admissible in, at any rate, one case, and that is a case in which the amount deducted has actually been voted by another Legislature. The simplest example is a case like that of a contribution which is made by the United Provinces towards the Chiefs' College at Raipur. That is in effect a contribution from provincial revenues for expenditure on a central subject. The money has actually been voted

by the local Legislative Council, and it has been decided, and, I do not think there is any doubt, correctly, that it is entirely improper to ask the Legislative Assembly to vote the money over again. It has been shown in the Local Government's budget, and the proper course is for the Central Government, in submitting the central demand, to deduct this amount from the total expenditure. Two other examples which I should like to give are best illustrated by instances from a local Government's budget. Take a case, for example, where the Central Government has asked a Local Government to perform, at the expense of the Central Government, some agency service, or possibly to incur expenditure on a provincial service in excess of the amount required by its responsibility for that provincial service. We ask, for example, a Local Government to provide police guards over currency offices, of strength greater than are ordinarily provided for the supervision of public offices in the province concerned. In that case the Central Legislature votes the money and it would be improper for the Local Government to include it in its grant. It must therefore show its police expenditure first in gross and then deduct from it the amount contributed by the Central Government to pay this particular establishment.

Another case somewhat similar is the case of joint establishments employed upon agency subjects. In that case the cost of the establishment is, under Devolution Rule 48, from the beginning divisible between the Central and Provincial Governments. Each has to pay its own share. The proper procedure is obviously for each to provide, in its own demand which it presents to its Legislature, for the expenditure for which it is responsible, and for the Government which is primarily responsible for the particular establishment to show the expenditure firstly in gross and then to deduct the amount provided by the other Government.

These are three examples of what I have called money voted by another Legislature. It is not an exhaustive list, but it is enough to give the Committee an idea of what is meant by such a vote. One thing must be remembered, that a deduction of this kind on account of the double vote is not legitimate unless the two items of expenditure concerned are identical. Here again the best way to show what I mean is by illustration. Take the case of the stationery grant of the Central Government. That was in fact the actual grant on which this question was raised. There you have the Central Government providing stationery, the greater part of which subsequently passes on to the Local Governments. If in effect a particular Local Government came up to the Central Government and said 'Here is a sum of money; I want you to take it and buy for me certain particular articles of stationery,' the Central Government would practically be acting as an agent and there would be a typical double vote of the kind to which I have referred. The Local Government would actually vote the money and would merely pass it on to the Central Government to spend. But that is not what happens in the case of the stationery grant. What happens is that the Central Government purchases a wholesale stock of stationery and then retails it to the Local Governments. In that case there is no sort of identity between the two items. It is clearly right, I think, and that is the conclusion of our discussions, that the Central Legislature should vote the full amount for the wholesale purchase and the Local Governments the full amount for their retail purchase, whenever they may make it. The recovery when made, should be shown as revenue to the Central Government. Another case is that of Excise Opium. There again the Central

Government spend money on preparing opium and then sell it to the Local Governments. Again it seems only correct that the Central Government should vote the money for the wholesale purchase and the Local Governments for the retail purchases. In neither of these cases is a deduction or a *net* grant properly admissible.

The real test underlying this principle of identity of items is what may be called the incidence of expenditure at the time when it is sanctioned. If at the moment when the expenditure was sanctioned, it was known that a particular Government must meet it, then the item in the two budgets is identical and a deduction is possible. In the formula which we have evolved as the result of our discussions, this point has been brought out. The formula runs something like this:—

When a recovery from another Government represents nothing more than the debit to that Government of expenditure which was properly so debitable at the moment when the expenditure was sanctioned, that recovery does not represent revenue, and a *net* grant should be presented. Recoveries of all other kinds do represent revenue. They should be shown as such and the grant for expenditure should be gross.

We extended that formula a little further, and I think legitimately, in this way. That when an item which could, at the time when it was incurred, have been shown by deduction, is for some reason or other not brought to account in the accounts of that year, but is postponed to a later year, in that case the identity vanishes, and the particular expenditure loses its right to be taken by deduction. It must be shown as revenue.

That is the result of the discussions which have taken place and its effect is this, that in no case is it permissible for any Legislature to vote the same grant both gross and net: if deductions are legitimate, they must be made. Then there will be a net grant, and the legislature is not entitled to vote the gross grant because it involves voting what has been voted by somebody else. On the other hand, when it does vote *net* grants, one thing is essential, and that is that it should have the gross figures before it so that it may understand the effect of what it is doing.

I do not think there is anything else in connection with this particular question, except one further question which might be asked, which the Committee might like to take up, and that is this. Is there not another case in which deductions are legitimate. That other case is the case (and I have already mentioned it at a previous stage of to-day's meeting) in which the amount in question has already been voted by the same Legislature in another part of the budget. Take again our Stationery and Printing grant. Supposing a particular department has taken over stationery from the central stores. If we are to debit that department with the cost of the stationery, ought we not to deduct it from the gross expenditure on stationery? Otherwise the Assembly will have voted the same item of expenditure, firstly, under the stationery grant and, secondly, under that of the department which has taken the stationery. The question is an interesting one; it has only recently been raised and has not yet been threshed out. I fancy the Auditor General has his own views on the subject.

I do not know if I have made myself clear. If there is anything else, I shall be glad to answer questions.

1. *Mr. N. M. Joshi.*—I would like you to state the formula.

Mr. J. E. C. Jukes repeated the formula given previously, and referred to the illustrations he had given.

2. *Chairman.*—The essential point is that the Government should not have money to spend on a votable purpose which has not been voted.

Mr. Jukes.—That is one way of looking at it. There is another way. You cannot ask the Legislative Assembly to vote the expenditure of somebody else's money.

3. *Dr. Datta.*—You surely could carry on the Rajkumar College though several Governments were to make contributions towards it.

Mr. Jukes.—You would be an agent practically of two or more Local Governments.

4. *Dr. Datta.*—But the Assembly could never raise the question of principle.

Mr. Jukes.—They can always raise the question of principle, they can always raise it on the General Administration vote.

5. *Mr. Joshi.*—In a case like that how can you show the details of the expenditure ?

Mr. Jukes.—Let us assume that there is a joint establishment employed in Bombay, on the understanding that the Central Government pays two-fifths and the Local Government three-fifths of its cost. The full details of the expenditure on the establishment would be shown in the Budget of the Bombay Legislative Council, and the two-fifths share contributed by the Central Government would be deducted from the total. They would deduct that amount and ask their Council for a vote of the remaining three-fifths.

Q.—And in the Central Government's Demands for Grants the whole of the expenditure would be shown with the deduction of the three-fifths contributed by the Bombay Government ?

Mr. Jukes.—Unless the proportion borne by the Central Government was fairly large—larger, for example, than the payment which we now make to certain Local Government's secretariat establishments—it is not worth while repeating the whole thing in our Budget. We merely say so much has been given to the Local Government for work done for us.

6. *Chairman.*—I think it is true to say now that our Demands for Grants in the new form, the 1926-27 form, do show both net and gross expenditure in every case where there is a deduction.

Mr. Jukes.—Always, Sir. We only put the net to the vote.

Chairman.—We only put the net to the vote, so that we have now our Demands for Grants in the right form.

7. *Dr. Lohokare.*—Now take the case of the Rajkumar College. The Central Government contributes only a part. Is it necessary to vote 2 lakhs or Rs. 25,000. In that case it may be that the whole establishment of the Rajkumar College may not be under the control of the Central Government.

Mr. Jukes.—I am not sure that I follow you. Perhaps you will repeat your question.

Dr. Lohokare.—The amount collected from other sources is 2 lakhs whilst we contribute Rs. 25,000. Now the management is in the hands of the Central Government and the Assembly is asked to vote only Rs. 25,000. The Central Government can spend Rs. 1,75,000 in any way they like.

Mr. Jukes.—Isn't that a question for the local Legislative Council. If they choose to place money at the disposal of the Central Government on those terms, need the Central Government object ?

Chairman.—That raises an interesting point. It has always been held I believe in Great Britain that the Government as such cannot be entrusted with money from other sources to spend. You must interpose some technical board which is not the Government. If it is the Government that is given money to spend, it must be shown; a token vote is very often resorted to, but it must be shown as a receipt, and the expenditure must be voted by the House of Commons in order to give the House of Commons control over Government expenditure. You see the difficulty you get into, it is extraordinarily difficult to arrive at a final conclusion. I think the principle we have adopted here is best.

8. *Dr. Lohokare.*—The receipts ought to be shown.

Chairman.—If it is a receipt from a private body. It is only receipts from money voted by the Local Government that we are proposing to treat as deductions.

9. *Dr. Lohokare.*—But in this case what would the Assembly be asked to vote ?

Chairman.—The Assembly would be asked to vote Rs. 25,000.

10. *Dr. Lohokare.*—And gross receipts—will they be shown ?

Chairman.—They will be shown but not voted.

Mr. Jukes.—If the money is coming from outside, not from the Local Government, in that case you will be asked to vote the full 2 lakhs. The other contributions will be revenue at the disposal of the Central Government and the supply must be voted before the Central Government can spend it.

11. *Chairman.*—You do nevertheless get the position that the Central Government is spending money without the control of the Assembly because it has been appointed its agent by the Local Government.

Mr. Jukes.—That is in the Local Government's case, not in the case of an outsider.

Chairman.—In the case of the outsider it is all right. But in the other case you cannot get away from the position that the Central Government spends money which has not been voted by the Assembly. I think it is unavoidable but that is the position.

12. *Chairman.*—Now we come to another aspect of this particular subject—the commercial departments.

Mr. Jukes.—I have not very much to say on that. I think the position of the Finance Department is not greatly altered since Mr. McWatters wrote his note. Of course this is quite a distinct subject. It is no question of the method by which you should exhibit your figures in your Demands for Grants. It is a question of how they should be exhibited in two

other places. One is your accounts proper and the other is your Budget Statement. It may or may not be desirable, though I think it certainly desirable, that your Budget Statement should be on the same lines as your Accounts; but it is not essential.

13. *Chairman.*—I think as members have not recently read this note we should take this first thing tomorrow morning. A little explanation now will however help us to understand it better.

Mr. Jukes.—Mr. McWatters said in his previous memorandum that the Government of India were in general agreement with the Auditor General that as far as Accounts are concerned it was desirable to show them gross on both sides of the account. That is to say, even in your commercial departments you would not show your working expenses by deduction from receipts. I do not think the position of the Finance Department has greatly changed on this point. What is really in issue is the method by which your figures should be exhibited in the Budget Statement. The form of the Budget Statement is a matter very much at the discretion of the Finance Member. He presents the Budget figures in the way which he thinks will convey their meaning best to his audience and set out in the truest perspective the real revenue and expenditure of the Government. Of course, if you show your working expenses by deduction from revenue you do reduce the expenditure of Government, as shown on the expenditure side of the account. I mean you show it as a smaller amount than it really is. On the other hand, if you exhibit them on the expenditure side you do conceal the fact that a great part of the expenditure is merely incurred in order to produce your revenue; and this is an argument for showing working expenses by deduction from receipts. It is possible to support the desirability of either procedure by good arguments; but I think it is a matter which the Honourable Member must ultimately decide for himself, as to how he wants to represent the revenue and expenditure of the country. There are various other minor factors. If you show your working expenses by deduction from revenue, you enormously decrease your expenditure. Incidentally you enormously decrease your votable expenditure.

14. *Chairman.*—It does not affect the amount really voted but that apparently voted.

Mr. Jukes.—Yes, the amount apparently voted. So that you are apt to give casual readers of your statements an entirely false idea of the distribution of your expenditure as between votable and non-votable. On the other hand, if you show them on the expenditure side, you show apparently that you are spending an entirely disproportionate amount of your revenue upon two or three of your services, though of course the careful observer knows the facts.

15. *Chairman.*—The problem has also an accounts side which I should like the Auditor-General to explain. But first let me put the position as it appears to the Finance Member. He has to introduce his budget. He may take the items voted by the Assembly and show them all as expenditure, to which he must add the sums that are non-votable but are in the same category. He gets a total expenditure of something over 200 crores. Then he adds the whole of the receipts from the Railways as part of revenue; the whole of the receipts from Posts and Telegraphs as part of his revenue. He shows as expenditure the whole of the interest on the whole of the debts. He takes as part of his revenue the interest on the Railway capital which

is something getting on towards 30 crores; the interest on money lent to the Provincial Loan Funds and things of that sort; and he gets a total budget of over 200 crores—he arrives at his balance of something over 200 crores. But supposing he takes the opposite course. He shows as expenditure nothing in respect of Railways; nothing or he hopes it is nothing—in respect of posts and telegraphs. He shows as expenditure only that amount of interest which he does not receive back from one or other of the commercial departments or from the Provinces. He would get finally a total expenditure of about 90 crores, and a revenue of about 90 crores. By the present arrangement he shows about 130 crores, because he includes the interest earned on money lent to the Railways as revenue. That is the main difference between the 90 and 130 crores. There are a few other things of that sort. It is extraordinarily hard to give the public anything which conveys the full truth. As Mr. Jukes pointed out, if he shows his expenditure net—the Government of India which is concerned chiefly with collecting revenue, running railways, a comparatively small staff at headquarters, and military expenditure—he hides from the public nearly all his activities except the collection of revenue and the running of the Army.

Sir Frederic Gauntlett.—I have always urged that the accounts of the Government of India should follow the ideal that accounts ought to be a statistical presentation of facts. The fact in this connection is that the Government of India is conducting the business of one of the largest organisations of railways in the world. It is in fact conducting the business of Posts and Telegraphs. It is manufacturing salt. It purchases opium—the raw material—, manufactures opium and distributes opium. It does conduct all these activities—whether you may call some of them nefarious or not (laughter)—but it is in fact conducting these businesses; and the point of view that I wish to urge as regards accounts is that the accounts ought to show the total expenditure on the Government of India including the expenditure on all these very important activities. That is practically the gist of my comments. I have commented on the question historically in a note submitted to the Government of India. It was with great reluctance that years ago the Secretary of State could be induced to deduct working expenses from receipts and not show it on the expenditure side. However, having accepted the view, he has followed it logically ever since. But what I want to make the Government of India accept is the view that I am now putting forward although it goes back on the practice of the last thirty or forty years. I have summarised in that note the practice of other Governments also which is in general agreement with the view expressed above unless there are very special reasons for departing therefrom. I accept that proviso and would deem it applicable to railways in view of the fact that railway finances have practically been separated from the finances of the Government of India that is, that they form a completely separate section of the finances of the Government of India. In accordance with the general principle, working expenses should appear as expenditure in the railway budget. As full details are shown in the railway budget, it would only be necessary to supplement that by including in the ordinary Government budget merely the contribution which under the convention has to be made from the railway budget to the general budget of the Government.

16. *Chairman.*—Would you exclude the interest on the railway debt as it appears at present or not?

Sir Frederic Gauntlett.—No: I would regard it as part of the total expenses on the railways. As the Finance Member has pointed out, to follow these principles in the budget statement might not give quite a clear picture of the actual financial position of the Government. This is not a matter in which I have a *locus standi* except that it is desirable that the budget grants should be easily comparable with the accounts but I venture to suggest that the best line of approach may be, as you yourself, Sir, recently hinted to me, to recognise the difficulty of choosing between the two opposing views and follow them both. The full expenditure would be presented on one sheet and then on another an abstract in which net figures could be shown. This might bring out rather more clearly what you would regard as the financial picture.

After some further discussion the Committee adjourned.

Evidence taken at the fourth meeting of the Public Accounts Committee held on Wednesday, the 28th July 1926, at 11 a. m.

PRESENT :

The Hon'ble Sir BASIL BLACKETT, *Chairman.*

Mr. N. M. JOSHI,

Maulvi Syed MURTUZA Saheb Bahadur,

Rev. Dr. E. M. MACPHAIL,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH,

Colonel J. D. CRAWFORD,

Dr. S. K. DATTA,

} *Members.*

Sir FREDERIC GAUNTLETT, the Auditor General,

Mr. A. C. BADENOCH, Accountant-General, Posts and Telegraphs,

Mr. M. R. COBURN, Financial Adviser, Posts and Telegraphs,

} *were also present.*

Sir G. P. ROY, Director-General of Posts and Telegraphs.—*Witness.*

Examination of Sir G. P. Roy, Director-General of Posts and Telegraphs.

17. *Chairman.*—The first thing we will take up is the Memorandum on commercial accounts. Is there anything you would like to add to it?

Sir G. P. Roy.—No, I do not think so. It has explained the situation very clearly.

18. *Chairman.*—Have members any questions to ask on it ?

19. *Dr. Lohokarc.*—I should like to ask a question regarding the provision for pensions. Why do you contribute to the general pension fund and not have a pension fund quite separate ?

Mr. Badenoch.—The question of having a separate fund has been raised, but there has not yet been a definite decision on it. The idea is to have an actuarial investigation and find out what the liability of the department is. The proposal has been made that there should be a post and telegraph pension liability fund and it should be funded separately, but there has not been any decision on it.

20. *Dr. Lohokare.*—Here it is pointed out that the pension liability will be added on to the general fund.

Mr. Badenoch.—At present the arrangement is that it is paid into general revenues and general revenues undertake the whole liability. It is paid in as a deduction from the pension head 45.

21. *Dr. Lohokare.*—What has been the practice hitherto ?

Mr. Badenoch.—Previously, before 1923, pensions were not debited to the Posts and Telegraphs at all ; there were no commercial accounts. As an interim arrangement the actual pension charges were debited to the department. Now, from the commercialisation point of view, the case was very carefully considered by Government and it was decided to proceed on a liability basis. The actual pensions do not represent the amount that the department was liable for in any particular year, and if only actual pensions were paid, the account could not be called a commercial account. As an interim arrangement, they have taken, not an arbitrary figure, but a figure based on the experience of the G. P. O. in London, and fixed it at 50 per cent. above the actual pensions of 1923-24.

22. *Dr. Lohokare.*—Were you not showing in the accounts of the Posts and Telegraphs before 1923 the amount of pensions ?

Mr. Badenoch.—No, these were debited directly to the general head. All pensions were met from one head and there was no debit against any particular department.

23. *Mr. Joshi.*—How do you calculate this 50 per cent. more ?

Mr. Badenoch.—As far as I remember, when the case came up, we found that in England the liability was about 50 per cent. on an actuarial investigation more than the actual pensions paid, so Mr. McWatters made the suggestion that, as an interim arrangement, until we have had our actuarial investigation in this country, we might take that figure, roughly 50 per cent. more than the actual pension payments in that year. As a matter of fact we have been let off quite lightly because we have taken 50 per cent. of the actual pensions of 1923-24. If Government were pressing their claim it might be said we should allow for a small increase every year. As a matter of fact they have not ; they have accepted the fixed figure of 50 lakhs, and until we complete the actuarial investigation, this figure remains constant.

24. *Mr. Joshi.*—What is the necessity for having a separate pension fund for the department? Supposing you pay every year whatever pensions occur, will that make much difference ?

Mr. Badenoch.—As I explained, that was carefully considered, and the view finally taken was that the actual pensions of a year do not represent the liability in the commercial sense of the department for that year for pensions. Pensions are paid in respect of employees employed 25 or 30 years before. You have more employees coming in year by year, and the only way to estimate pension liabilities is to take the basis of the actual employees of that year, and actually we take it on the basis of the salaries of any particular year.

Mr. F. Gauntlett.—The essential point is whether you are going to maintain this commercial account on a cash basis of actual payments, or on an asset and liability basis.

25. *Mr. Joshi.*—We may employ a larger number hereafter and the liability may increase ?

Sir F. Gauntlett.—Yes, you have to put aside this year what will suffice to pay for the pensions of employees then in your employ, and it is not sufficient to say that that is equal to the amount you actually pay in that year, because we do know that the one head which steadily increases in India at a most amazing rate is that of pensions.

26. *Mr. Joshi.*—Is it due to the increased number of the staff ?

Sir F. Gauntlett.—Both numbers and rates of pay. Rates of pay increase, and pensions which are based on pay steadily increase.

27. *Rev. Dr. Macphail.*—Is it necessary in a Government concern like this to make the same provision for liabilities which you would have to do if you were having separate provident fund ? Now you have to take into account contingent liabilities, but where you have the whole Government reserve at your back is it necessary to do this ?

Sir F. Gauntlett.—I think the real answer to that is the answer I gave just now, that it is a question of accepting one fundamental principle or the other. Do you accept as a fundamental principle that you merely present in these accounts cash transactions, or will you bring to account liabilities ?

Chairman.—The object of including the pension liability in the actual pension payment is to arrive at a truer profit and loss result.

Sir F. Gauntlett.—Exactly ; the idea of commercialising the account certainly in the mind of a true accountant necessarily implies that you must bring to account your liabilities.

28. *Mr. Joshi.*—And this 50 per cent. is included on the English experience ?

Sir F. Gauntlett.—It is based on the English experience.

29. *Chairman.*—It is a round figure based on English experience. How soon do you hope to have this complete actuarial investigation finished ?

Mr. Coburn.—I am afraid it will take a very considerable time. I have discussed it with the Government Actuary and he wants an enormous amount of data.

30. *Chairman.*—Will it be five months or five years ?

Mr. Coburn.—I should say at least a year.

31. *Dr. Lohokare.*—Next year you hope to give it ?

Mr. Coburn.—We hope so.

Sir F. Gauntlett.—I would by no means support that.

32. *Chairman.*—I imagine it will be two or three years before you have the actuarial result, and in the meantime is it your opinion that the Post Office is being probably rather under-charged than over-charged at the present rate ?

Mr. Coburn.—I should say if anything it is being under-charged.

33. *Dr. Lohokare.*—What would be the net charge in subsequent budgets before this actual valuation is arrived at ?

Mr. Coburn.—50 lakhs, the same figure as at present.

Mr. Badenoch.—There is also the amount for workmen's compensation and extraordinary pensions, but that is a matter of only Rs. 20,000.

34. *Dr. Lohokare.*—Why has it been fixed at 50 lakhs instead of the actual payment until the actual valuation is out ?

Mr. Badenoch.—That is exactly what we have tried to explain.

Sir F. Gauntlett.—The actual payment is 31 lakhs ; the difference between 31 lakhs and 50 lakhs is very considerable as far as the profit and loss is concerned.

35. *Dr. Lohokare.*—The main point I am driving at is this. So long actual payments were being taken into account in the general budget. If the Government of India decides subsequently that this pension fund should be separate from the general fund, then in that case our contribution to pension liabilities to the general fund during these years at 50 lakhs will be something more.

Sir F. Gauntlett.—I am not sure you are correct in using the expression "pension fund". It has been suggested but it has not been decided on. The only answer to your question is that we could not possibly have introduced the commercial accounts if we had accepted the basis of this pension charge at the present rate. If we leave out of account a figure which is very nearly 20 lakhs, which we are quite certain must come into the account if the account is commercialised, how could we call it a commercial account ?

36. *Dr. Lohokare.*—Suppose we start a separate account under this department only. In that case these 20 lakhs paid to general revenues would be an extra payment to them ?

Chairman.—No. If you separate the Post Office to the same extent that you have separated the railways, you would have either this charge of 50 lakhs or the actuarial amount as a charge against the Post Office, and not the cash charge. The complete separation would not alter what you are doing in this case. You would still have to provide for your liability as a charge against the Post Office.

Sir F. Gauntlett.—I think I can explain your difficulty, *Dr. Lohokare.* What happens at present is that all the pensions which are actually paid are brought to account under 45 Superannuation Pensions. That represents actual payments each year. Then we deduct from that and bring into the commercial account a figure which represents the pensionary liability of the Posts and Telegraphs. So that the two alternative methods would have been to have deducted—if you were merely going to keep cash transactions, merely those which were shown before 31 lakhs

from the total figure under 45 Superannuation pensions and you would have shown under Posts and Telegraphs 31 lakhs. Instead of making the deduction of 31 lakhs we say the correct figure is approximately 50 lakhs so you make a deduction of 50 lakhs under Superannuation and you show as the expenditure on Posts and Telegraphs 50 lakhs.

37. *Dr. Lohokare.*—That is what is being done now but in case we have completely separated accounts for Posts and Telegraphs ?

Chairman.—The same thing would happen.

38. *Dr. Lohokare.*—If we decide to have the liability removed ?

Mr. Badenoch.—The question of these contributions would have to be considered. It would be brought up afterwards.

Chairman.—But it would not alter the present position. The Post Office profit and loss account would still come out the same figure as at present.

39. *Dr. Lohokare.*—But regarding the liability of the past ?

Chairman.—What has happened is that General Revenues are taking the whole liability for the future.

40. *Dr. Lohokare.*—To-day ?

Chairman.—Yes ; they are taking a liability for the future and that liability will have to be honoured as and when pensions become payable.

41. *Dr. Lohokare.*—Regarding this question in paragraph 12 of having buildings in the capital charged to revenue, is that the method in every other department ?

Sir F. Gauntlett.—No, because it has not yet been accepted that you can introduce a capital account for ordinary public works expenditure. We have this head of capital charged to revenue, met from revenue, for all the accounts which have been in any way commercialised. There has been no attempt whatever to commercialise the ordinary public works expenditure and therefore there is no attempt there to show under Public Works capital expenditure met from revenue except of course in the specific case of Delhi.

Chairman.—But broadly speaking all the new works in the Civil Works vote are of the same nature as the Post Office buildings. They are all charged to revenue.

Sir F. Gauntlett.—Of course I want to make it quite clear that I am merely speaking of the Central expenditure at present. The Local Governments have the right to treat that as capital expenditure subject to certain conditions.

42. *Dr. Lohokare.*—In many cases I find in Local Governments' accounts that the buildings were treated as capital, not charged to revenue.

Sir F. Gauntlett.—They can do that if they come within the sphere of the Local Governments' Borrowing Rules.

43. *Dr. Lohokare.*—That was the point I wanted to make clear. In this case practically it means investment which is to continue for a couple of hundred years or a hundred years is charged to revenue—large permanent buildings are charged to revenue.

Chairman.—If you have an average charge of a crore or whatever the figure may be year by year for new buildings, after a few years you come to very much the same results if you charge the whole of it to capital or the whole of it to revenue.

44. *Dr. Lohokare.*—But the difference between the two is this ; in that case every time the interest alone will be charged for future years while in this case the whole amount will have to be paid now. That means the present generation has to be sacrificed for future generations.

Chairman.—Over a short period it may be possible by making a change in your method to relieve the Budget in the next 5 years or so of the charge for new buildings and only charge interest on those new buildings. After about 5 or more years the position is that the interest is equal to the annual capital charge and then you have to borrow for new buildings and you still have the same charge on your Budget for interest only.

45. *Dr. Lohokare.*—In practice it means the present generation has to spend for future generations.

Chairman.—I do not think it does if you take it more widely because the fact that you are borrowing less reduces your rate of interest and the present generation may even gain by your adopting a sounder financial policy. There is the other point of course that a sudden change can undoubtedly relieve a few years' Budgets, but over a comparatively short period it merely means postponing expenditure for the first few years and at the end of that period you are worse off than before.

Mr. Badenoch.—From the purely departmental point of view all capital expenditure, whether charged to revenue or not, has been taken to be capital expenditure but that is only from the narrow point of view of the department. The point of view of General Revenue is quite different.

46. *Dr. Lohokare.*—But when we commercialise the accounts it will actually have an effect on the revenue earned.

Chairman.—The profit and loss account of the Post Office is drawn up without reference to this charge. From the Post Office profit and loss point of view it is assumed that these have been charged to capital and the charge for new buildings does not come into the profit and loss account.

47. *Dr. Lohokare.*—That means it will earn interest like other capital.

Mr. Badenoch.—The Post Office pays interest.

Chairman (in reply to Dr. Datta).—You have a depreciation fund for buildings.

48. *Col. Crawford.*—Over a period of 20 years the taxpayer benefits if you charge expenditure to revenue.

Chairman.—It depends exactly on the way it works out. After 20 years the taxpayer gains.

49. *Col. Crawford.*—Therefore it is the cheaper method.

Chairman.—It is always cheaper to use your own money than to borrow.

50. *Mr. Joshi.*—But you are paying interest.

Chairman.—Before we take up that point, Dr. Lohokare has brought up the difference between Local Governments and the Central Government.

from the total figure under 45 Superannuation Pensions and you would have shown under Posts and Telegraphs 31 lakhs. Instead of making the deduction of 31 lakhs we say the correct figure is approximately 50 lakhs so you make a deduction of 50 lakhs under Superannuation and you show as the expenditure on Posts and Telegraphs 50 lakhs.

Dr. Lohakare.—That is just the difference in this case.

51. *Mr. Joshi.*—You said, Sir Basil, for profit and loss account the amount spent from revenue will be calculated as capital. How will you show the source of the capital. The money paid out of revenue has to be shown as expenditure ?

Chairman.—It is charged on the General Budget.

52. *Mr. Joshi.*—Not on the postal budget ?

Chairman.—The charge, classed as capital, will be in the General Budget and not in the Postal Budget and in return the Postal Budget pays interest but does not pay the original capital.

53. *Dr. Datta.*—How will it be in the future ?

Chairman.—The same way.

54. *Dr. Datta.*—What about these buildings put under Revenue ?

Chairman.—They are not being charged to Postal revenue for the purpose of the Post Office profit and loss account ; they are being charged to General Revenue.

55. *Dr. Datta.*—But is it not proposed ultimately to charge them to Postal Revenue ?

Chairman.—No. The General Revenue is making an investment year by year in return for which it gets interest.

56. *Rev. Dr. Macphail.*—The new buildings are not paid for out of revenue derived from the Post Office ?

Chairman.—No.

Mr. Joshi.—My idea was that you were going to take this revenue from the Postal Revenue. If it is from General Revenue I do not mind much.

Chairman.—That is clear ; it is from General Revenue.

57. *Mr. Gulab Singh.*—Do you charge interest on the old buildings ?

Mr. Badenoch.—The depreciated value of the old buildings has been taken on to capital account. These buildings have all along been paid for from General Revenue and not from Postal Revenue.

58. *Dr. Datta.*—At present valuation ?

Mr. Badenoch.—We have taken them over at present (depreciated) valuation.

59. *Dr. Datta.*—What will happen in the future—year after next ?

Sir F. Gauntlett.—That all comes under the block account. There is a paragraph later which will bring up all these questions.

60. *Dr. Datta.*—What interest will be charged ?

Mr. Coburn.—Interest is charged on the depreciated value that we started with on the 1st April 1925, plus new expenditure if you put up new buildings. We borrow for this and Postal Revenue is charged with the interest. The interest value is the depreciated value plus new expenditure.

61. *Mr. Joshi.*—How will this interest be calculated and at what rate ?

Mr. Badenoah.—At the ordinary rate the Auditor-General calculates for such works. It is different according to classes, expenditure before 1916-17 and expenditure after 1916-17 according to the general Government practice.

62. *Mr. Joshi.*—So General Revenues will not suffer by your charging less interest.

Chairman.—Expenditure up to 1916 is at a fixed rate based on the rates at which we have been borrowing in the pre-war period.

Sir F. Gauntlett.—3.3252 per cent.

Chairman.—Broadly speaking we borrowed on perpetual loans and you have got the exact rate for expenditure up to 1916. For expenditure after 1916 in respect of which we have been borrowing at different rates year by year—some short term and some longer terms and so on—an average rate of the cost of such borrowings from 1916 up to the present day is calculated by the Auditor General year by year and that rate is applied to the loans of the Government of India to the Post Office, to the Railways and so on. The rate year by year is falling as we are able to borrow cheaper.

63. *Sirdar Gulab Singh.*—Who pays for maintenance and repairs ?

Chairman.—That is an ordinary revenue charge.

64. *Dr. Lohokare.*—Is this the idea that has been now finally settled, that the capital net charge put in the new commercial form should be fixed at a certain sum. Paragraphs 14 and 15 ? The interest on the capital at charge is the total amount to be credited to general revenues from the Postal Department. I should like to know what is the amount of capital at charge.

A.—That is given at paragraph 14.

65. Q.—At the time of the separation of the accounts, that is, when the department was taken over completely as a self-contained department, would this be a justifiable item ?

A.—These are the present value of the assets which have been handed over to us by Government. Surely it is a justifiable item.

66. Q.—The question then arises that in many years the surplus revenue has been credited to general revenues.

A.—Also the general revenues have met all losses.

67. Q.—But is it not possible to find out the market value to-day and then say that this is the capital at charge instead of taking the assets as at their depreciated value ?

Chairman.—I think Dr. Lohokare's question is this : are you not over-charging the post office in view of the fact that the post office has had or is believed to have had surpluses which it has paid to general revenues in previous years ?

A.—I think that has been specifically answered in paragraph 15.

68. *Dr. Lohokare.*—That is why I say, has that point been finally settled ?

A.—Yes.

Sir Frederic Gauntlett.—May I put it this way ? It has taken us three years to determine how to draw the account of the Post and Telegraph Department on a commercial basis so as to bring into that account everything which should properly appear there. It has taken us three years to build up the theory of it. If we were to attempt to apply this form to recast the whole of the accounts of the Post and Telegraph Department ever since it was incepted up to now in accordance with this new form we could tell you what the real surplus and the real deficits were ; but in practice it is utterly impossible.

69. *Q.*—The question is this : in order that the postal department may be on a commercial working basis, 60 lakhs which would have been a surplus otherwise in these accounts, has now to be found from the general taxation of the postal rates. The question then arises, is this 60 lakhs interest that is being charged every year to the postal department a reasonable charge, so that the postal rates may be justified on that basis ? If this item had not appeared in the budget, we might have been able to reduce the rates.

Mr. Badenoch.—A.—In that case the Government would have insisted on our taking over the block account, not at its depreciated value, but its real or original value. We have made a very big allowance for that ; they have not made us pay interest on the full amount that has been invested, but only on the depreciated value ; and there is a difference of about 9 crores there.

70. *Q.*—Then the question comes of the monopoly. Government worked that monopoly for a certain period and now they have put it on a separate basis ; under that circumstance the question of the earnings under that monopoly should also have been taken into account ; it is not the actual value of the buildings and the assets alone.

Chairman.—There is an assumption behind that question which is very questionable, that there has been a profit since its inception.

71. *Mr. Joshi.*—Is it not a fact that most of these buildings and properties which we have valued have been built out of the postal revenue itself ?

Chairman.—That depends upon the question whether there was any net surplus of postal revenues for the last sixty or seventy years ; we have had no commercial accounts till 1924-25 ; it is impossible therefore to answer definitely either in the negative or affirmative the question whether there has been any net surplus on the working of the post office over that period of sixty years.

72. *Col. Crawford.*—My impression is that at present the department is working at a loss.

Chairman.—I do not think any conceivable accountant in the world could undertake to tell you whether or not there has been a profit or loss on the working of the post office for the last sixty years. It is very probable from the figures that are available that there was an increasing loss in fairly recent years.

73. *Dr. Lohokare.*—*Q.*—Taking that theory into consideration, when you have a monopoly of a public utility like this, and when you have to arrive at costs, something from the general revenues must always be taken as a contribution ; and if you do that, that does not justify the capital at charge today ; that is another contention.

Chairman.—I do not understand the question : would you expand your argument ?

74. *Dr. Lohokare.*—While handing over the department at its market value, the general revenues always have some charge in respect of these public utility services—like railways and other service departments. Under that theory, whatever capital at charge has been accounted at market value, some concession should be shown.

A.—The concession has already been made, that we have got it at the depreciated rate.

75. *Q.*—At the market value ; there is no depreciation ; what is the concession there ?

76. *Sardar Gulab Singh.*—Can we not know the average loss and the average contribution from the Government ?

A.—In the absence of a commercial account it is absolutely impossible. But the depreciation value is a great deal less than the market value.

Sir Frederic Gauntlett.—Take the post office in Calcutta : I suppose by now it has been written down to about one-third of what it originally cost ; and what it originally cost would be a fraction of what it would cost now to erect a similar building. I doubt very much whether your particular argument is correct that it is merely because the general post office was situated in one side of Dalhousie Square that the property all round it has appreciated ; it is a contributory cause no doubt, but I should say it is of quite minor importance.

Mr. Badenoch.—*Dr. Lohokare's* argument is that the only fair way is to charge the depreciated value ; the answer is that we have charged the depreciated value.

77. *Dr. Lohokare.*—My contention is that Government should have given some preferential treatment in this case.

Sir Frederic Gauntlett.—It is going to pay in future ; all the other departments of the Government are going to pay strictly.

Rev. Dr. Macphail.—I think *Dr. Lohokare's* argument is that what is yours is mine and what is mine is mine own (laughter).

Dr. Lohokare.—No, no.

Chairman.—May I take the committee back ? The question is that the Posts and Telegraphs Department have attempted to work out an account on a strictly commercial basis ; and in arriving at that the question has been what price you were to charge to the commercial accounts for the assets handed over to them ; the price charged has been the depreciated value, not the market value ; and the question that is really before the Committee is “ Are they satisfied that this is a fair way of arriving at a commercial account ” ?

78. *Dr. Lohokare.*—*Q.*—It is laid down here “ that the Department should be allowed to utilise any surplus ” for the reduction of capital

liability. Would that be utilised for the reduction of capital liability or for the lessening of the rates ?

Mr. Coburn.—A.—A surplus would mean that the interest charges will be reduced ; and that would tend to reduce working expenses and reduce rates.

79. *Dr. Lohokare.*—We have to suffer today for the past generation, instead of distributing it properly—just the same question as the capital spent on buildings.

Chairman.—Again there is the assumption that there has been a profit.

80. *Dr. Lohokare.*—I would propose both : whatever surplus may remain over should be utilised for reducing rates and for doing away with capital liability.

Chairman.—May I point out that you can only use the interest on the profit for reducing rates ; you cannot use a profit of 10 lakhs in one year to reduce rates by 10 lakhs for all time.

Mr. Badenoch.—I should think that if a large profit were made year after year the Government would certainly consider the question of reduction of rates.

Chairman.—If there is an estimated profit at the beginning of the year of a really considerable amount, obviously the Government would suggest--or if they did not, it would be forcibly suggested to them by the Assembly --that they should reduce rates and not earn a profit.

Mr. Badenoch.—I think the statement in para. 16 refers merely to the small profits that may actually accrue in any year. Any considerable profit, I may say, that might appear in the estimates would certainly be used to reduce rates.

81. *Mr. N. M. Joshi.*—Here it is stated that the cost could not be ascertained of the existing property. Are you attempting to do it now ?

Mr. Badenoch.—Do you mean reliable information about the exact costs ? The trouble about telephone and telegraph assets is this. You cannot tell that a particular wire or a particular post was erected in any particular year and cost a particular amount. We have got to work on the averages. We have had to take the average cost of construction from year to year. We have got this average cost. We have counted all the assets and then applied the average cost to our enumeration of the assets--the assets have been enumerated. But the thing is, we could not tell the exact cost.

82. *Chairman.*—Can you say off hand whether you have put a low valuation on them or a high valuation ?

Mr. Badenoch.—It was worked from the actual cost of construction from 1902 up to about 1916 by Mr. B. N. Mitra, and his results were astonishingly accurate. His estimates have been compared with the actual estimates of works taken over a series of years, and they have turned out very accurate.

83. *Dr. Datta.*—What about the value of the sites on which there are post office buildings ?

Mr. Badenoch.—Where we have never paid for sites, they are taken as assets, but they are assets against which no value has been put down.

Where we bought a site, we have taken it at its cost ; but where we got Government land from the beginning and on which we have constructed a post office, we have taken the land as asset, but we have not put any market value against it.

84. *Chairman*.—If you were to sell that land, the proceeds would go to the capital account of posts and telegraphs ?

85. *Dr. Lohokare*.—It is the same case in the Railways.

Mr. Badenoch.—Probably in some cases we will find that we have a prescriptive right for 60 years. I don't think Government could turn us out.

86. *Dr. Datta*.—At what valuation have you entered the sites which you have yourself acquired ?

Mr. Badenoch.—They are entered at the price for which we bought them, and not at the market value.

87. *Col. Crawford*.—With regard to the 144 lakhs, the difference between your actual valuation now and what is written in your capital account, does that mean that the capital account has not been properly depreciated in past years ?

Mr. Badenoch.—One reason is, there was no provision before for writing certain items off the capital account. There were a lot of lines abandoned, a lot of buildings have been abandoned, and these still remain a charge on the capital account of the department. But now when we come to value this, we find that the amounts for these have not been written off properly. Then another reason for this difference is the wrong allocation. As a matter of fact, it is always found by spending officers that if there is urgent work to be done, and a difficulty of finding funds, they are very apt to go to capital and use it. There was no audit of allocation until the commercialisation of accounts was started. There was no proper audit before as we have now. In the past there was a tremendous lot of expenditure which really ought to have been charged to revenue but it was charged to capital. In that way the capital account was inflated, and that is another reason for the difference.

Sir Frederic Gauntlett.—But the answer to Col. Crawford is that it is only in the last year or so that we have started the depreciation funds.

Para. 19.—Store balances.

88. *Dr. Lohokare*.—It is said there that " Interest will not be charged ". Who will pay the interest ?

Mr. Badenoch.—As far as our commercial accounts are concerned, it does not exist. We have had to look after it on behalf of the Army Department. We do make a small charge for storage and a charge for the space occupied.

89. *Dr. Lohokare*.—Do you show it as store balance at such and such cost ?

Mr. Badenoch.—It is shown as a store balance first of all and then as a deduct amount, and that is excluded, and this deduct entry is used to reduce the net total on which interest is charged.

Chairman.—In effect it is a store balance of the army looked after by the post and telegraph department.

Mr. Badenoch.—It is brought to account on our stores ledgers. All the items appear on our stores ledgers. We have got to do all the work connected with it, and we actually charge the Army Department a small amount for looking after the work. There is a lot of work connected with it.

90. *Dr. Lohokare.*—May I know if that interest is charged to the military budget and handed over to the general revenues ?

Chairman.—If you commercialise the army accounts, you will no doubt be able to do so, but commercialising in this sense would not be a very easy thing.

Sir Frederic Gauntlett.—It has taken us three years to commercialise the post and telegraph accounts.

Para. 20.

91. *Dr. Lohokare.*—What is the percentage of depreciation ?

Mr. Badenoch.—It varies according to the assumed life of each asset, some of the apparatus lasts for 75 years and some only for ten years.

92. *Chairman.*—What is the difference between a sinking fund method and depreciation method ?

Mr. Badenoch.—Straight line depreciation is taking the value of your asset, say it is Rs. 100, and taking the number of years that that asset is supposed to be useful for effective work, say it is ten years, we divide the hundred rupees by ten, and that is the straight line method. But when you take the sinking fund method, you introduce the interest. If you put Rs. 10 into this fund in the first year, interest will accumulate on it. In the second year you pay another Rs. 10 into the fund, and interest accumulates on that. But the result is if you put all these amounts into a fund, at the end of the time you will have not only Rs. 100 but also the accumulated interest. The sinking fund method reduces the actual contribution.

92. *Dr. Lohokare.*—That means in the form of an annuity extending over the life of the article.

Para. 21.—Arrears of depreciation.

Mr. Badenoch.—This is a most complicated part of our system. We have taken over the assets at the depreciation value. Year by year these assets have got to be replaced. The original cost is a charge on the depreciation fund. That is to say, there should be no charge made for replacing any asset against Revenue or Capital. The position is complicated by the fact that the depreciation fund is brought into existence, but in it there is not the full amount. There is a certain amount from the 1st of April 1925 up to the date the asset is replaced. Before that we had what we call the arrears of depreciation, which are to be met from capital.

Sir F. Gauntlett.—I could give you a concrete illustration. Suppose that in 1906 something was bought worth a thousand rupees and its life was estimated to be 20 years. In 1926 that has to be replaced. Its depreciated value—if it was done on the straight line method—is by now Rs. 50. And on that, on the depreciated value you now start to constitute a depreciation fund. If you have done it on the straight line method, by 1926, you only have 50 rupees in the depreciation fund. You have to replace a thousand rupees. That thousand rupees ought to have been in the depreciation fund.

Only as it never was there the difference between Rs. 50 and the actual thousand rupees has to be found from some other source and the proper source is capital.

93. *Dr. Lohokare.*—Now, here, when the stock has been transferred to the commercial department we have been told that the whole stock has been taken at depreciation value of to-day. So that already the Rs. 50 has been taken into consideration. So the further depreciation will be at the rate of Rs. 50.

Mr. Badenoch.—The sinking fund was only started on the 1st April 1925.

94. *Dr. Lohokare.*—You have to replace the original Rs. 1,000 and not Rs. 50.

Mr. Badenoch.—That is it. But it has to come from capital until the depreciation fund is fully built up.

Sir F. Gauntlett.—Thus arrears of depreciation will be a charge on the capital until the depreciation fund is able to bear its own burden.

95. *Dr. Lohokare.*—As regards 25,—I should like to know why wireless telegraphs should not have a separate heading. The question was entered into last year a little bit and it comes up again to-day.

Sir G. P. Roy.—It is included in the departmental profit and loss and if you have to prepare profit and loss of each set of working, it means an enormous amount of work.

96. *Dr. Lohokare.*—I will just bring to the memory of the committee, that last time we had discussed this question and it was pointed out there that this is more of a complementary thing for the Telegraph Department.

Mr. N. M. Joshi.—It was used as complementary.

Dr. Lohokare.—An emergency system—and that emergency system is much more for the protection of the State than for the working of the telegraph system.

Sir G. P. Roy.—Yes.

Mr. Coburn.—I think, strictly according to theory, it should be regarded as largely non-commercial. But the difficulties in the way of separating the charges of wireless from those of the general telegraph system would be very great and it is not a large sum of money that is involved.

97. *Dr. Lohokare.*—However, to arrive at the charges of the telegraph working, at least this wireless head should have been a separate head and had a separate profit and loss account so that the public may know what is actually the responsibility of conducting and maintaining a wireless system for the country.

Chairman.—May I draw the attention of the committee to para. 68 of last year's report ? (reads).

I think that this is one of the points that we have noted for asking the Post and Telegraph representative about. We might conveniently do it now, I think.

Dr. Lohokare.—It comes up on this point.

98. *Chairman.*—Have you anything to say as to the question of charging fees to other departments for services rendered to this department ?

Sir G. P. Roy.—Well, we could but it would be very very small.

99. *Mr. N. M. Joshi.*—Why do you maintain it ?

Sir G. P. Roy.—Oh, for international work—shipping, etc.

100. *Mr. N. M. Joshi.*—Therefore, it should be separate for commercial accounts.

101. *Dr. Lohokare.*—In theory this is much more a state protection agency. It should go on the general budget. However, since it is working we have no objection to allow it to be on the budget of the telegraph but to be able to have a clear idea of the whole business we must have a different head for it.

Chairman.—I think I might put *Dr. Lohokare's* question in this way. Have you got a true commercial account—if you are including the loss on the working of the radio in the working of the Post Office ? Is this not a case where there is a large sum for revenue for which you have not got a credit ?

Mr. Coburn.—This question has been considered by the Department of Industries and Labour and their views have been sent in to the Finance Department.

Sir G. P. Roy.—The services in question are of the following kind :—

Meteorological messages, time signals, navigation warnings, epidemiological messages and listening to and handling distress calls from ships at sea. Of these messages, (1) and (4) are all broadcasted to any ship or station that can receive them. Meteorological messages as handed in by the Director General of Observatories are sent out twice daily or more often in stormy weather from five coast stations. Originally the services were carried out free of charge but since 1920 the meteorological department has paid for them at the rates applicable to ordinary radio telegrams. The replies given by the Director General of Posts and Telegraphs stand in need of correction on these points. These messages constitute the bulk of the services under consideration. The remaining class of messages are not at present charged for, as to do so would not be in accordance with international usage. Moreover, the amounts that would be recoverable in respect of such messages if charged for at the usual rates would be relatively insignificant and would have no appreciable effect on the profit and loss of running these wireless stations. In the circumstances no change in the existing practice is contemplated.

102. *Dr. Lohokare.*—That means that the argument that the service is for the general protection of the state stands and therefore it is a charge on the general revenue and not on the utility services.

103. *Mr. N. M. Joshi.*—Can you tell us roughly how much of the expenditure can be considered to be commercial or public utility and how much for the state generally ?

Mr. Coburn.—Well, the wireless service between Madras and Rangoon is probably largely commercial but the other stations are not much use for commercial purposes.

104. *Dr. Datta.*—What is the capital expenditure involved in this ? Was the capital expenditure charged to post office revenues ?

Mr. Coburn.—It is treated as part of the capital expenditure of the Post and Telegraph Department.

Dr. Datta.—I was thinking of the argument that was used by Sir G. P. Roy that the takings were so small. The question of capital would also arise.

Chairman.—The argument of Sir G. P. Roy is that the charge you could make under the international rules is so small that it would be insignificant on the budget. But it may be that the loss compared with the interest that you have to pay is considerable.

Sir F. Gauntlett.—I suggest, Sir, that Dr. Lohokare's point is perfectly correct in principle and if an attempt could be made to arrive at the approximate loss on the working of the wireless, it might be regarded as a legitimate charge on revenues.

Chairman.—Yes, but on what head? That is a difficulty. It does seem to me there is a possibility we want to explore here, whether in arriving at our profit and loss account of the Posts and Telegraphs we are not under-charging general revenues and over-charging the posts and telegraphs department.

105. *Mr. N. M. Joshi.*—What is the revenue?

Mr. Badenoch.—I cannot tell you offhand. The loss is 7 to 8 lakhs I think. I have worked it out in a kutchra sort of fashion. I cannot remember actually the separate capital invested. The loss is from 7 to 8 lakhs and of that some part is legitimately looked upon as part of the loss on the working of the telegraphs. I don't know that that part which is a commercial part does not actually pay its way—I mean the Madras-Rangoon service.

Chairman.—Your *prima facie* view would be that the whole of that loss is a loss incurred by the telegraphs on account of their general services to the country rather than on account of their commercial service.

106. *Mr. Joshi.*—What is the revenue?

Mr. Badenoch.—It is not shown separately. It is all telegraph revenue.

Chairman.—The Committee would like to have this question further investigated.

107. *Mr. Lohokare.*—I think the Committee would also desire to have a separate head for the profit and loss account for the wireless system.

Mr. Badenoch.—I did suggest a separate profit and loss account. The late Director General decided against it. I said that I thought that in view of the possible demand that might be made for a separate exhibition of the radio telegraph it might be desirable to have an account showing the expenditure separately as far as possible and actually there would not be much difficulty in keeping a separate profit and loss account.

Chairman.—It is certainly desirable, if it is not seriously difficult or expensive.

Sir G. P. Roy.—They do not keep a separate profit and loss account in any other country.

Mr. Lohokare.—That is because it is more of a commercial nature.

Sir G. P. Roy.—Not because it is of a commercial nature. They also lose.

Mr. Joshi.—Listening in has increased.

Mr. Coburn.—One difficulty is to find out how much revenue to credit to wireless because most of the messages pass over land lines.

Chairman.—We do not want to press for a complete profit and loss account if it is really going to involve serious difficulty and if we can arrive in the absence of such a profit and loss account at a fairly close figure for the cost to the Post and Telegraph Deptt. for rendering services to Government, for which they do not at present get credit.

Sir F. Gauntlett.—The Committee might ask for a definite report on these lines next year.

Chairman.—Obviously it is a thing which cannot be done in the next fortnight.

108. *Mr. Lohokare.*—If there is no serious difficulty we may ask them to put a separate head for profit and loss account.

109. *Mr. Joshi.*—We may say that it seems *prima facie* desirable that there should be a separate profit and loss account and we therefore request that a report should be made on this question for the next year's committee.

110. *Chairman.*—We can express a preference. We might say that we should like the question of a separate profit and loss account investigated and we should in particular like the department to consider and come to conclusions on the question of raising a proper charge against general revenues for services rendered for which it does not get credit.

111. *Mr. Lohokare.*—With reference to para. 26, has any estimate of this service been arrived at ?

Mr. Badenoch.—We have taken extra credits in the case of cash certificates.

Mr. Lohokare.—I mean the services rendered to the other departments.

Mr. Badenoch.—It has been considered in detail and in every case where a charge can be made it is being made.

Chairman.—It has been suggested from time to time that the Telegraph Department does not get credit for telegrams sent on behalf of the post office.

Mr. Badenoch.—That is under investigation.

Mr. Coburn.—It is referred to in para. 26 of the Memorandum.

112. *Col. Crawford.*—What about railways ? Has any conclusion been arrived at regarding railway telegraphs.

Mr. Badenoch.—First of all I am preparing the case for rent of wires. Since the agreements with railways were made the working expenses have risen very greatly and I am preparing a revision of rents on the basis of the 1925-26 expenditure and the claim will be presented in due course.

113. *Chairman.*—We shall now take the Audit report into consideration. The main questions we have to consider are the points raised in the Auditor General's report. We might take up the questions he has drawn attention to as being the ones that in his opinion deserve attention.

Sir F. Gauntlett.—With regard to para. 4, I should like to make a general comment and that is that I am impressed more and more every year by the increasing thoroughness with which embezzlements are being perpetrated. More acumen is being brought to bear both by officials and non-officials and every year it become more and more difficult to check them and more and more difficult to circumvent them. I am convinced that

administration will have to be made much more efficient if we are to check this. (Turning to Sir G. P. Roy.) This is not against you personally or against the department personally. It is a perfectly general comment on the work all over India. In every report I get I find that embezzlements are becoming more clever, being worked out more thoroughly and more and more trouble has to be taken by the officials to circumvent them.

114. *Chairman*.—You are speaking of frauds, not of audit irregularities.

Sir F. Gauntlett.—Not of audit irregularities. The number of frauds and embezzlements are increasing every year.

115. *Chairman*.—What you say you apply generally, I understand, to every department of Government.

Sir F. Gauntlett.—I don't say it happens in the post office more than anywhere else. When I went down to Bengal there were serious frauds in connection with the commutations of pensions which came into existence two years ago. People saw the loophole. We caught the third case. That is a type of thing which would not have occurred some years ago. It would not have been worked out so thoroughly.

116. *Chairman*.—Do you mean to put this down to the improved education of the people ?

Sir F. Gauntlett.—Improved mental education, deterioration of moral education and increasing pressure of prices.

117. *Chairman*.—With this general comment, we had better turn to the particular point under discussion. Have you got anything to say (to Sir G. P. Roy) ?

Sir G. P. Roy.—Although the number of cases in the Audit Report for 1925 is larger than the corresponding number in the preceding report, there was an actual decrease in the total number of frauds, embezzlements, etc., in the department during that year. The figures are as follows. Number of cases 1923-24—683 ; number of offenders—511. 1924-25—656 number of cases and number of offenders 469. There was a slight increase in the total sum involved in these cases but this is mainly attributable to a heavy item of 27,151 referred to in para. 4 of the report. The investigation of this particular item indicated a defect in procedure which is now being rectified. On the whole the implication that the number of offences of this nature in the Post and Telegraph Department is on the increase is not accepted as correct.

As regards the Auditor General's suggestion to publish throughout the department the action taken in fraud cases by means of confidential letter it may be pointed out that particulars of all such cases are at present published in the Post Master General's circulars. These circulars however circulate only within the circle concerned and in order to meet the Auditor General's views on this matter it is proposed to publish particulars of offences and the punishments inflicted in the more important cases through the medium of the general orders issued from time to time by the Director General. No names or other details calculated to identify the offender would be given as it is not considered desirable further to pillory the culprits after they have once been adequately punished.

We are doing all we can, but considering the hugeness of the Department, I do not know how we can do more.

118. *Chairman.*—*Q.*—Are there any general improvements that you can suggest, such as increase in Inspectors or of inspecting work ?

Sir G. P. Roy.—*A.*—No. I think our present system will work all right with pressure from the top.

119. *Chairman.*—*Q.*—There is a specific question, I think, which arises from some specific case, and that is the question of security. I think we can take it as a general question.

120. *Mr. N. M. Joshi.*—*Q.*—Do you think that if you increase the amount of security, it will make it difficult for people who have got no money to get jobs ?

Sir G. P. Roy.—*A.*—The question of raising the security of postal officials is still under consideration. There are serious difficulties in the way of such a step, one of which is that it would inevitably lead to a demand for higher rates of pay to cover the cost of providing enhanced security. Cases of frauds and embezzlements in the Post and Telegraph Department are on the decrease and with improvements in supervision that have been introduced it is hoped that the matter may improve still further in this respect. An actual analysis of fraud cases during 1925-26 has indicated that in 356 cases out of 485 the present security was sufficient to cover the loss. It is not thought that the general raising of the security limit would result in a considerable saving in this respect, while it would undoubtedly create administrative difficulties. The Director-General's provisional conclusions are definitely against the A. G.'s suggestion.

Mr. Coburn.—*A.*—The Department of Industries and Labour have not yet come to a decision on the question of security. These are the D. G.'s conclusions. The matter is still under consideration.

Sir G. P. Roy.—The D. G. is against any increase in security.

Mr. N. M. Joshi.—I am also against it for two reasons, because it does not give you much greater security. You get a little more amount no doubt, but on principle I am against it, because it becomes more difficult for poorer classes of people to get into Government service.

Sir F. Gaundlett.—May I suggest that very poor people ought not to be employed in Government service where they have to handle considerable sums of money.

Mr. Badenoch.—There is a departmental rule which lays down that the security should be 20 times the initial pay. The initial pay has gone up and the security has not gone up.

121. *Chairman.*—There is I think a second rule that the original security should not be increased.

Mr. Badenoch.—I am not talking about people who are already in the department, but about people who got in afterwards.

122. *Mr. N. M. Joshi.*—You ought to deal with cases of fraud in a more drastic manner than you are doing.

Sir G. P. Roy.—We do deal with cases of fraud in a drastic way, men go to prison and they are punished in similar other ways.

123. *Dr. S. K. Datta.*—*Q.*—What about insurance companies guaranteeing people :

Mr. Badenoch.—A.—There are guarantee policies, fidelity bonds.

124. *Chairman.*—We are told that the matter is under consideration. We do not want, I think, at the moment to express an opinion either for or against increase of security. Our opinion last year was that the matter should be considered. All we can do is—this Committee comes after the event—simply to note that the matter is under consideration and we shall expect a further report so far as security is concerned. Our remarks will be on record. That is so far as the question of security is concerned. I think we might next take up the question of inspection. That is referred to at the top of page 2. Have you anything more to add? Do you suggest more frequent and thorough inspections?

125. *Col. Crawford.*—In the report it is stated that officers are not prepared to go out because the travelling allowances are not sufficient. That I feel is a point that should be looked into. I have a great deal of experience of travelling. I do not think Government travelling rules are yet quite sufficient.

Mr. Badenoch.—About audit inspection, we have got an experiment now in the Bengal and Assam Circle. By having more than one group previously under one audit officer, there was only one inspection. Now, we have got three inspections in Bengal and Assam circle supervised by one officer, inspecting far more sub-offices and branch offices, which are the danger spots. They are sometimes run by one man and there is no check. Actually we find that this has been a considerable success and we have already spotted two or three cases of temporary mis-appropriations. Personally I think that if that system is carried further, it would be better.

126. *Chairman.*—Will that involve considerable expenditure?

Mr. Badenoch.—Yes, it means an extra Rs. 12,000 for the Bengal and Assam circle alone. If it is extended to the whole of India, it would certainly be Rs. 50,000 or Rs. 60,000 more.

127. *Dr. K. G. Lohokare.*—Is there any method by which the head postmaster is responsible for the inspection of other offices?

Sir G. P. Roy.—In towns if the sub-office is a long way from the head office, the head postmaster cannot leave his office and go there.

128. *Dr. S. K. Datta.*—These offences, embezzlements, etc., have not been discovered except after the lapse of months. Is not that due to lack of supervision?

Sir G. P. Roy.—No. A man goes round inspecting offices and inspects an office at A and then goes to B and C. The man at A thinks that his office has been inspected and it is time for him to do a little fraud.

129. *Rev. Dr. Macphail.—Q.*—How often do the inspections take place?

Sir G. P. Roy.—A.—There is the Accountant-General's inspection, then the Superintendent's inspection and then the Inspector's inspection.

130. *Chairman.*—Presumably not at regular intervals, but at unexpected periods.

Sir G. P. Roy.—A.—It varies in different parts. For instance, Burma is quite different to Assam and Bengal is quite different. Local conditions have to be taken into consideration.

131. *Chairman*.—If it is true that an officer, the moment he has been inspected, feels he might start a fraud at once, that means that the man does not expect inspection again for a certainty ?

Sir G. P. Roy.—Yes.

132. *Chairman*.—Is that necessary ? Can't you do surprise inspections ?

Sir G. P. Roy.—We do surprise inspections. If the Superintendent of Post Offices starts to inspect, his movements are reported to all these men.

133. *Dr. S. K. Datta*.—The rule is broken and no action is taken because it has become a custom consecrated by practice. That shows that there is something radically wrong somewhere.

Sir G. P. Roy.—We have half-yearly or quarterly inspections. During that period of course the men are left to themselves and they can do anything they like.

Mr. Badenoch.—My audit inspection staff is not sufficient to do more than about one or two sub-offices under the head offices in any particular year and in every year I try to get at all the head offices in three years. At that rate it would probably take about 30 years to get at all the sub-offices. It is only with increased inspection staff that I can do the sub-offices, by triplicating the staff.

134. *Chairman*.—With an increased inspection staff costing about half a lakh a year ?

Sir G. P. Roy.—Yes.

135. *Chairman*.—Are you satisfied that your inspection staff is sufficient ?

Sir G. P. Roy.—We are making this experiment. I was not quite satisfied. I therefore asked the A. G. to start it in Bengal and if it proves satisfactory and if it would reduce the number of frauds, I see no reason why we should not adopt the same principle all over India.

136. *Chairman*.—Col. Crawford's point has not yet been dealt with. It is suggested that the travelling rules are such that the inspectors are discouraged by the absence of gain or possibility of loss by travelling allowance from inspecting.

Sir G. P. Roy.—It is merely on account of the reduction in travelling allowance. We have taken up the matter. I myself have taken up the case and I am trying to devise a certain method by which they would not suffer any loss.

137. *Chairman*.—Is it your opinion that they do suffer loss or is it merely that as a result of reduction in travelling rates they fail to make a gain in travelling ?

Sir G. P. Roy.—In the Fundamental Rules it is stated that travelling allowance should not be regarded as a source of income. But these people must make something. Unless they make something they would not go out.

138. *Chairman*.—Surely that shows that there is a tremendous lack of supervision in the Post Office Department. If it is true that they

would not go out unless they make a gain, surely the post office is in a position to see that they do go out.

Sir G. P. Roy.—We do our very best. There is something radically wrong. They often say “how can we lose money by going on tour”.

139. *Chairman.*—Are the travelling allowances insufficient to cover the expenses ?

Sir G. P. Roy.—I think so.

Mr. Coburn.—The officer decides beforehand whether the tour will pay him or not. He will not go on certain tours if he can possibly avoid them because he would be out of pocket by going on such tours. Although they may not suffer in many cases an actual loss, their inspections and tours are drawn up with reference to evading loss under the present t. a. rules. In certain circumstances the Superintendents of Post Office will undoubtedly be out of pocket under existing t. a. rules.

140. *Chairman.*—The question of revising the t. a. rules is under consideration ?

Sir G. P. Roy.—Yes, in the Department of Industries and Labour.

141. *Chairman.*—The question is being examined, as I understand it, with a view to having a special set of rules for the Posts and Telegraphs Department ?

A.—Yes. It does not affect the other departments as much as it does affect the Posts and Telegraphs Department.

142. *Chairman.*—Have you got the same rules at present ?

A.—Yes.

143. *Chairman.*—And the proposal is to have a separate set of rules ?

A.—Yes.

Sir F. Gauntlett.—I would like to make a comment and that is that I think this Committee ought to comment on the suggestion that an officer's tour programme can be determined by himself. After all, there ought to be discipline in Government Departments and the programme of an officer ought to be determined by his superior.—I submit that if touring is essential to the fulfilment of an officer's duties, it is one of the duties of the controlling authorities to see that these tours are properly and adequately conducted.

Sir G. P. Roy.—The touring is more or less controlled by the supervising officer because the officer concerned sends his tour programme to him. For instance, the Inspector sends his tour programme to the Supdt. of Post Offices and he passes it on to the higher authorities.

144. *Chairman.*—Your answers regarding inspection have left an impression in my mind that the organisation is not what it should be, quite apart from the question of loss or gain on travelling allowances.

Sir G. P. Roy.—I think the organisation is all right. For instance, when the Inspectors go out on inspection, they send their tour programme to the Supdt. of Post Offices for approval and he approves of it.

145. *Chairman.*—Do you admit that it is probable that that tour programme is drawn up with reference to his making a gain or avoiding

a loss on travelling allowance ? And that the supervising officer does not consider the interests of the service in altering a programme ?

A.—I do not think that the supervising officer does not consider the interests of the department because the man may be going out on the inspection of some criminal case. He has to prepare a case for the department and he goes to that place and on his way he inspects two or three offices.

146. Q.—Chosen with reference to his pocket ?

147. *Mr. Joshi.*—Is there a regular system of looking into the tour programme of the officers by the superior officers and suggesting whether they should increase the tour or inspect a few more post offices and so on ?

Sir G. P. Roy.—That is done in the department. Even in my office, when the Chief Engineer wants to go out, he puts up a draft copy of his tour programme for approval.

148. *Chairman.*—And is it automatically approved ?

A.—Not always.

149. *Sardar Gulab Singh.*—Are not Inspectors required to be out on tour for 25 days in the month ?

Sir G. P. Roy.—In Assam, for instance, if you have an Inspector doing 25 days in the month during the rains, he will report sick during the rains and go away. It all depends on the different parts of the country. In Burma, for instance, no inspection can be done during the rains. It is only during the cold weather that inspection is done.

Chairman.—I am not sure whether we can really get more information on this point. I do however want to warn the witnesses that they have left rather an unfavourable impression on my mind. I do not know whether they can remove it.

Sir G. P. Roy.—I have a certain amount of sympathy with these men because the present t. a. rules do not give them sufficient remuneration for the work they do, and therefore naturally they are not so keen to go out on inspection. They try to avoid it. That feeling, I know, is there.

150. *Rev. Dr. Macphail.*—Is not their work inspection ?

Sir G. P. Roy.—They do go out on inspection, but instead of going to a place which will cost them more, they go to some other place where the travelling allowance would pay them.

151. *Chairman.*—And that is, broadly speaking, unchecked by the Department ?

Sir G. P. Roy.—To a great extent it is checked, but in certain cases we are helpless because our travelling allowance rules do not compensate them for the work they do.

152. *Dr. S. K. Datta.*—We have been talking so far about the quantity of touring, what about the quality of inspection ?

Sir G. P. Roy.—It is very good.

153. *Dr. S. K. Datta.*—In Calcutta the general belief is that in spite of the doubling of our postal rates, the efficiency of the post office is lower than it has been in the past ?

Sir G. P. Roy.—No, it has gone up.

154. *Mr. N. M. Joshi.*—In spite of the rates and everything else going up, I must say that even in Bombay we do not get the same service.

Sir G. P. Roy.—That is probably your general opinion. But as regards frauds and other things, the efficiency has gone up.

155. *Dr. Lohokare.*—Is the inspecting staff in the same cadre as the other postal employees ?

Sir G. P. Roy.—They are in a separate cadre.

156. *Dr. Lohokare.*—So they are not under the usual superior officers as the other postal employees ?

A.—Yes.

157. *Q.*—They are taken from the same class of men ?

A.—Yes.

158. *Q.*—Who does the internal audit work in the post offices ?

Mr. Badenoch.—A.—Any check inside the post office is done by the executive staff. There is no local audit; but there is local inspection.

159. *Dr. Lohokare.*—Then inspection is done by the members of the same staff ?

Mr. Badenoch.—There are two different sets of inspectors. There is one group for each audit circle and then there is very much bigger inspection.

160. *Dr. Lohokare.*—Will not the analogy of the Public Works hold good here, where the accountant is in the Engineer's office and checks everything and is independent of the usual cadre ?

Mr. Badenoch.—That is not the case in the post office. The accountant has nothing to do with me.

161. *Dr. Lohokare.*—Would that system be conducive to efficiency in account matters ?

Mr. Badenoch.—It is very expensive. It has been proposed that I should have my accountants in big post offices like Bombay, and I actually offered men as an experimental measure but they were not accepted. The P. M. G. was against the system.

Sir F. Gauntlett.—I think there is some confusion. The inspecting staff has its own separate cadre to the extent that it has its own rate of pay. Men are recruited for that purpose and they are employed on inspection. As far as the Audit office is concerned, Mr. Badenoch takes out a few men from his office and sends them out on inspection. There is no separate cadre, but I take it that Inspectors do practically nothing else but inspection.

Sir G. P. Roy.—They go out on inspection under the orders of the Supdt. of Post Offices.

162. *Sir F. Gauntlett.*—What work do they do when they are not Inspectors ?

Sir G. P. Roy.—If they are promoted, some of them get Supdt.'s job.

163. *Chairman*.—Has the Director General any reason to believe that the fact that these Inspectors are part of his staff militates against their work being efficient ?

Sir G. P. Roy.—No.

Sir F. Gauntlett.—I would only make this comment that the other system is an extraordinarily difficult system to work. The man comes under a dual control and unless there is very great care taken on both sides it is very difficult to avoid friction. I have repeatedly recommended that the idea of the Divisional Accountant remaining subordinate to the Accountant General and yet subject to the executive control of the Executive Engineer should cease because it is quite wrong in principle to have an accountant subjected to two sets of control. I have accepted the extension to Posts and Telegraphs but I would very much prefer that the Accountant should be entirely under the executive or entirely under me. The only real point is that if the Accountant is entirely under the executive, as in theory he should be, then I must inspect my Public Works Division much more frequently than I do at present. That would necessitate the employment of extra staff and it is for that reason that the suggestion has been turned down. The old system, although unsatisfactory in practice, is economical and that is why the idea of doing away with it has been given up.

164. *Dr. Lohokare*.—Is the head Postmaster the Inspector of sub-offices near by ?

Sir G. P. Roy.—Yes. For instance, the Postmaster of the Calcutta G. P. O. and the Postmaster of the Bombay G. P. O. look after the sub-offices in Calcutta and Bombay.

165. *Dr. Lohokare*.—We find the head post master has had to undertake to check these things. Such cases are frequently reported.

Mr. Badenoch.—Except in the large cities, the head post master does not go out on inspection.

Sir G. P. Roy.—We made an experiment with that system of inspection but it did not work properly.

166. *Chairman*.—There is a question of discipline at the end of para. 4 of the Auditor General's letter :—

“ I doubt if a mere censure or warning or a recovery of a portion of the loss from the officers whose habitual neglect of duty or of rules, etc., rendered frauds and misappropriations possible can be calculated to have really any deterrent effect.”

Have you anything to say on that ?

Sir G. P. Roy.—I think I have read that out, as regards the Auditor General's suggestion of publishing throughout the department the action taken, by means of confidential letters.

167. *Chairman*.—It is a question of punishment.

Sir G. P. Roy.—The punishment is regulated according to the circumstances. No fixed punishment has been given to these men. Some have to go through the police court, and the punishment they get is sufficient to prevent other people committing the same offence.

168. *Chairman.*—We will leave this, and take up the question of deterrent punishment on specific cases.

We now come to para. 4 of the Audit Report, para. 5 of the Auditor General's letter :—(The paragraph was read).

Sir G. P. Roy read a statement of what had been done, and said the irregularity had been brought to the notice of the Military Accountant General and as a result the Adjutant General had asked the authorities to issue orders to prohibit the issue of cheques. The Military Accountant General had also issued instructions to the Controller that cheques in payment for family allotment money orders at a sub post office should be made payable only to the post master within whose jurisdiction the post office is situated.

169. *Chairman.*—Does that mean that you have accepted (b) of the suggestions of the Accountant General on page 5 of the Audit Report ?

Mr. Badenoch.—Both suggestions have been accepted in toto.

170. *Dr. S. K. Datta.*—On page 5 of the Audit Report it is said that a sum of Rs. 1,275-1-10 has been adjusted by cash credits and the balance of loss has been written off to the revenues of the Indian Posts and Telegraphs Dept., whereas in other cases it has been written off against the Post Office Guarantee Fund. Why was not that done in this case ?

Mr. Badenoch.—There are some limits to the amounts which can be written off against the Guarantee Fund. I am not certain of the orders in this case.

171. *Chairman.*—You are proposing to get rid of that Guarantee Fund ?

Mr. Badenoch.—Yes ; with commercial accounts the loss should be charged against profit and loss.

Sir F. Gauntlett.—I think we might interpolate para. 9 before we go on to para. 5, as it is mentioned in para. 4 of the Audit Report.

172. *Chairman.*—Yes. “ In the course of money order audit it was noticed that a payment of Rs. 20 was not supported by a voucher and that there was no corresponding credit in the money order accounts of the office of issue ! Have you anything to say on that ?

Sir G. P. Roy.—No remarks, Sir.

Mr. Badenoch.—I think the point raised by the Auditor General is that at the bottom of the page, in the absence of the necessary documents no prosecution could be instituted.

Sir F. Gauntlett.—That is not quite my point. If you will turn to the last two lines you will see that the Assistant Post Master and the Head-clerk were ordered to pay the balance of Rs. 110-5-6 in equal shares. So he was fined Rs. 55.

Chairman.—In this case the offender was dismissed.

Mr. Badenoch.—The Assistant Post Master who was responsible got off with nothing to make good except Rs. 55. That is an illustration of the point brought to notice in paragraph 4. Not even the full amount was made good by the man whose neglect was responsible.

Sir F. Gauntlett.—Mr. Badenoch tells me that much the best of the three cases I have selected is that in para. 22. Perhaps we might concentrate on paras. 16 and 22.

173. *Chairman*.—Yes we will take 16 and 22 together. Paragraph 6 of the Auditor General's Report (Reads paragraph). What do you say on that ?

Sir G. P. Roy.—The amounts recovered from the officials have not been correctly stated in the Audit Report. The correct amounts are :—

- (1) The sub post master, who was primarily responsible for the withdrawal, Rs. 277,
- (2) The savings bank clerk of the head office, who failed to call for the specimen signature and challenge the withdrawal, Rs. 138-8-0,
- (3) The Deputy Post Master of the head office, who filled in and signed the warrant of payment and failed to challenge the withdrawal, Rs. 138-8-0, total Rs. 554.

Mr. Badenoch.—The Deputy Post Master himself completed the entries as he thought there had been an omission on the part of the sub post master, so that he almost contributed to the fraud.

174. *Chairman (to Sir G. P. Roy)*.—On the question of discipline have you anything more to say ?

Sir G. P. Roy (reading).—It will thus be seen that the entire amount of the loss, together with the interest due thereon, was ordered to be recovered from the officials to blame. The recovery ordered from each official is considered to be adequate. I should mention that the Legislative Assembly has commented on more than one occasion on the severity of punishments inflicted by the department on its officials. Heads of circles were consulted on the Accountant General's suggestion. They were opposed to it on the ground that it was impracticable and that an attempt to carry it out would throw extra work on all concerned with no corresponding return. The Accountant General was accordingly informed that the Director General had not found it possible to accept the suggestion. It was however ruled at the same time that supervising officers should be careful in selecting the men holding charge of sub post offices. The D. G. however has under consideration a scheme whereby head offices would call specially for pass books in select cases in which the balance in the accounts was considerable and the pass books had not been presented for entry of interest for long periods.

175. *Chairman*.—Your answer is that the whole amount is recovered. In this case those responsible were not guilty of fraud ; they were guilty of negligence, and you think what was done was sufficient ?

Sir G. P. Roy.—That is sufficient.

176. *Chairman*.—You would suggest a sufficient fine ?

Mr. Badenoch.—Not so much a fine as degradation. The man should not be in a position of responsibility again. That is from the point of view of the Department. It is a much greater safeguard too.

Mr. Coburn.—I have already raised the point, Sir, whether in these cases the punishment should be determined solely by the amount of the loss, as in the past.

177. *Chairman*.—Is it the rule that if the whole loss is recovered no further punishment is given ?

Sir G. P. Roy.—It depends on the circumstances of the case. If a man by accident loses the money and pays the full amount, we make an entry in his personal file to the effect that he has not been reliable but it does not interfere with his pay.

Mr. Coburn.—If a man should commit a very serious offence and by good luck only lose Rs. 10 he is fined Rs. 10. Another man may commit a much less serious offence and lose Rs. 1,000. He may be fined anything up to Rs. 1,000. That is the procedure at present obtaining in the department.

178. *Dr. Lohokare.*—To prevent these cases some greater punishment than simple recovery of the money is necessary ?

Mr. Coburn.—Yes.

179. *Chairman.*—I think the committee will agree that a serious irregularity or negligence resulting in the loss of Rs. 10 and a smaller irregularity resulting in the loss of Rs. 1,000 are not rightly punished by a fine of what amounts to making good Rs. 10 in the one case and Rs. 1,000 in the other. Is that the rule now in the Post Office ?

Sir G. P. Roy.—Well it is not exactly the rule but it is left entirely to the Post Master General.

180. *Chairman.*—It is in fact the practice ?

Mr. Badenoch.—My observation is that there is a spirit or feeling in the Post Office that if the loss is made good—except of course in a very exceptional case—we need not do very much more.

Sir F. Gauntlett.—My real comment is this, that where there is a loss due to gross negligence on the part of the supervising staff the executive authorities ought to consider whether the supervising staff has shown such intelligence as warrants their retention in that particular type of post. I quite admit that one single case would not necessarily warrant degradation, but it is a question whether such intelligence has been exhibited as is necessary for that particular post.

Sir G. P. Roy.—I think in inflicting any punishment we do look through a man's previous record.

181. *Chairman.*—I think it is a little difficult for the committee on the facts before them to decide whether adequate punishment has been given in this case ?

Sir F. Gauntlett.—I would not press this personal case, only I do desire to raise the two general points—one that merely recovering the actual amount may not always be comparable with the gravity of the offence, and the other, that where the offence is that of a controlling authority the question ought to be taken into consideration whether the officer ought to be retained in that position of responsibility.

182. *Col. Crawford.*—Surely some note is made in what is called his confidential report.

Sir G. P. Roy.—Yes.

183. *Col. Crawford.*—And if he continues to do things like that he gets either pushed out altogether or degraded. Something of the kind will happen.

Sir G. P. Roy.—Yes, that is done of course.

184. *Chairman.*—I think that all the Committee can say, is that they agree with the general principle enunciated by Sir Frederic Gauntlett that the complete recovery of the money is not necessarily an adequate punishment.

Rev. Dr. Macphail.—It may or may not be.

Chairman.—That the fact of this recovery ought not to be taken as necessarily absolving the Department from disciplinary action against an individual member.

185: *Chairman.*—We might now take para. 22 which comes next. In this case misappropriation is the result of habitual neglect of duty on the part of the accountant and lack of supervision on the part of the Divisional Engineer. I gather that final orders have not been passed in this case. The main point here is that the Divisional Engineer agrees to an understanding by which the brother of the offender should make good Rs. 700 and the prosecution should be stopped. The prosecution was in fact stopped and the gross impropriety of this action has been pointed out to the Director General whose final orders are awaited.

Sir G. P. Roy.—Here read a statement to the effect that the strictures of the A. G. in this case were generally accepted. The Divisional Engineer had been censured by the D.-G. while the accountant had been punished by the reduction of Rs. 10 a month in his time-scale for one year. The prosecution of the offender was dropped on the advice of the Deputy Commissioner who thought that owing to the complicated nature of the fraud it was by no means certain that a conviction could be secured in the law-courts. Had the Department gone on with and lost the case, it would have been put to extra expense, forced to refund the money and compelled to retain a dishonest man in Government service. The centralisation of the work of building for telephone rents and fees in the telephone accounting offices recently opened has rendered repetition of frauds of this nature unlikely.

186. *Chairman.*—Do you consider this censure the final punishment on the Divisional Engineer for his laxity of supervision as well as neglect of duty?

Sir G. P. Roy.—It is like this, Sir. The Divisional Officer in addition to his own division got an extra division from the Military. The Frontier Division was added on to him and he was really doing two men's work.

Sir F. Gauntlett.—There is only one comment I would like to make on this, and that is in an important fraud that occurred in Calcutta an accountant was brought up before the Chief Presidency Magistrate and the Chief Presidency Magistrate discharged the case because there had been such gross neglect on the part of the supervising officer. It is a long story but the fact remains—I need not go into the full details here—but the fact remains that when a case like this comes up before the courts the graver has been the laxity of supervision the more reluctant is the court to punish the offender. One notices that repeatedly.

187. *Chairman.*—It is really laxity of supervision that comes out in this case.

Col. Crawford.—You want to tighten up control.

Sir G. P. Roy.—As regards the Divisional Engineer who was there, he had in addition to his own division an extra division added on to him.

✓The Military handed over all their frontier lines to him, and one can appreciate his difficulties in having to run two divisions.

188. *Dr. Lohokare.*—With some extra remuneration for it ?

Sir G. P. Roy.—No, no.

189. *Mr. Joshi.*—If the Department gives two divisions to one man . . .

Sir G. P. Roy.—That is for the time-being only. It was when we were taking over the Frontier Division that this irregularity occurred.

190. *Chairman.*—It is not likely to occur again ?

Sir G. P. Roy.—No, no.

Chairman.—I do not think we can do very much more in this case which is one of laxity of supervision. I do not think you can press it as a case of insufficient punishment.

Sir F. Gauntlett.—I would ask the Committee to notice that the result of this has been that punishment has been awarded that was not awarded in the first place. It has been accepted to that extent.

The Committee adjourned for lunch.

Evidence taken at the fifth meeting of the Public Accounts Committee held on Wednesday, the 28th July 1925, at 3 p.m.

PRESENT.

The Hon'ble Sir BASIL BLACKETT, *Chairman.*

Mr. N. M. JOSHI,

Maulvi SYED MURTUZA SAHEB BAHADUR,

Rev. Dr. E. M. MACPHAIL,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH,

Colonel J. D. CRAWFORD,

Dr. S. K. DATTA,

Sir FREDERIC GAUNTLETT, the Auditor General,

Mr. A. C. BADENOCH, Accountant General,
Posts & Telegraphs,

Mr. M. R. COBURN, Financial Adviser,
Posts & Telegraphs,

Sir G. P. ROY, Director-General of Posts and Telegraphs.—*Witness.*

} *Members.*

} were also present.

The Committee reassembled after lunch at 3 P.M.

191. *Chairman.*—I would suggest to the Committee that we should try and go to the principles in these cases rather than spend a great deal of time on the details. Sir Gnanendra, have you any remarks to offer on paragraph 23 ?

Sir G. P. Roy.—A contingent register was maintained in the Postmaster-General's office in respect of items of charges met out of the imprest of that office (and not in respect of charges drawn in separate contingent bills prepared when the balance of the imprest in hand was insufficient). The practice referred to had been in force for a very long time and worked without any hitch, specially as the Audit Office kept a watch on the submission of the payee's receipts and as the creditors who submitted bills would not brook much delay. The Postmaster-General grew wiser by the experience of the present case and has taken steps to set matters right. In the circumstances, and as the amount misappropriated was made good by the late cashier, no disciplinary action was taken against the Postmaster-General.

192. *Dr. Lohokare.*—Who passes the bills ?

Mr. Badenoch.—The accountant usually passes the Bills and sends them to the P. M. G. In these particular cases they were drawn up on a sort of abstract bills : the audit office only check the receipts and in this case the audit office sent reminder after reminder and they were suppressed by the accountant himself and did not unfortunately reach the P. M. G. He did not know anything about it ; the reminders were suppressed by the accountant and so did not go to him at all.

193. *Dr. Lohokare.*—Was he taken to task for it ?

Mr. Badenoch.—The accountant has been dismissed.

194. *Chairman.*—The question raised by the Auditor General is whether the Postmaster-General was sufficiently dealt with ?

Sir G. P. Roy.—Considering he has been warned, we think that he has been dealt with sufficiently ; we cannot fine him like we do a subordinate in a branch.

Mr. Badenoch.—There is no doubt that the system was wrong.

195. *Chairman.*—Is that not the system adopted in other offices ?

Mr. Badenoch.—No : these items ought all to have been brought on to the contingent register : there should be a separate register for the amounts disbursed on the initials of a gazetted officer who actually sees the receipts entered in the register.

196. *Chairman.*—You say that the postmaster in question was warned ?

A.—The Postmaster-General—yes.

197. *Q.*—Does that count as disciplinary action ?

Sir G. P. Roy.—*A.*—If he has been warned it is quite enough.

198. *Chairman.*—Para. 26 : The Auditor General says " I endorse the views expressed by the Accountant General that it is undesirable to have an extra departmental agent on a small monthly allowance in charge of a branch office which lies in a fairly big mercantile centre and does a good deal of work in value payable articles."

Sir G. P. Roy.—In this case the suspicions of the Postmaster of the head office concerned were aroused by the inordinate delays in the disposal of V. P. P. articles. The Inspector of the Post Offices was therefore instructed to keep a watch on the branch postmaster and ultimately as a result of a surprise visit discovered the irregularity.

The D. G. has accepted and acted upon the A. G. P. & T.'s suggestion in this case.

199. *Mr. N. M. Joshi.*—How big was the town or place ?

Mr. Badenoch.—I have an impression that it was a moderately large place in the Madras Presidency.

200. *Chairman.*—At any rate the position is that the suggestion has been accepted ?

A.—Yes.

201. *Dr. Lohokare.*—Adverting to para. 24, has any disciplinary action been taken against the Superintendent ?

Sir G. P. Roy.—The question of responsibility of the Superintendent of the post offices was considered and he was found not to be at fault. The office was visited on the 8th February 1924, by the best overseer, who removed all the surplus cash, leaving a balance of Rs. 48-7-9, against the authorised maximum balance of Rs. 50. From the 9th to the 18th February, 1924, the sub-postmaster was making a daily remittance up to the authorised maximum of Rs. 1,000 to the Promie Head Office. The excess cash balance memorandum of the office dated the 9th February, 1924, came before the Superintendent about the 18th on which date he also received a telegram from the Postmaster, Promie, intimating the retention of excess cash balance by the sub-postmaster. The Superintendent directed another overseer to remove the surplus cash ; but before this could be effected the sub-postmaster absconded on the 19th February, 1924. The Inspector's report that the sub-postmaster was a gambler was received by the Superintendent on the 17th February, 1924. Before the Superintendent could arrange for his relief, the sub-postmaster had absconded.

2. The Inspector of Post Offices, Promie sub-division, was charge-sheeted for neglect of duty. The sub-postmaster, Okpo, kept Rs. 365-5-0 out of account, incorrectly, and subsequently misappropriated the amount which forms part of the total sum-embezzled. The mail overseer, Promie, sent a wire on the subject to the Superintendent of post offices and the Superintendent directed the Inspector to proceed to Okpo and Promie to adjust the matter. The Inspector instead of going to the spot gave instructions to the sub-postmaster, Okpo, to correct his accounts, and went on tour. The Postmaster-General held that the Inspector should not have left on tour without having had the accounts properly adjusted and that he neglected his duties. The Inspector had a good record and had skilfully recovered Rs. 589, being the value of the bogus t. m. o. issued by the sub-postmaster, Okpo, on the day on which he absconded. The Postmaster-General therefore decided to recover Rs. 24 from the Inspector, and the Director General saw no necessity for interfering with the order.

202. *Chairman.*—So far as the future is concerned, have any steps been taken on the suggestion of the Accountant General to take precautions when there are large temporary increases in the collections ?

Sir G. P. Roy.—That has been done.

203. *Chairman.*—Para. 34 is mentioned by the Auditor General as a case for need of revision of the leave rules.

Mr. Coburn.—I believe the Auditor General himself has put forward a scheme for improving matters in this respect.

Sir Frederic Gauntlett.—My point is that the leave rules for the clerical services at present are far too lavish. I have put forward that view repeatedly and I understood that the Home Department has been considering for some time this question of the modification of leave rules for the clerical services. I imagine the whole thing will drop on account of the delegation rules except in so far as the central services are concerned.

Mr. Badenoch.—There is an actual gap in the rules here that you have a man coming in with a 'fit' certificate one day and gets a 'sick' certificate the next day on which he can get eight months' extra leave.

204. *Chairman.*—Has that been put right ?

A.—I do not think so : I put right this particular case by treating it as continuous leave.

205. *Chairman.*—I think we might draw attention to this as a gap in the rules that requires mending.

Sir Frederic Gauntlett.—The trouble is that while the Secretary of State has power to deal with individual cases he can only do so to the benefit of the officer and not to his detriment.

206. *Chairman.*—The rule should be amended ?

Sir Frederic Gauntlett.—Quite so.

207. *Dr. Lohokare.*—In para. 33 it is said "The Director General of Posts and Telegraphs has been requested to take disciplinary action against the officers who failed to send timely intimation and his orders are awaited." What action has been taken ?

Sir G. P. Roy.—This case refers to the work of erecting a telephone line from Bandel to Dock Jn. for E. I. Ry. Both the Divisional Engineers as well as the Director, Telegraph Engineering, Eastern circle, failed to report the completion of the work to the Railway. The writing off of loss of revenue on this account was sanctioned by Government and their opinion that the officers concerned were deserving of censure, was communicated to those officers. No other disciplinary action was taken.

To avoid the possibility of similar occurrence, orders have been issued that, in future, both the executive and the administrative officers will be liable for the recoupment of any loss which this department may sustain owing to a failure on their part to report completion of work to Railway and Canal authorities. Moreover a system of issuing advice notes on completion of each Railway and Canal work to the Railway and Canal authorities concerned and obtaining their acknowledgment of the same is being introduced.

208. *Chairman.*—Do you think that censure was sufficient punishment ?

Sir G. P. Roy.—Yes ; you cannot recover money ; it was a sort of oversight more than anything else.

209. *Dr. Lohokare.*—You cannot recover the loss ?

A.—No : You can recover the loss but it would hardly be fair.

210. *Q.*—Because they are officers, is that it ?

A.—No ; we do not recover losses from even menials ; we warn them if it is due to an accident.

211. *Chairman*.—In this case you regard this as an accident ?

A.—Yes ; it was an accident.

Sir Frederic Gountlett.—May I make one comment again on para-34—that is the general question of the leave rules. Might we ascertain from the Home Department what has been done about that, because it is still of great importance for the central services ?

212. *Chairman*.—Yes ; the leave rules are very costly.

With regard to para. 38—Keeping out of account of money paid to a contractor—, what have you got to say on that ?

Sir G. P. Roy.—After completing more than half of the work in question the contractor applied for an advance of Rs. 400 on the 31st December 1924, which was sanctioned by the Superintendent and paid to the contractor on the 2nd January 1925. The payment was, however, not immediately brought into the accounts of the post office and the stamped receipt of the contractor for Rs. 400 was placed as a voucher in the office cash.

The payment of the contractor's full bill for Rs. 908-8-0 was actually made on the 16th January 1925 and the receipt for Rs. 400 was removed from the record.

The Superintendent when called upon for an explanation explained that the application for the advance was made when his office was closed on account of Xmas holidays and the Superintendent sanctioned the advance without looking up the rules on the subject.

The Post Master General was satisfied that the action of the Superintendent was *bona fide*, and that there was no attempt either on the part of the Superintendent or on the part of the Post Master to suppress facts. But he warned the officials concerned. In the circumstances, no further action in the matter is considered necessary.

213. *Sir F. Gauntlett*.—You say that the advance was given during X'mas holidays. When was the final Bill submitted ?

Sir G. P. Roy.—On the 16th of January.

214. *Mr. N. M. Joshi*.—Was the Superintendent authorised to give an advance ?

Sir G. P. Roy.—No, but the contractor would have stopped the work.

215. *Chairman*.—His contract was to receive money at the end.

Sir G. P. Roy.—Sometimes they get part payment.

216. *Chairman*.—That was not the contract in this case.

Sir G. P. Roy.—I am not sure what the terms were.

Mr. Badenoch.—I am afraid the contracts are very vague. We have just put into operation proper contract forms. I doubt very much whether there were any proper contract forms at all. I do not think it can be said that there was any obligation to pay these contractors any part payment.

217. *Mr. N. M. Joshi*.—Is the giving of an advance the usual thing ?

Sir Frederic Gauntlett.—My point is that the leave rules for the clerical services at present are far too lavish. I have put forward that view repeatedly and I understood that the Home Department has been considering for some time this question of the modification of leave rules for the clerical services. I imagine the whole thing will drop on account of the delegation rules except in so far as the central services are concerned.

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Mr. Badenoch.—It used to be done until we discovered the mistake, and I think it was on a previous order it was brought to notice and action was taken to stop it.

218. *Mr. N. M. Joshi.*—This Superintendent must have known that there was no such practice ?

Mr. Badenoch.—It was during X'mas holidays, and he did not look up the rules.

219. *Chairman.*—*Prima facie*, it looks as if he got off rather lightly ?

Sir G. P. Roy.—He was more or less innocent.

Mr. N. M. Joshi.—Nobody says he had any bad motive. Even his admission that he did not look up the rules before paying Rs. 400 is itself sufficient.

Sir Frederic Gauntlett.—This is another instance of the general laxity with regard to contracts.

Mr. Badenoch.—In connection with the carrying out of repairs to post and telegraph offices, the question has been under consideration and I have proposed definite contract forms to be adopted for all these works.

Sir G. P. Roy.—The D. G. concurs with the Auditor General that the action was inadequate. As, however, the incident took place in November 1922, he is not prepared to re-open the question of punishment. As the result of this and similar cases, clear orders were issued in Part II of D. G.'s circular No. II compelling employes of the department on transfer to produce a receipt in support of claims for the transportation of their personal effects. It may be presumed that the issue of these orders has had the desired effect.

The advances referred to by the A. G. in this paragraph were all made to the contractors concerned before the 30th March 1925. There was, however, some delay in signing the completion report. The head of the circle concerned is being instructed to see that in all cases in which substantial amounts are involved, an inspecting officer shall be sent promptly on completion of the work to certify the completion report and so ensure the early adjustment of the advance.

220. *Chairman.*—But in this particular case you had already issued instructions, and they were entirely ignored.

Mr. Badenoch.—The old system was that advances were taken but they were not brought to account until the receipts were actually produced. What we are now insisting on is that any monies taken for any works payment should be brought to account at once. In previous years the money was not brought to account. My previous explanation was slightly incorrect.

Sir Frederic Gauntlett.—I commented on para. 42, because I understand that the person responsible is the head of a circle. I am not quite sure what the head of a circle is.

Sir G. P. Roy.—The Post Master General or the Director General of Telegraph Engineering.

Sir Frederic Gauntlett.—It is really a responsible authority that disregarded the instructions.

221. *Chairman.*—Has anything been done beyond bringing the matter to the notice of the head of the circle ?

Mr. Coburn.—The case is still under correspondence.

222. *Mr. N. M. Joshi.*—Shall we note here that the committee think that the officer did not mind the instructions of the D. G. and deserves punishment or some such thing ? I am anxious that something should be put on record.

Col. Crawford.—We may ask the D. G. to censure the conduct of the officer to prevent further irregularities.

Chairman.—I gather the matter is still under consideration. I don't think we can do anything more than endorse the views of the Auditor General. They are for record, and I should have thought that we might leave the case where it is.

Mr. Badenoch.—Perhaps I might explain, Sir. This was a case sent on by another Accountant General, and the officer responsible was the officer of the Local Government. It is included in this Report as it refers to post and telegraph expenditure.

Sir G. P. Roy.—May I read out this ? The steel joists, etc., in question were ordered by the Superintending Engineer without any authority from the Post and Telegraph Deptt., and it is a matter for regret that the department did not at once refuse to accept financial responsibility for these stores until it was in a position to utilise them. As, however, the initial irregularity occurred nearly seven years ago, it is now too late to repudiate liability. At the time too it was believed that the project for which the stores were ordered would be carried out without undue delay, but owing to indiscriminate retrenchment the work was postponed indefinitely. Steel joists are reported to be in good condition, and as the work is now more necessary than ever, proposals will be placed before the Standing Finance Committee for its execution during 1927-28.

223. *Chairman.*—Is it still possible for a Superintending Engineer to order materials in advance for a building which he hopes is going to be constructed ?

Sir G. P. Roy.—I think he has been very severely censured.

224. *Chairman.*—That is in this particular case. Supposing a Superintending Engineer hopes that a building is going to be constructed. Is he authorised to order out materials before sanction is given ?

Sir G. P. Roy.—No.

Mr. Coburn.—The post and telegraph department have no control over the P. W. D. and we cannot prevent Superintending Engineers acting in this way.

Sir G. P. Roy.—This gentleman has been retired last year. He expected that the work would be taken up, but he ordered out materials without any sanction.

225. *Chairman.*—Can that happen now ?

Mr. Badenoch.—It is the local department which can stop it. I don't think we can do anything in the matter.

226. *Chairman.*—All we can do is to repudiate our liability.

Mr. Badenoch.—Yes.

227. *Dr. Lohokare.*—Why was not that done ?

Mr. Badenoch.—It is regretted.

228. *Chairman.*—That does not seem to be a satisfactory state of affairs.

Sir Frederic Gauntlett.—The complication arises from the fact that the building is being constructed by a Superintending Engineer of a Local Government on behalf of and for the Posts and Telegraphs Department. They were not constructing it themselves.

229. *Chairman.*—The Local Govt. failed to control the Superintending Engineer, but none the less would not the office ordinarily refuse to accept liability in a case of that sort ?

Mr. Badenoch.—In the case of expenditure of P. W. D. passed on to us, it is audited by the local Accountant General.

230. *Chairman.*—This was ordered by the Superintending Engineer of the local Government. At some stage he must have billed the post office.

Sir G. P. Roy.—He was carrying it out.

231. *Chairman.*—The post office apparently paid the money without demur. Would not the post office ordinarily refuse liability until it got sanction ?

Sir G. P. Roy.—The alteration to the building that the Superintending Engineer proposed would have been carried out, but on account of shortage of funds the work was postponed.

232. *Chairman.*—Can the Local Government or the Superintending Engineer incur expenditure entirely without sanction from the Post Office ?

Sir G. P. Roy.—No.

Chairman.—That is what happened in this case.

233. *Mr. N. M. Joshi.*—Was it pointed out to the Superintending Engineer ?

234. *Col. Crawford.*—How does he issue an order for stores ?

Chairman.—He issues an order for stores I suppose with the approval of the Public Works Department of the Local Government.

235. *Col. Crawford.*—Is his an estimate then ?

Sir F. Gauntlett.—This is not a general indent for the stores of the year ; this is a specific indent for a specific building which he anticipates he will have to build although he has not yet had strict instructions.

236. *Col. Crawford.*—What happens if the sanction is not given ?

Sir F. Gauntlett.—The building is hung up and he can't get it through that year. He has got to make an estimate.

Sir G. P. Roy.—There was an estimate in this case.

237. *Col. Crawford.*—He gets the sanction for the expenditure this year and only then he begins to order the stores.

Chairman.—You sanction the stores sometime this year ; it is included in the budget and he is informed that it is included and it is only when he has been informed that it has been included that it is in order for him to order the stores.

Sir F. Gauntlett.—The hiatus in this case is between the provision of funds and the preparation of the estimate. The estimate was prepared but the funds were not provided.

Chairman.—He should be in a position to order the stores until the funds have been provided.

238. *Dr. Datta.*—Has this actually been paid to the Local Government ?

Chairman.—Yes, it was paid in 1920, and the building has not yet been erected.

239. *Mr. N. M. Joshi.*—Did the Post Office protest ? At least a protest was necessary. Once a Chief Engineer does a thing like this, it may be done again.

Chairman.—It is not only the Superintending Engineer who is at fault, but whoever in the Post Office accepted it.

Mr. Badenoch.—I accept them on the authority of the auditing Accountant General.

240. *Chairman.*—But does he accept this as a proper charge until he has the proper authority from the Post Office to do so ?

Mr. Badenoch.—I cannot say.

Sir F. Gauntlett.—The position would be this that in the register in which he has to provide the amount, he has to show first of all the amount of the estimate which has been sanctioned and secondly the funds provided for the sanction. The estimate in this case was present, the funds were not present. So that all he could do was to hold it under objection until he had the funds provided. But the expenditure having been incurred he would pass it at once to the Accountant General, Posts and Telegraphs for him to accept that debit in his books. If he made an objection on account of the fact that there was no appropriation of funds, I think he ought to have communicated that objection to the Accountant General, Posts and Telegraphs at the time that he passed the debit through to him.

Chairman.—It seems to me wrong that the Central Government should admit an expenditure improperly charged against it even though the Local Government may have incurred it, until it has been sanctioned.

241. *Dr. Macphail.*—Would not the proper course be to inform the Local Government ?

242. *Chairman.*—It seems to me the Local Government's Accountant General ought to have informed you that objection had been taken.

Mr. Badenoch.—Yes, he ought to have told me but he merely passed it on. Anything that comes from a Local Accountant General I accept because he is responsible for the order.

243. *Chairman.*—That is to say, he ought to have raised an objection to it on the ground of appropriation.

Mr. Badenoch.—He possibly did but he did not communicate that objection to me.

Obviously the case has been under objection because he has reported it to me.

Chairman.—I see he has had it under objection for a long time.

Sir F. Gauntlett.—In the register of objections there are separate columns for want of estimate, insufficient estimate, want of funds, insufficient funds. And I have no doubt it was recorded in this column of insufficient funds.

244. *Chairman.*—There seems to me to be a good deal wrong in this case. In June 1920 approval was accorded to the estimate. The detailed estimate was sanctioned by the Local Government in 1921. The Superintending Engineer had sent an indent in October 1919. And funds have not yet been provided.

Sir F. Gauntlett.—There seems to be no doubt whatever there was a mutual understanding between the two officers on the spot ; “ This ought to be carried out pretty quickly ; go ahead ”—and the Superintending Engineer went ahead disregarding all rules. And then, after all, when he came on to the P. and T. Department to back him up, they refused to find the funds for him and left him in the cart.

245. *Chairman.*—It is an interesting question whether this is likely to happen again.

Sir G. P. Roy.—Never. I don't think so.

246. *Chairman.*—How can you prevent it ? Have you taken any steps to make it impossible.

Sir G. P. Roy.—No. But the P. W. D. are now very particular.

Mr. Badenoch.—In one other case, Sir, “ stationery charges ”, the audit by the local Accountant General was considered to be unsatisfactory and I have taken steps in that case to have an audit of my own. The practice has been in the past that if one Accountant General's charges were passed by another, the other was responsible for the order. In the case of the P. W. D., for work done for the P. W. D. I accept them without question.

247. *Chairman.*—If the other Accountant General is holding it under objection, does he pass it on to you without letting you know that it is under objection ? Surely he ought to let you know.

Sir F. Gauntlett.—He is responsible for conducting the correspondence.

248. *Chairman.*—But before the charge is accepted by the Accountant General Posts and Telegraphs, he ought to know whether it has been held under objection by the provincial Accountant General.

Sir F. Gauntlett.—Yes, he should refuse acceptance on behalf of the department until all the conditions are satisfied.

Chairman.—It seems to me there is a failure of the channel of information in this case.

249. *Mr. N. M. Joshi.*—There must be some system by which the Accountant General of Posts and Telegraphs ought to be informed of these objections.

Sir F. Gauntlett.—Yes, but you have raised a very much bigger question than that. Can the Posts and Telegraphs Department repudiate liability when they have refused to provide funds ? If the only failure is on the part of the Posts and Telegraphs Department to provide funds, can they repudiate their liability when at the instance of the Posts and Telegraphs in official correspondence an agency, namely the Local Government, has undertaken the work for them ?

250. *Chairman*.—As far as I can see, there was no evidence in this case that there was any official authorisation to do the thing.

Sir F. Gauntlett.—There was administrative approval.

251. *Chairman*.—Administrative approval does not authorise the engineer to incur expenditure. In this case the administrative approval was of a later date. Apart from that, however, such approval does not authorise expenditure. The agency is taking the risk on its own shoulders if it incurs expenditure on administrative approval. Couldn't it be debited against the Local Government ?

Mr. Badenoch.—Well, it is not a Local Government charge.

252. *Chairman*.—An agent who has no authority to spend money without the authority of the Central government has incurred expenditure without that authority.

Sir F. Gauntlett.—I think if that position were adopted strictly, in view of the general difficulties in regard to the actual administration of the Public Works Department, the Local Governments would very soon repudiate their agency.

253. *Chairman*.—Or the Public Works Department would become more efficient.

254. *Dr. Datta*.—Suppose the agent got instructions to go ahead with the work, is it his duty to ask what right they have to do it ?

Chairman.—In this case he had not got instructions. I agree if the instruction has actually been given by someone on behalf of the Post Office to spend the money, then you could not repudiate the liability. But in this case the money has been expended without any authority from his principal.

255. *Mr. N. M. Joshi*.—I think the case should be brought to the notice of the Local Government.

Sir F. Gauntlett.—I think the position is rather more complicated than that. There has to be a sanction of the estimates and there has to be an appropriation of funds. The sanction of the estimates is entirely in the hands of the Local Government and that was eventually obtained. So far as the Local Government was concerned, it did eventually put its own house in order. It did do what it could, it has sanctioned the estimate. The appropriation of funds had to come from the Posts and Telegraphs Department and it is that which is still under objection.

256. *Chairman*.—There is no blame to the Posts and Telegraphs Department for not supplying funds. The blame is to the Superintending Engineer for undertaking to do the work before he has got money to spend.

Sir F. Gauntlett.—Yes.

257. *Chairman*.—Is it any good asking the Public Works Department about this ?

Sir G. P. Roy.—The Superintending Engineer retired about four years ago.

258. *Chairman*.—I am not so much interested in the particular Superintending Engineer as in the system. It seems to me it is possible under this system to go wrong.

Sir G. P. Roy.—Now, they are very particular. They are not going to move an inch without the sanction of their regulations.

259. *Chairman.*—Have clear instructions been given through the Public Works Department to their agents that the agents are not authorised to spend money until they have got the expenditure sanctioned ?

Sir G. P. Roy.—I think so.

260. *Chairman.*—I think we had better draw the attention of Government to the need of getting the thing right. In para. 45 there is a long list of irregularities. Have you anything to say on them ?

Sir G. P. Roy.—The attention of postmasters and Supervising officers was drawn to the irregularities in question in Director General's letter No. 154, dated the 20th February 1926.

261. *Col. Crawford.*—Is the man who had got to deal with these capable of grasping the whole situation ?

Sir G. P. Roy.—Yes.

262. *Chairman.*—I suppose he has got a code to follow but does not. What is the total amount of money lost by fraud or embezzlements and what is its proportion to the total transactions ?

Mr. Coburn.—The loss during 1923-24 was 16,000 and during this year it was 1,32,000.

Mr. Badenoch.—The money orders are 82 crores and 27 crores of savings bank deposits. The money order amounts are also very large.

Sir F. Gauntlett.—That means one in ten thousand.

263. *Chairman.*—That puts a different complexion on the whole thing.

Mr. Coburn.—There are some cases that might never be discovered.

264. *Chairman.*—You mean an individual has not received a money order and he has not made a fuss.

Sir G. P. Roy.—I don't think so. If a man has sent a five rupees money order and if he does not get an acknowledgment there is an awful row.

265. *Chairman.*—Would you suggest that the money that is lost without coming to light is any large sum ?

Mr. Badenoch.—It will tend to decrease as far as I can make out. People are taking more and more action to safeguard their own interests.

266. *Dr. Datta.*—With reference to paragraph 19, may I ask is there no system of cypher used. What check is there to prevent a man doing this sort of thing ?

Sir G. P. Roy.—Whenever a money order is received by a telegraphist, he has to call the attention of the Telegraph Master or Supervisor on duty and this supervising officer initials it. That is the only check we have.

Sir F. Gauntlett.—The signaller took a holiday and the Deputy Post Master allowed somebody to work for him. The man who is responsible for the working of the office is fined less than the man who went on a holiday.

267. *Chairman.*—It looks as if the punishment meted out to the Deputy Post Master was not deterrent.

Sir F. Gauntlett.—It might be that there was collusion with the signaller.

Chairman.—We shall have to make some comment on this.

268. *Chairman.*—Para. 48. Have you any statement to make on the excessive strength of telegraphists ?

Sir G. P. Roy.—Although the actual traffic for the year 1920-21 amounted to 93,890,369 signalling operations as against 94,305,112 during 1919-20, the sanctioned establishment of civil telegraphists was for the reason explained by the Government of India in Finance Department No. 397, dated the 20th August 1920 fixed with the approval of the Secy. of State at 8,454 civil telegraphists, on an assumed traffic of 100 million operation. During the year 1921-22, the actual number of signalling operations amounted to 100,455,194. As this increase of traffic was due to the visit of His Royal Highness the Prince of Wales, the normal traffic of the year was roughly taken as 100 million operations, which did not justify any revision of the sanctioned signalling establishment. The year 1922-23 showed that the actual traffic was 87,696,880 signalling operations. The fall in traffic was due to a general depression in trade and as an improvement was expected a revision of the signalling establishment was not considered at the time. This expectation, however, was not realised in the following year as the traffic for the year 1923-24 came down to 84,718,228 signalling operations. The actual results of traffic for the year 1923-24 and 1924-25 have already been reported to the Government of India and the proposals for a revision of the sanctioned establishment with a modification of the existing standard based on the recommendations of the Posts and Telegraphs Committee of 1924-25 are under consideration.

269. *Chairman.*—How long is it since that Committee sat ?

Sir G. P. Roy.—1924-25, last year.

270. *Chairman.*—Is there nothing to report on the consideration ?

Sir G. P. Roy.—Different figures have been worked out.

271. *Chairman.*—Q.—Have any steps been taken to secure reduction of the present surplus ?

Mr. Coburn.—The position is this. Ordinarily the number of casualties in telegraphists is 200 every year. Recruitment has been stopped as far as possible. There are certain commitments to schools where boys were under training and for the next two years we should have to take in about 80 men from schools, so that the surplus in the ordinary course will be reduced at the rate of about 120 a year. I do not think any other steps can be taken to reduce the present surplus.

272. *Chairman.*—That is the answer to the Accountant General's diffident suggestion that recruitment should be stopped ?

Sir G. P. Roy.—It has been stopped so far as possible within our commitments.

Paragraph 49.

Sir G. P. Roy.—With the appointment of a Financial Adviser to the P. and T. Department cases of this nature are not likely to recur since the
L90FinD

existing practice is for the D. G. to consult the F. A. in such cases before committing the department to any expenditure. With regard to the general question involved it may be pointed out that in a Commercial Department like the Posts and Telegraphs, expenditure in connection with research and experimental works more than repays itself in the long run, although it cannot be immediately remunerative.

273. *Chairman.*—There are two points. One is the irregularity of failing to obtain previous sanction. You say that would not now happen with the appointment of the F. A.

Sir G. P. Roy.—Yes.

274. *Chairman.*—The second question is why having incurred this expenditure no enquiry was made to ascertain its use.

Sir G. P. Roy.—We are in communication with the British Post Office. They paid the bigger sum and we only were a small partner. For the time being it is not proposed to spend any money at all on buying special apparatus for the purpose or to go to the expense of trying to carry out any experiments with this method of working. The Department will shortly have an opportunity at no cost to itself of seeing the practical application of wired wireless on the existing Bombay Poona Telephone Trunks. These 4 wires are being placed at the disposal of the India Radio Co. Ltd., who propose to instal the necessary apparatus with a view to giving themselves the full number of necessary outlets between Bombay and their receiving and sending stations at Poona and Dhond respectively. They have guaranteed to work their system without any interference with the ordinary Departmental working of these wires. If this Company is able to do what it expects the Department can then consider the desirability of gradually applying the system to any of the existing main traffic lines when with the growth of traffic it is found that the existing outlets are insufficient and would have to be added to if the Department adhered solely to the existing methods and apparatus. The money which has been spent is microscopic compared with the potential savings that might accrue to the Department in the years to come if the patent should prove of value.

Paragraph 53.

275. *Chairman.*—As regards the reduction of stores, the position seems still unsatisfactory inasmuch as the balance Rs. 1,60 lakhs is much in excess of 9 months' supply laid down by the Inchcape Committee.

Mr. Coburn.—The figures given by the Accountant General included about 21 lakhs of stores held as mobilisation reserve for the Army. Excluding those, the book balances are at the end of 1924-25, 140 lakhs, at the end of 1925-26 101 lakhs, and if our budget anticipations are realised at the end of this year there will be 74 lakhs.

276. *Chairman.*—What is the 9 months' supply? What is the figure?

Mr. Coburn.—The average issues of the last three years are 85 lakhs, and 9 months supply would be about 70 lakhs. If our anticipations are realised, then the position would be satisfactory.

277. *Chairman.*—In the Home Auditor's Report, paragraph 14, on the Secretary of State's accounts, the question of the revision of the arrangements regarding India's contribution to the cost of the Eastern Mail Service

is raised. Dr. Lohokare wanted to ask who is the sanctioning authority for the contract for the Eastern Mail Service ?

Sir G. P. Roy.—The Secretary of State.

278. *Chairman.*—Was it made in consultation with the Government of India in the Postal Department ?

Sir G. P. Roy.—Yes.

279. *Chairman.*—When was the last contract ?

Mr. Coburn.—1908 I think.

280. *Dr. Lohokare.*—When the new contract is entered into will the Government of India be consulted ?

Mr. Coburn.—Undoubtedly.

281. *Dr. Lohokare.*—And the terms of the contract will be placed before the Standing Finance Committee ?

Mr. Coburn.—I do not know that.

Chairman.—The contract is one strictly between the British Government and the Company, the Indian Government coming into the agreement to pay a certain share. The question of revision has I think been before the Standing Finance Committee.

282. *Chairman.*—With reference to paragraph 61 of last year's report, the Director General put in a memorandum giving us full explanation of the motor mail contract at Calcutta.

283. *Dr. Lohokare.*—Was any credit given for the garage rent and other things in this contract ?

Sir G. P. Roy.—Yes, only for a short time till they were able to get their own garage. Now they are running their own garage.

284. *Chairman.*—In the same connection, paragraphs 56, 57, 58 and 59 are all marked. We have already dealt with 58. 56, I think, really raises nothing new. As regards the Indo-European Telegraph Department, you trust the matter will be pressed to a speedy conclusion. Have you anything to add to that ?

Mr. Coburn.—The matter is under the consideration of the Government. I can make a short statement about that. The position as regards " the future of the Indo-European Telegraph Department is as follows :— Last year when the Government of India were considering proposals for improving the present system it was found that the information regarding the value of the assets particularly those in Persia and the terms on which they were held was most incomplete. Arrangements were therefore made for the collection of the wanting information and at the same time the Government of India asked that the general financial position of the department should be investigated by the application to the accounts of the principles of commercialisation adopted in the case of the Postal and Telegraph Department. There has been a good deal of unavoidable delay in collecting the complete information required by the Government of India ; a good deal had to be obtained in London by the Accountant General, Posts and Telegraphs, while on leave. The complete information has only recently become available and the Government of India are now

considering the whole question afresh in the light of that information with a view to submitting their recommendations on the subject to the Secretary of State. Those recommendations are certain to include proposals for improving the present system of communication with the Government of India in respect of financial matters with a view to the introduction of proper control by the Government of India in all matters of budget and expenditure.”

285. *Chairman.*—So a good deal of work has been done in the year. We turn to the Appropriation account now. There is an excess under Grant No. 11 of 14 lakhs in the voted expenditure. That excess is explained in the letter-press at the bottom of page 2. We have to recommend with suitable comments to the Assembly in all cases of excess that they should vote an excess grant. Why was the necessity for a supplementary estimate not discovered before the end of the year so that the excess might have been avoided ?

Mr. Coburn.—I am afraid at that time the information about the value of stores issues was not very up-to-date. Arrangements have now been made for the preparation of priced vouchers to accompany stores issued from the Stores Depôt and by that means we hope to have more prompt information.

286. *Chairman.*—Was the original grant 827 lakhs, or was it a revised one ?

A.—That is the original grant.

287. *Q.*—There was no supplementary grant of any sort ?

A.—No. Only 10 lakhs of supplementary grant for stores to cover this deficiency of credit.

288. *Q.*—There is no explanation but simply the fact that procedure for following the expenditure was defective ?

A.—Yes.

289. *Sir F. Gauntlett.*—*Q.*—Was there actual supplementary grant of 10 lakhs ?

Mr. Coburn.—*A.*—Yes.

290. *Sir F. Gauntlett.*—*Q.*—Should it not have been shown in the statement ?

Mr. Coburn.—*A.*—It is mentioned on page 54.

291. *Chairman.*—Are you satisfied that this sort of thing would not recur and if it had happened last year you would have been able to present a correct estimate.

Mr. Coburn.—*A.*—We are improving matters.

292. *Chairman.*—*Q.*—Can you detail the steps that you have taken to improve the method that is in force now ?

Mr. Coburn.—*A.*—I think in dealing with last year's Appropriation report copies of circular letters issued calling for monthly statements from heads of Circles were put in. For one thing, the heads of circles were instructed originally not to send in statements until they had been verified with the Audit figures. The consequence was that the statements came in so late that by the time they were received they were quite useless. Now we have issued instructions that they should send in unverified figures

and communicate the discrepancies later on. There have been some simplifications in the form so that we now get the statement of expenditure at an earlier date.

293. *Chairman.*—*Q.*—The Committee has to explain this in its report and it is also to be explained in the Assembly ?

Mr. Badenoch.—*A.*—One reason is that in the case of all works expenditure we always over-estimate the capacity to spend. It is always difficult to estimate the works expenditure very exactly because the man on the spot always tries to stick to his grant. He cannot utilise all the stores which he hopes to utilise and thus there is a deficiency of credit. There have always been these big mistakes in these credits and I am very doubtful whether you can eradicate them completely.

294. *Chairman.*—There are two questions : (1) whether you can eradicate them altogether and (2) whether you will have sufficient knowledge so as to regularise things in time instead of having to come for an excess vote.

Mr. Badenoch.—The information has got to be obtained on the 15th January and the most active part of the year is January, February and March.

295. *Chairman.*—That is one of the arguments for changing the date of the financial year ?

Mr. Badenoch.—Yes.

296. *Chairman.*—So there are two explanations. One is the usual over-estimating of the Works Department and the other is the failure in watching of the progress of expenditure which has since been remedied to a large extent.

Mr. Badenoch.—The over-estimating, too, has been remedied now.

297. *Chairman.*—I think the Committee will agree to recommend this excess vote to the House. Now, we come to paragraph 5. Here the general question of over-estimating on works is raised.

Sir G. P. Roy.—The errors of over-estimating in respect of capital works have now been largely eliminated by the issue of orders under which provision for only such works as have been duly considered and approved can be made in the estimates.

The effect of this will be seen in the budget for 1926-27 ; owing to the exclusion from the programme of all new works that had not reached the necessary stage of maturity the provision for such works during the current year is greatly reduced.

The suggestion of the Auditor General regarding the application of the principle of "regrants" to the Posts and Telegraphs Department is accepted and steps are being taken to give effect thereto.

298. *Mr. Joshi.*—What is exactly the system of "regrants" ?

Sir F. Gauntlett.—Very briefly it is this. If a department comes to the Finance Department and says "We do not require 10 lakhs", they undertake to give that 10 lakhs for that purpose added to the budget of the following year.

299. *Mr. Joshi.*—That is, so far as the Finance Department is concerned, they would raise no objection ?

Chairman.—It will automatically include in the budget of the new year the sum estimated to be under-spent in the previous year on the works in question.

300. *Dr. Lohokare.*—Will the system of re-grants not create difficulties for the next budget ?

Chairman.—No, I think not : because all that it means is that the first call for the year will be in respect of unfinished works. It is not in addition to the sum you would grant. The budget for any year is drawn up with reference to the finances available.

301. *Sardar Gulab Singh.*—Should not those departments report to the financial officers quarterly to prevent big excesses ?

Chairman.—I think they make reports to the financial officers more often than quarterly. I think they report monthly. You (to Mr. Coburn) are in touch with them even more than monthly ? Arrangements have been made by which the officers responsible do get the information within reasonable time of the total expenditure up to date. If I want the accounts up to the end of June when could you give it to me ?

Mr. Badenoch.—I could give you the accounts of the expenditure to the end of June by the 3rd of August.

303. *Chairman.*—Would that be subject to very much variation ?

Mr. Badenoch.—Not very much variation.

304. *Chairman.*—On the 3rd of August you could give something very close to the total expenditure of the Posts and Telegraphs up to the 30th June ?

Mr. Badenoch.—Yes.

305. *Chairman.*—Can you give revenue too ?

Mr. Badenoch.—Yes. In some cases the revenue accounts are passed on to the Accountant General and I have to take the average of the same months for the previous three years, but I can give you the revenue approximately up to the end of June.

Chairman.—That is better than what was possible three years ago.

Mr. Badenoch.—We have speeded up to a month.

Sir F. Gauntlett.—If monthly statistics were filed for the last three years, it would be possible to obtain an approximate figure for the month. It might vary largely of course from month to month.

306. *Dr. Lohokare.*—In regard to net receipts, page 10, can we not show the sum separately for radios ?

Mr. Badenoch.—That is being considered.

307. *Dr. Lohokare.*—Page 11, I should like to raise the question whether we are satisfied with the unified stamps now that the revenue stamps are practically a provincial concern. This unification was carried out when provincial autonomy and other things were not in existence, and now we have to give a certain portion of our sale of stamps to provincial governments.

Chairman.—This sum was fixed after very careful examination of statistics over a long period of years and after conferences between provincial Finance Members and the Finance Department.

Mr. Joshi.—It is a great convenience to the public.

Chairman.—The convenience of having the same one-anna stamps for revenue and postal purposes is worth paying something for.

308. *Col. Crawford.*—How do you work out the shares ?

Chairman.—I think that we were getting payments on the statistics of 1908 and the thing came to a head because there was an increase in the rate of duty by the Stamp Act of 1923, and all sorts of calculations were gone into and the provincial governments asked for a great deal more than they got, but there was an increase of the amount allocated as being properly put to the credit of provincial governments in respect of stamp duties. It was increased from 19 to 47. There is no doubt that they were considerably under-paid for a long period of years.

309. *Chairman.*—Page 30, paragraph 20 : do you mean you are revising the rents ?

Mr. Badenoch.—Yes, we have the figures and I will put the department in possession of the information and they will tackle the Railway Board.

310. *Dr. Lohokare.*—Does that mean the increased rent is to be put in force ?

Mr. Badenoch.—We have to prove our case to the Railway Board.

311. *Dr. Lohokare.*—We will make a note that the rate of rents has to be attended to.

Col. Crawford.—And the question of the share of the traffic.

Dr. Lohokare.—Both these points have to be attended to.

312. *Chairman.*—Page 16, paragraph 25, superannuation allowances and pensions, the comment of the Auditor General is that some provision should have been made in the budget for this.

With regard to capital outlay charged to revenue, you have already commented on the excess there ?

Sir F. Gauntlett.—Yes. I have suggested the adoption of Mr. Sims' Draconian proposal.

313. *Chairman.*—Page 18—Maintenance and repairs of buildings. The Auditor General endorses the remarks of the Accountant General on the subject of overestimating.

Sir G. P. Roy.—The lapse occurred wholly under revenue work and the revenue portion of joint work, which is mainly due to the full programme of reconstruction work not being carried out. Steps are being taken to separate the provision for pure maintenance from that relating to capital works and lapses under the latter class of expenditure should disappear now that a better system of budgetting for capital works has been introduced.

314. *Chairman.*—In fact, I suppose the revenue and capital works are under the same officers working together.

Sir G. P. Roy.—Yes, working together.

315. *Chairman.*—So that the improvements we have made ought to check that tendency ?

Sir G. P. Roy.—Yes.

316. *Chairman.*—The Auditor General remarks—

“As the number of spending officers is not more than 30, it seems reasonable to expect a greater correspondence between the estimate and expenditure.”

Were you working on individual estimates from these 30 officers ?

Sir G. P. Roy.—There are different estimates, not entirely of the same kind.

Mr. Badenoch.—There is no estimate for repairs.

Sir G. P. Roy.—Yes but then for maintenance and repairs we go without any estimate.

317. *Chairman.*—You have to take in the same connection the remarks at the bottom of page 49. You provided 29 lakhs and spent 19 lakhs only under Maintenance and Repair of Telegraph Lines. Is there any statement you have to make about over-estimating here ?

Mr. Coburn.—I think the same remarks apply to that, Sir.

Mr. Badenoch.—I think so. I think it is worse in the case of expenditure. Actually in this year as I say in A.7 it was pointed out that the increased demand was not warranted by previous experience, but the administrative authorities pointed out that unless the increased demand was met, the Telegraph lines which had been deteriorating would require an annually increasing expenditure to restore them to normal condition. Actually they got the money but did not spend it..

Mr. Coburn.—But the grant under this head is not purely for maintenance ; it includes a certain amount on account of revenue expenditure relating to capital works.

318. *Chairman.*—That is, renewals ?

Mr. Coburn.—Yes. If the line is dismantled the cost of dismantling goes to revenue. If the work is not carried out it lapses to revenue.

Mr. Badenoch.—Their complaint is that they never get enough money for maintenance, and when they get the money they do not spend it.

Mr. G. P. Roy.—Well we sometimes get the money right at the end of the financial year. That is no good to us.

319. *Chairman.*—In this case it was given at the beginning of the year.

Sir F. Gauntlett.—As I stated two days ago, I think this fault is common to all public works expenditure throughout the Governments of which I have any knowledge and the Public Accounts Committee in England only this year or last year suggested the lump sum cut system because they found the spending officers always expect to spend more than they get.

Chairman.—Of course it is a natural tendency on the part of the spending officer, because he thinks he can spend the money and if it is cut he is himself idle and he is wasting his staff.

Sir F. Gauntlett.—Yes, he says “ I have not the money to spend ”.

320. *Mr. Joshi.*—As regards this lump sum cut, suppose these officers spend the whole amount.

Chairman.—The arrangement of a lump sum cut is that you have a total expenditure of 30 lakhs which is estimated to be required for 100 different works by say 30 officers. They have estimated what they can spend during the year. You accept their estimates ; you do not alter them—the difficulty is that it does not square with the theory of appropriation—as a budgetting matter you make an estimate of 20 lakhs only the probable spending capacity and the total you provide is 20 lakhs ; but there is sanction for spending on the group of works a total of 30 lakhs.

321. *Mr. Joshi.*—Supposing these officers spend the money ?

Chairman.—It is you who are at fault for having made a false estimate of their spending capacity. It is an extraordinarily difficult thing. The estimate provides certain money to be spent in a certain way. If you make a lump sum cut you cannot complain against the officer for spending more than you have provided. It means you have to give a supplement as excess grant.

Sir F. Gauntlett.—It is only justifiable by almost universal experience.

322. *Chairman.*—At page 55 is the next note for the Director General—Explanation A.-1.

Sir F. Gauntlett.—That is only an attempt to get this new report into proper form.

323. *Chairman.*—Will the Post and Telegraphs Department follow the lead of the Central Government accounts and have a single appropriation report on the same lines ?

Sir F. Gauntlett.—Yes, next year. The audit report was prepared before this principle was accepted for Posts and Telegraphs. We shall find in numerous cases that this year we have a double system.

324. *Rev. Dr. Macphail.*—An explanation is required of paragraph A.-1 at the top of page 25.

Mr. Badenoch.—In the particular case a non-voted officer was holding the post of Financial Adviser and he was replaced by an officer whose salary was subject to vote.

Chairman.—It is one of those complications we are always coming across under the present system.

Mr. Badenoch.—In consequence there was a reduction in non-voted charges and an increase in voted charges.

325. *Chairman.*—On the same page, explanation A.-4, there is a saving of Rs. 53,000 under Travelling Allowance which you say was due to curtailed expenditure. Was that purposely curtailed or is it due to under-travelling.

Mr. Badenoch.—I think the general explanation is under-travelling. As far as I remember, there was no definite curtailment.

326. *Chairman.*—That is therefore an indication that there has been an actual failure to travel ?

Mr. Badenoch.—There has been practically almost universal saving on travelling allowances.

327. *Chairman.*—Is there any explanation ?

Mr. Badenoch.—The only explanation is the one I have given on page 17. “ It has also been suggested that the saving is due to the tendency on the part of touring officers to avoid touring because of their dissatisfaction with the reduced rates of travelling allowance.”

328. *Mr. Joshi.*—Is this tendency found only in the Postal Department or in other departments as well ?

Mr. Badenoch.—I cannot say anything about other departments.

329. *Dr. Lohokare.*—Are the Postal Department travelling rules different from those of other departments ?

Chairman.—At present they are the same. As we were told this morning, they are going to be altered.

Sir F. Gauntlett.—I have not formed the impression in going through the general appropriation accounts that this tendency is so marked in other departments.

Mr. Badenoch.—I know it is rather marked in the case of one particular Local Government, where I know there was a big saving in travelling allowances.

Sir G. P. Roy.—Of course travelling in the Posts and Telegraphs is a big item and has to be enforced.

330. *Chairman.*—Page 26—D.-1, Non-Voted. The comment of the Auditor General is—Why was no application made for formal transfer of funds to cover the excess ?

Mr. Coburn.—I am afraid there is no reply, Sir.

331. *Chairman.*—You have read the Finance Department Resolution on last year's audit report—it was communicated to you—on the necessity of getting formal sanction, of formally regularising excesses on non-voted expenditure ?

Mr. Coburn.—Yes, Sir.

332. *Chairman.*—Is there an officer in the Department now who will be in a position to notice these excesses and get them regularised ?

Mr. Coburn.—Yes, Sir. There is the D. G. and Financial Adviser.

333. *Chairman.*—Has the system been changed, so that he will know of such excess ?

Mr. Coburn.—Well by means of these monthly reports he should be kept informed.

334. *Chairman.*—With regard to item A. I. (i) at page 43, I do not think I still understand how it could be done.

Sir G. P. Roy.—The Controller of Printing, Stationery and Stamps has explained as follows : “ In the year 1924-25, when this mistake occurred, there was practically no control exercised in watching the expenditure to be debited against the Paying Departments. The mistake

occurred owing to the fact that, while the Deputy Controller, Forms, issued orders to the contractors for Printing Post and Telegraph forms, the materials used in producing such forms were supplied by the Stationery Office. The Deputy Controller, Forms, on a reference from the Accountant General, Central Revenues, ascertained the cost of materials from the Stationery Office and this was intimated to the Accountant General, Central Revenues. As the Stationery Office had already raised the debit, it thus occurred that the Deputy Controller, Forms, also raised the debit a second time in communicating the cost of the paper and binding materials, in addition to the cost of printing, to the A. G. C. R. I do not think that a similar mistake is likely to occur in future, as I am now receiving monthly statements from each Press and Department under my control showing the cost of work to be debited against each Paying Department and have issued instructions to all officers that a quarterly debit should be raised through their respective Audit officers regularly. It will therefore be seen that I am being kept in close touch with all departments and examine the debits raised against all Paying Departments not only monthly but quarterly as well. I think the measures I have taken will ensure that correct debits will be raised in each case."

Mr. Badenoch.—May I explain a little further? The mistake occurred first in the office of the Controller of Stationery, and secondly with the A. G. C. R., who did not notice that he was passing on to me a double debit. As I explained before when the expenditure was audited by another Accountant General, it was not re-audited by me—it has not been the practice in the past and it never has been. We accepted the exchange account from another Accountant General who was responsible for the audit to that extent. As a matter of fact, after these two cases, I have corresponded directly with the Controller of Stationery and I have arranged with him that his accounts will be examined by me every year, so as to safeguard the department against double debits in future.

Sir Frederic Gauntlett.—Perhaps the Committee might like to question the A. G. C. R. on the point made by Mr. Badenoch when he appears before them at a later date. It is a little difficult for the A. G. C. R. who does not know any of the details of the transactions which relate to the Posts and Telegraphs Department, to detect a double debit of that kind. I do not say that is an adequate explanation.

Mr. Badenoch.—In this case we have taken steps. The Controller of Stationery and Printing keeps a separate account of all amounts which are to be passed on to the Posts and Telegraphs Department and he has offered to place these accounts before one of my officers and they will be examined to see that actually there has been no case of this kind.

Chairman.—Of course this 7 lakhs had the effect of increasing the expenditure of 1924-25 and of decreasing the expenditure of 1925-26 in a most uncomfortable way from the point of view of the Finance Department.

335. *Chairman.*—Page 49. Explanation A-4 (a). "The attention of the Public Accounts Committee is invited to the failure of control mentioned in this explanation." Have you anything to say on that?

Sir G. P. Roy.—Regarding the excess of Rs. 60,000 under Travelling Allowance, there was a similar excess in 1923-24 and the A. G. P. T., made a similar remark in his Appropriation Report for that year. The fact that a lump adjustment of Rs. 60,000 was annually being made by the

Audit Office was not known in the Directorate. The impression was that the amount was being deducted from revenue. The real fact became first known to the Directorate in August 1925, and no provision on this account could be made in the budget estimates for 1924-25 and 1925-26. Necessary provision has, however, been made in the budget for 1926-27. The excess is therefore not a real excess, as provision for this expenditure was omitted through a misapprehension. Neither the A. G. P. T. nor the Audit Office ever suggested a provision being made in the budget to meet this lump adjustment which was not known to the Directorate.

Sir Frederic Gauntlett.—That shows the need of a financial officer and the concentration of financial control outside the audit office.

Chairman.—I think several things that have come before the Committee have pointed that way.

The Chairman thanked the witness who withdrew. The Committee adjourned till the next day.

Evidence taken at the sixth meeting of the Public Accounts Committee held on Thursday, the 29th July 1926, at 11 a.m.

PRESENT :

The Hon'ble Sir BASIL BLACKETT, *Chairman.*

Mr. N. M. JOSHI,

Maulvi Syed MURTUZA Sahib Bahadur,

Rev. Dr. E. M. MACPHAIL,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH,

Colonel J. D. CRAWFORD,

Dr. S. K. DATTA,

Sardar V. N. MUTALIK,

Members.

Sir FREDERIC GAUNTLETT, the Auditor General,

Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department,

Mr. G. KAULA, Accountant General, Central Revenues,

Mr. J. D. V. HODGE, Deputy Secretary, Home Deptt.

were also present.

Mr. G. S. BAJPAI, Deputy Secretary, Department of Education, Health and Lands,

Witnesses.

336. *Chairman.*—Before we come to the appropriation accounts of the Home Department, there were one or two questions raised yesterday and the day before which we decided to ask the Home Department about.

(1) In para. 19 of the Home Auditor's report on the Accounts of the Secretary of State, there is a sum mentioned as being spent by the Secretary of State on secret service. The question which Dr. Lohokare wanted to ask was whether the Government of India were consulted in regard to the expenditure of the sum in any way ?

Mr. Hodge.—No, Sir. It is included of course in the budget demand sent by the Secretary of State but we are not consulted, nor officially informed exactly how it is spent.

337. *Chairman.*—A certificate is furnished by the Secretary of State and that is all the information that is available either to the auditor or anybody else ?

Mr. Hodge.—Yes, Sir.

Sir G. Gauntlett.—A certificate is given to the auditor : it does not even come to India.

338. *Chairman.*—(2) Then the second question was in connection with an item in para. 29 of the same report, included in the miscellaneous advances in March 1923, with reference to an advance made without security by the Secretary of State to promote film lectures relating to India. Can you tell us anything more about that case ?

Mr. Hodge.—Well, Sir, the proposal came from the India Office. They asked us if we could put down that amount to finance a certain film lecturer in exhibiting in London and the British Isles certain travelling films relating to India. They said the India Office men had seen it and thought it excellent and suggested that the Government of India should advance £ 2,000. That was agreed to.

339. *Chairman.*—Was it supposed to be repaid ?

Mr. Hodge.—Well, afterwards the man got into financial difficulties and was not able to repay it.

340. *Mr. N. M. Joshi.*—Was it voted expenditure ?

Chairman.—Yes, it is voted expenditure, is it not ?

Sir F. Gauntlett.—It was a mere advance. Even so, it comes under one of the voted heads. Many of the advance heads are votable.

Chairman.—Without questioning the purpose of this expenditure, which would rather confuse the issue, I think we should examine the financial and accounting regularity of what happened. What happened was it appears that the Secretary of State recommended and the Government of India in the Home Department agreed that for a purpose in which you can see certain advantages, *i.e.*, interesting English people in India, an advance should be made to this gentleman. Up to that point, I think, we need not question the advance. You immediately get to the next point, namely what steps were taken to secure that the two thousand pounds advanced would be repaid ? Apparently none.

341. *Chairman.*—Was any sanction obtained other than that of the agreement of the Home Department ?

Mr. Hodge.—The Home Department and the Finance Department of course.

342. *Chairman.*—Was the Standing Finance Committee consulted ?

Mr. Hodge.—No, Sir.

343. *Chairman.*—The expectation of course, at the time it was done, was that it was an advance to be repaid shortly ?

Mr. Hodge.—Yes, Sir.

Sir F. Gauntlett.—I presume further that, even if one considers that the Secretary of State in this matter is acting as an agent of the Home

Department of the Government of India, the Government of India assume that the Secretary of State is a sufficiently responsible authority to be entrusted with the entry into the contract.

Chairman.—I think the position we have reached is that we have apparently got all the information we can get. We shall have to discuss, when we come to write the report, what we can say about it.

344. *Mr. N. M. Joshi.*—May I ask if the Finance Department here was consulted ?

Chairman.—Was the Finance Department here consulted ?

Mr. Hodge.—Yes, Sir.

Sardar Mutalik.—When the Secretary of State enters into a certain agreement to make an advance, I don't think the responsibility rests with the Finance Department.

Chairman.—The responsibility of the Finance Department is to agree or not to agree whether the sum should be advanced. I imagine what happened was that the Secretary of State probably telegraphed out recommending that this should be agreed to. The Home Department thought it was a reasonable expenditure in the circumstances and recommended to the Finance Department that they should agree and the Finance Department agreed.

345. *Sardar Mutalik.*—If the Finance Department accepted the recommendation, did they examine the whole scheme over again ?

346. *Chairman.*—The Finance Department has a way of doing more than its duty. We shall have to get this up again when writing the report.

(3) The third question that arises before we go on to the appropriation accounts is one that arose on the audit report of the Posts and Telegraphs Department,—Page 19, para. 34, grant of excessive leave. The Accountant General proposes to the Telegraph Department, draws attention there (1) to a gap in the leave rules, and (2)—I think it is the Auditor General that draws attention to the second point—to the fact that leave rules are rather liberal. The question we want to ask of the Home Department is what is being done in regard to this question of leave rules ?

Mr. Hodge.—We consulted all the Local Governments and all the Departments of the Government as regards the question of making them less liberal in regard mainly to future entrants.

347. *Chairman.*—What is the upshot of that reference ?

Mr. Hodge.—The correspondence is only just complete and has not been considered yet. But there is one rather important point and that is that the delegation rules were issued on the 1st April, and nearly all the people dealt with on this file are serving under provincial governments who from the 9th March have had power to make their own leave rules.

348. *Chairman.*—That is to say, so far as the Central Government is concerned, the question has now been narrowed down to the leave rules in the central services ?

Mr. Hodge.—Yes, Sir.

349. *Chairman.*—Is that under consideration ?

Mr. Hodge.—Well, the file is only just complete ; it will be considered now.

350. *Chairman.*—The matter is under consideration.

Now, we will take the Appropriation Accounts. We begin with grant No. 15, Account No. V, Home Department proper. Is there any general explanation of the saving right through the vote ?

Sir F. Gauntlett.—There is a general comment in the report on that.

Mr. Hodge.—I have no general explanation.

351. *Chairman.*—Is it to casual vacancies and things of that sort ? Generally speaking you managed quite wisely to underspend. It is only a question of over estimating.

Sir F. Gauntlett.—By maintaining statistics for a number of years, you can get an approximate idea of the saving which may be anticipated. At present you merely estimate for the total cost of that normal establishment.

Chairman.—These estimates are drawn up by the Finance Department in consultation with the Accountant General. The Home Department puts in its original figure. The question of over estimating is a question mainly for the Finance Department.

Sir F. Gauntlett.—I do not know what the procedure is in the Government of India but in the provinces we have been attempting to force the preparation of the original estimate on the department. It is scrutinised by the Finance Department and the Accountant General.

Chairman.—The fluctuating charges are prepared in the originating department and the standing charges are prepared in the accounts department and they are put together in the Finance Department. As a matter of fact in this particular instance the over-estimating is only to the extent of Rs. 60,000 on a total grant of Rs. 6 lakhs 11 thousand. It is not a very large proportion. I think we can probably find a better case of over estimating.

Mr. Kaula.—I think leave salaries are probably responsible in this case.

Chairman.—Leave salaries are charged on the Secy. of State or the High Commissioner's vote. There is a tendency to make provisions at the beginning of the year for full salaries without making allowances for leave and other casualties. I think probably we shall make a general recommendation in the report.

352. *Col. Crawford.*—With regard to the note at the bottom of D-3, can you give us an analysis of what that saving is ?

Mr. Hodge.—I can find out and let you know but I cannot tell you off hand.

Chairman.—You might put in a note on that.

353. *Dr. Lohokare.*—Grant No. 19-D Other expenditure. Non-voted. Supplementary estimate for Rs. 7,97,000. Was this expenditure not foreseen at the time of budgeting ? Why was such a large grant asked as a supplementary grant ?

Mr. Hodge.—I will have to find that out and let you know, Dr. Lohokare : Can the Accountant-General give us any information ?

Mr. Kaula.—I will get the information.

Chairman.—This concerns a dispute with the Bombay Government in regard to charge for police in connection with the Indian States in Bombay transferred to the Government of India from the 1st April 1925. This is a charge which was in dispute between us and the Bombay Government which has been eventually agreed. There will be a permanent charge in future, but much smaller.

354. *Chairman.*—Grant No. 37. Here is an excess vote. The Assembly will have to deal with it. Rs. 1,000 was originally voted and Rs. 3,330 was spent.

Mr. Hodge.—We got an extra allotment from the Finance Department reserve of Rs. 5,000. It is explained in the note.

Chairman.—This is an excess vote only on the theory, which we were discussing the other day. You cannot apply the reserve to a voted service without getting a fresh sanction. We should presumably go to the Assembly and recommend in this case to vote this excess and we shall point out that they are voting the same sum twice. The reason, I assume, why a supplementary vote was not granted was that at that time we were working on the theory that a sum allotted from the reserve avoided the necessity of a supplementary grant. But last year the Public Accounts Committee questioned that. After all it will be a considerable convenience on a small item which raises nothing contentious if the reserve could be applied in order to regularise the expenditure and the heavy business of going in for a supplementary vote can be avoided.

355. *Col. Crawford.*—Has not the person in charge got discretion about the use of the reserve ?

A. In theory he has. But if you have a sum under one head you cannot increase the grant voted for another head. In the absence of a final ruling by the Legislative Department that our present rule about reserve fund is the right one, we must in future come for supplementary estimates in respect of expenditure from the reserve. We must recommend this excess vote to the Assembly and it will raise the general question.

356. *Dr. Lohokare.*—Out of the grant of Rs. 5,152 sanctioned by the Finance Department, Rs. 2,647 were for arrears of municipal tax.

Rev. Dr. Macphail.—The Government of Madras and the Municipality were quarrelling for years over this item.

357. *Chairman.*—Delhi page 490. What is your purpose in mentioning the remission under Note on page 491 ?

Sir F. Gauntlett.—The point is that final remission of revenue has the same effect upon the ultimate finances of the country as expenditure.

358. *Chairman.*—Those remissions are made at the discretion of the Chief Commissioner ?

Mr. Kaula.—Yes ; he is the sanctioning authority.

Sir F. Gauntlett.—It is not put forward in any way as a criticism. It is only a piece of information. That is all.

Chairman.—I suppose any system by which a vote was required for that would not be almost impossible.

Sir F. Gauntlett.—We cannot possibly forecast all the remissions we want. Who could have forecasted the floods of 1924, which were the worst

known in the history. There are very detailed rules with regard to powers of appropriation by Heads of Local Administrations. Perhaps they might be supplied to members.

Sardar V. N. Mutalik.—In theory the discretion given to the Local Govts. is so much that even the Govt. of India does not possess it.

Chairman.—I think it is reasonable that the Assembly should not give the Govt. of India the same discretion in regard to the expenditure of say the Home Department as it gives to the Chief Commissioner of Delhi or the Chief Commissioner of N. W. F. P., in regard to expenditure in those provinces.

Sir F. Gauntlett.—After all, the annual expenditure of Delhi is only 30 lakhs, whereas the Inspector General of Police in a province may have control over Rs. 200 lakhs.

359. *Mr. Joshi.*—(Page 492). There is an excess due to payment of Rs. 10,956 on account of cost of land acquired for Imperial Bank of India, Delhi. Could not this be foreseen ?

Mr. Hodge.—As a matter of fact we asked the Finance Dept. to take up this question with the Public Accounts Committee. It really concerns them more than it does us and we have asked them to answer any questions that might be raised about it.

360. *Chairman.*—It was impossible to get a clear site without the intervention of the Chief Commissioner. This portion of money will be recovered from the Imperial Bank I suppose ?

Mr. Hodge.—It must be, Sir.

Chairman.—We had better ask that question from the Finance Dept.

361. *Chairman.*—What is the explanation of excess under Jails (page 493).

Mr. Hodge.—The explanation is given by the A. G. C. R.,

Mr. T. K. Rajagopalan.—The expenditure is really controlled by the Pay and Accounts officer, Delhi, who started functioning from February. This question has attracted our attention and we are trying to improve matters regarding exchange account adjustments. We have already reported it to the Auditor General. Next year the position will certainly improve.

362. *Chairman.*—You are watching the progress more closely and you hope that this defect will not recur.

Mr. T. K. Rajagopalan.—We are getting into touch with the executive authorities and we are getting to know their liabilities.

363. *Chairman.*—What is the reason for the very considerable saving under Police ? Is it over-estimating ?

N. M. Joshi.—Due to the demand for private police being less than estimated ?

Mr. Hodge.—Police are supplied to private persons on request. Private persons sometimes ask for the use of a certain number of police when they are having a function of any kind and recovery is taken from them.

364. *Mr. Joshi.*—Private persons have to pay ?

Mr. Hodge.—When they ask for a certain number, partly to enhance the dignity of a marriage or something else, they pay.

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Sir F. Gauntlett.—Wherever they require police more than what are enough, they pay for the extra police.

365. *Sardar V. N. Mutalik.*—Do they lend any police for protection also ?

Mr. Hodge.—Additional police may be imposed as a punitive measure. (It was explained that “ private ” was a misprint for “ punitive ”.)

366. *Chairman.*—Account No. VII.

Mr. Joshi.—There is an Auditor General’s note about the accounts of the Hardinge Medical College being audited by the audit office. It is quite desirable that this should be done because we pay the largest part of the expenditure of that College.

Mr. Rajagopalan.—It will all come as extensions of audit when the scheme of separation is taken up.

Chairman.—It is a question whether the Government of India should audit it themselves or whether they should accept outside auditors. With a grant-in-aid there are considerable advantages in having an outside audit because you get too responsible for the institution if you take over the whole audit.

Sir F. Gauntlett.—I think the note was introduced here in order to raise the question whether the Public Accounts Committee would like to have brought into the body of this report a summarised account of the transactions of the Lady Hardinge Medical College. It was one of the general points brought to notice in Mr. Kaula’s report on the form of the Appropriation Report. It was brought to notice that in England in the case of some important institutions which receive a very considerable share of support from Government, the Comptroller and Auditor General brings into his appropriation accounts a summarised account of the institution so aided. The general suggestion was made in the report that possibly such a procedure might be adapted to India. The question is really brought in here to get the opinion of the Public Accounts Committee with regard to this particular item and with reference to other institutions of a similar character. Do they desire this volume, which is now 660 pages, to be further increased by endorsing the acceptance which was given in general terms last year, that such summarised accounts should be introduced into the volume ?

Chairman.—I would suggest the Public Accounts Committee has probably got as much work as it requires at present. In this case we do not want to go into the details of the accounts, all that we want to be sure of is that our grant-in-aid is being properly spent. It seems to me it would be enough for our purpose if, when a real question arises as to the propriety of certain expenditure from the grant-in-aid it should be brought before us, but we need not follow the grant-in-aid right down.

Mr. Joshi.—What I would suggest is that when Government contributes more than three-fourths of the expenditure, some statement of accounts should be furnished. If Government pays only half or less than half, certainly there is no necessity for it because other people spend their money and are interested.

Mr. Rajagopalan.—This matter has been taken up by the new audit staff in the United Provinces. That staff examined the grants made to certain schools and found that some of the conditions of the grant had not been fulfilled. The result was that the schools were made to deposit the money in the Imperial Bank and were not allowed to draw it till all the conditions had been complied with.

367. *Chairman*.—The point arises in this form. Where the Auditor General or some one on behalf of the Auditor General is auditing the accounts of a grant-in-aid institution, do the Public Accounts Committee desire that the whole accounts of the institution should be incorporated in the Appropriation Report ?

Rev. Dr. Macphail.—I suppose that these accounts are sent to Government for their scrutiny ? That seems to safeguard what Mr. Joshi is referring to.

368. *Mr. Joshi*.—If this is a voted matter it must come to the Public Accounts Committee. It is a grant-in-aid only in name ; it is a Government institution when Government supplies nine-tenths of the money.

Chairman.—Not nine-tenths ; it is a non-Government institution which receives a grant-in-aid.

Sir F. Gauntlett.—In any case I am not auditing this. It is said here " Subsequent accounts have been audited by a private firm."

Dr. Datta.—It would be a dangerous thing to bring this into the report.

Chairman.—I should deprecate it. What we want to know from the Auditor General is that our grant-in-aid has been properly appropriated.

Mr. Joshi.—When Government contributes three-fourths of the money it is best that Government should take over the audit.

Chairman.—There is another side to that. If Government is at present supplying two-thirds of the amount required, it is possible that five years hence it will only be one-third because other sources will increase. If you take the audit over to the Government, the Government may ultimately be supplying the whole amount.

Mr. Joshi.—In this particular case the Government expenditure has trebled.

Chairman.—I think we must stick to the general principle. Do we want to have the accounts of grant-in-aid institutions brought before us in detail ?

Sardar Mutalik.—When it is a grant-in-aid I do not think it should find a place here.

Chairman.—I think we should draw a distinction between an aided and a Government institution.

Sir F. Gauntlett.—Following on that, I would suggest that the Committee should express a view somewhat as follows :—That where a grant-in-aid is an important proportion of the total resources of the institute, the audit report, by whomsoever it is prepared, should be scrutinised by the Auditor General and any important points brought to notice. If there is a point of serious irregularity in the expenditure the question arises whether the grant-in-aid should be continued.

369. *Chairman*.—Does not that raise rather a big question ?

Sir F. Gauntlett.—I am intending to raise a big question.

Chairman.—The *prima facie* duty of the Auditor General is to make sure that the grant-in-aid is properly appropriated, and from one point of view that is the limit of his functions.

Sir F. Gauntlett.—Where these institutions are under local audit, the actual application of the money is audited in the local audit depart-

ment. In this case the audit has been handed over entirely to an outside private firm. What is to be our relations to that outside private firm? What is to be the relation of the Public Accounts Committee to any audit report prepared by that firm?

Chairman.—It seems to me they have no relation.

Rev. Dr. Macphail.—It seems to me the proper thing for the body which receives a grant-in-aid is to send its report to the proper authority with which it is dealing. If it is a college, it would send it to the Education Department and it is the business of the Education Department to scrutinize that and see if anything wrong is being done with the money, but I do not see that Government has any right to interfere with the details of the expenditure.

Mr. Joshi.—We have to remember that in the Delhi Province we spend about five lakhs of rupees on education, besides this, this is a three-lakh grant. What I am talking about is that if you are spending such a large sum on one institution—out of your provincial revenue you spend 3 lakhs on this one institution—certainly you must take care that the institution is properly run.

Chairman.—Certainly that is the duty of the Department concerned,—the Education Health and Lands Department or whatever Department it may be. I think it is very dangerous to go on and say you will have the accounts—that is what it comes to—re-audited by the Auditor General of an institution which though largely a grant-in-aid institution is not a Government institution for which we are directly responsible.

Mr. Joshi.—There is danger of such an institution which mainly depends on Government support being made non-Government.

Chairman.—You are much more likely to increase the number of Government institutions.

The right object of audit is to see that the conditions of a grant are fulfilled. I think it goes beyond that it exceeds its function.

Mr. Kaula.—May I make a remark here. What is wanted is merely this, as is done in England, that in certain cases in return for the grant-in-aid the Government receives a sort of detailed account from the grantee with a view to knowing hereafter whether the grant should be continued or not. If the Public Accounts Committee receive these accounts with the appropriation reports they do not scrutinise them or express any opinion on them unless they find they should advise the House of Commons not to continue the grant.

Chairman.—I think that is bringing the Auditor-General in beyond his proper function. The Government may in important cases—I believe it does in some cases in England—require for its own convenience that when it receives the audits and reports of a particular grant-in-aid institution the Auditor General should re-examine them on its behalf. I don't think the Public Accounts Committee come in there at all.

Mr. Kaula.—Perhaps I have not expressed it clearly enough. The Comptroller and Auditor General is not required to re-examine those reports. They are merely interested in the appropriation accounts and those accounts appear in the certificate of the audit authority.

Chairman.—I cannot believe there are many cases in which the accounts of grant-in-aid institutions appear in the appropriation reports which come before the Public Accounts Committee. That would mean the accounts of all the British Universities, etc.

Mr. Kaula.—The whole number is not inserted. The practice is this,—when the estimates are passed notice is inserted in the estimates themselves whether or not it is desired to append any account to the appropriation reports. That is practically one of the conditions of the grant. A condition of a grant in the case of which the Committee or the Legislature wanted to see the account would be that the accounts should be shown in the appropriation report.

Chairman.—My own conclusion on this discussion—I put it to the Committee—would be that we should be chary of extending our functions and that for the present at any rate the inclusion of the accounts of grant-in-aid institutions in the appropriation accounts is not advisable. What we want from the Auditor General is a statement that the conditions of the grant have been fulfilled. I would not go beyond that. We will bring up this question in the draft report.

370. *Chairman.*—Any question on IX ? X ? What is the reason for the very big saving under Taxes on Income ?

Sir F. Gauntlett.—Refunds of Income-tax.

371. *Dr. Lohokare.*—Was there a scare ?

Mr. Hodge.—My Department does not deal with that.

372. *Chairman.*—We might ask the Central Board of Revenue for information on that point. Superannuation Pensions. The principle that was laid down by an earlier Public Accounts Committee, that the change of classification should not be made during the year, is generally observed—isn't it ?

Sir F. Gauntlett.—Yes, the principle is clearly understood now.

373. *Chairman.*—Grant No. 54.—The Andamans account on page 510. The Auditor General notes that the explanations under C1, C2, C3 and C5 point to defective budgeting.

Sir F. Gauntlett.—Merely that they were provided under heads under which they are not eventually brought to account.

374. *Chairman.*—Who would be ultimately responsible for that.

Mr. Kaula.—The Chief Commissioner would draw up the budget.

375. *Chairman.*—But with regard to classification ?

Sir F. Gauntlett.—C1 and C2, would be standing charges of which the initial preparation are made by the Accountant General. For standing charges, pay of officers and pay of establishments—is it not so ?

Mr. Kaula.—Yes.

Sir F. Gauntlett.—But C3 and C5 would be local officers' special pay—that is not a standing charge.

376. *Chairman.*—The Budget is prepared by the Chief Commissioner and it will be tested with regard to sanction. But the standing charges are tested by the Accountant General—would he test them with reference to classification ?

Mr. Kaula.—If he has got full particulars.

377. *Chairman.*—What I am after is what is the best means of avoiding this misclassification.

Mr. Kaula.—The Accountant General can help in preventing it and this Department does take action to detect misclassification and correct it wherever possible.

378. *Chairman.*—Our new form should lead to much less misclassification ?

Mr. Kaula.—It ought to lead to much less because the number of detailed heads is less.

Sir F. Gauntlett.—I suggest that the Chief Commissioner be told that these cases in which there has been special pay ought to be brought under the pay of officers and not under allowances.

Mr. Hodge.—We have already called his attention to that.

379. *Chairman.*—The whole question of the working of the S. S. Maharaja has been under constant consideration ?

A.—Yes.

Mr. Rajagopalan.—Mr. Campbell has, I think, approved of the forms which are to be used by the Calcutta Agency for the forest transactions.

380. *Chairman.*—The original demand for live stock was Rs. 81,000 which is here split up into these three heads : but it does look as if this Rs. 41,000 ought to have been foreseen. It is a case of insufficient estimate under that head, but there is an excess estimate under cost of producing timber.

Sir F. Gauntlett.—I think it is possible that one explanation is that this is a very highly concentrated forest so that the officer in charge could keep a very close watch over what was going on ; and when he saw that he was going to spend less on producing timber he perhaps thought he might utilise some of the surplus to buy elephants. There is only a saving of Rs. 31,000 out of a total grant of Rs. 11 lakhs which shows very careful estimating.

381. *Sardar V. N. Mutalik.*—What are these elephants required for ?

Mr. Rajagopalan.—I inspected this very forest division and I might say that if you buy an elephant you save about fifty or sixty coolies' labour. There has been great difficulty in getting coolies into the Andamans and all sorts of inducements have to be given to get coolies from various parts of India to go over there ; one lot of coolies had to be got from Burma, another from Ranchi and so on. The substitution of animal labour under A. 3 (1) probably accounts for a good deal of saving of this Rs. 92,000 under A. (1). Each cooly not only meant his daily wage but also an advance of Rs. about 200 to induce him to come out.

382. *Chairman.*—Mr. Joshi drew attention to para. 184 and inquired what action had been taken against the Treasury Officer.

Mr. Hodge.—Nothing beyond what is stated in this paragraph. The Chief Commissioner dealt with the matter.

Sir F. Gauntlett.—The difficulty in this case was that the Treasury Officer was instructed not to make the payment to his own Deputy Com-

missioner who is his immediate official superior : and his immediate official superior insisted upon making the payment: the poor treasury officer was in an extremely difficult position.

383. *Chairman.*—And they are both situated in the Andamans ?

Sir F. Gauntlett.—We are not suggesting that they should stop there in consequence.

384. *Chairman.*—As a matter of fact the Deputy Commissioner was quite correct as to what his pay was going to be ?

Mr. Hodge.—Yes; we had to sanction that later. It was not duly sanctioned: it had to be sanctioned later.

385. *Chairman.*—If he had been living in Simla he would have got it straightaway ?

A.—Yes.

386. *Chairman.*—Having regard to the circumstances one could forgive a good deal, but at the same time it is an important point that a treasury officer should be over-ruled in this way.

387. *Mr. Joshi.*—But what about the officer who is appointed to look after law and order taking the law and order into his own hands ? The officer forced the treasury officer to draw his salary simply because there was nobody to check him and he is appointed Deputy Commissioner. I want to know what the department has done to this officer who behaved like this and who is not capable of keeping law and order.

Chairman.—The unfortunate thing is that he was right about the amount really due to him the procedure was extraordinarily irregular, but I do feel that we should be rather on weak ground in talking about censure when the officer was right in the amount that was due to him.

388. *Mr. V. N. Mutalik.*—Has his attention been drawn at least ?

A.—Yes; it was drawn and he expressed his regret.

Mr. Kaula.—Sanction was required: probably it is not right to say that the amount was due to him.

Mr. Hodge.—Every other officer in his position in India had got this increased pay.

389. *Rev. Dr. Macphail.*—Can we not reaffirm the general position ?

Sir F. Gauntlett.—And utilising his own position for the purpose.

Chairman.—I think we should reaffirm that the action is highly irregular.

Mr. Kaula.—And the officer has expressed regret.

Chairman.—He got the money, though.

The witness then withdrew.

Witness.—*Mr. Bajpai.*

Chairman.—Sardar Mutalik wants to ask the witness a question about the Lady Hardinge Hospital that we have just been dealing with. I don't know if the witness will be in a position to answer. Will you put him your question ?

390. *Sardar Mutalik*.—It was brought to notice that the audit of the Lady Hardinge College is done by a private firm. What precaution do you take to see that the expenditure is properly incurred before the grant is made ?

Mr. Bajpai.—Well, as a matter of fact, our position with regard to the Lady Hardinge Medical College is exactly the same as with regard to the Women's Medical Service. We make a certain grant and then it is the business of the governing body to see that the expenditure is properly made. And with regard to the particular point which you raised just now, namely the auditing by a private firm, the suggestion was actually made by a committee which was specially appointed to go into the accounts of the Lady Hardinge College, of which one member was Sir Purshotamdas Thakurdas, and they came to the conclusion that the procedure by which the Examiner of Accounts was called upon to go through the accounts was most unsatisfactory and dilatory. He sent in certain objection statements and they were lodged with the Principal of the College. She didn't understand what was at issue and sent them up to us and so matters went on, and finally it was decided that the best thing would be to call in a chartered accountant or somebody of corresponding status to examine the accounts every year and then present a statement for the consideration of the governing body.

391. *Sardar Mutalik*.—But what precautions do you take to see that the expenditure is properly incurred ? Do you go into the accounts and see that the expenditure is properly incurred ?

Mr. Bajpai.—Well, no more than we go into the accounts of a body like the Benares Hindu University or the Muslim College.

392. *Sardar Mutalik*.—But the difference is this. In this case you give a large amount towards the expenditure of the College.

Mr. Bajpai.—We give equally large amounts to the others.

393. *Chairman*.—You secure an audit by a chartered accountant and those accounts are examined by the governing body and you look into the audits of the chartered accountants.

Mr. Bajpai.—Well, just to this extent that we have to satisfy ourselves before we go to the Assembly next session that the amount has been properly spent.

394. *Sardar Mutalik*.—Is the audit report checked by you ?

Mr. Bajpai.—Yes, we call for it every year.

395. *Chairman*.—Now, the first item is No. 5—Land Revenue, p. 249. The only point arising on this is there is a very large saving on non-voted heads, which apparently is due to exchange ?

Mr. Bajpai.—That is so.

396. *Chairman*.—Can you explain it further ?

Mr. Bajpai.—The position with regard to this is that we have no information in the department at all as to how this saving occurred. We are not responsible for land revenue in the provinces and I presume this relates to the provision which was made in regard to the salaries of officers in directly administered territories

P. 257. That is the only part of the letter press dealing with forests. There again there is a very considerable saving in expenditure compared with the voted grant.

397. *Mr. Joshi.*—I would like to ask on b (3)—an excess of Rs. 16,000 for allowances and honoraria—the excess is said to be chiefly due to larger travelling done by certain research officers,—did the Department take care that this travelling was absolutely necessary. There is an excess of Rs. 16,000.

Mr. Bajpai.—Well, of course this amount varies from year to year. For instance, the year immediately preceding there was a saving under this head because we were trying to economise as much as possible. Then of course with the gradual return of prosperity, as it were, we thought that we would restore these officers to their original discretion in the matter of touring and they did more touring as a result.

398. *Mr. N. M. Joshi.*—Here the excess is very large. From Rs. 44,000 you have gone to Rs. 61,000.

Mr. Bajpai.—That is perfectly true. Our arrangement with regard to the Forest Research Institute at Dehra Dun is that there is a maximum grant of Rs. 8,73,000 and so long as that is not exceeded we don't like to interfere with the discretion of these officers too much. The Inspector General of Forests who is our technical officer in the matter is our best judge.

Mr. N. M. Joshi.—You may not interfere with their discretion but they ought to make their budget properly.

399. *Chairman.*—Was it not last year in which we were pressed to grant a larger sum than Rs. 8,73,000 and the Finance Department agreed that you could spend up to Rs. 8,73,000 provided you did not exceed it.

Mr. Bajpai.—That has been the practice, Sir, since 1924-25.

Chairman.—The real fact of the case is that the grant is a total grant which is largely at the discretion of the research institute and provided they do not exceed it the Government know very well that from their point of view they can spend a great deal more with advantage and that is all that we have been able to give them at that date and we have left them good deal of discretion as to how it should be spent inside the whole grant.

Mr. Joshi.—I don't mean Government will have the allocation of the grant to different heads but when these officers make their budgets they should stick to it. You did not make a budget in consultation with the forest officers there ?

400. *Chairman.*—Is not this a case where the machinery for watching expenditure was defective ?

Mr. Bajpai.—Undoubtedly, and what is more we have had occasion twice in the past to call attention to the fact that the budget of the Forest Research Institute is not always as accurate in regard to the various sub-heads as it might be.

Chairman.—We might note that this machinery is defective.

401. *Sardar Mutalik.*—Have the officers taken any steps to watch the machinery ?

Mr. Bajpai.—They have given us an assurance that this will not occur again, but I cannot say what steps have actually been taken.

402. *Chairman.*—Can you explain the saving against B-5 on page 257 ?

Mr. Bajpai.—We were informed by the Accountant General, Central Revenues that this amount which was payable to the Bengal Government L90FinD

for the deputation of one of their officers to America for certain specialised study had not been paid in the year in which the charge was incurred, namely, 1923-24. We therefore went up to the Finance Department and got the necessary grant. Later on we learnt that the amount had actually been adjusted in the year 1923-24.

403. *Chairman*.—The mistake was in the Accounts Department.

Mr. Kaula.—It is explained in the notes.

Sardar Mutalik.—Are you expected to spend on the officer of the Bengal Government ?

Mr. Bajpai.—This particular officer was selected in consultation with the Secretary of State to undergo a specialised training in America. He is liable to be transferred anywhere. If his services are required outside Bengal he will come up. The original idea was to appoint him as a special instructor in the Forest Research Institute at Dehra Dun.

404. *Chairman*.—Have you any explanation of the saving of 31,000 shown on page 278 under Pay of Establishments ?

Mr. Bajpai.—It is due to the provision for leave salary, etc. The explanation is given there. We have nothing more to say. We provide a certain amount of leave salary and evidently the officer did not take the leave. The amount was left available.

Mr. Kaula.—That shows over budgetting.

Chairman.—This indicates that the budget could be more closely framed.

405. *Dr. Lohokare*.—What is the percentage of the leave salary provision ?

A.—I do not think it is calculated on a percentage basis at all. We try to ascertain from officers serving directly under us how much leave they intend to take, in order to find out the period for which we want to make provision.

406. *Chairman*.—Survey of India. There is a considerable amount of letter press on this excess vote on page 75, para. 103 and following. Have you anything to say as regards 103 ?

Mr. Bajpai.—The fact of the matter is that we have taken up this question of having the accounts properly kept and the matter is under consideration.

407. *Sardar Mutalik*.—Is there any account for the stores maps.

Mr. Bajpai.—This system of commercial accounts is a recent innovation.

408. *Sardar Mutalik*.—Apart from the commercialisation of accounts, don't you think that an account for the maps and stores is necessary ?

Mr. Bajpai.—We are taking steps to have these accounts kept. I do not think we are the only sinners in this respect.

Sir F. Gauntlett.—The real point at issue is whether the extra cost that will be incurred is worth incurring. The maps number millions. They are practically of no value. They could not be sold in the bazaar. We as accountants strongly represented the necessity of maintaining accurate store accounts. It is now for the Government of India to decide

whether the extra cost is worth incurring in this case. That is a question which is not yet finally settled.

409. *Sardar Mutalik*.—If the maps are not required, the transactions will be few ?

Sir F. Gauntlett.—The transactions are enormous. They are issued to every Local Government. The Director General of Surveys informs me that if the maps were attempted to be sold, the amount of money that could be realised would be almost negligible. Whether that is a fact or not, I cannot say.

410. *Mr. Joshi*.—Who prints these maps ?

Mr. Bajpai.—The Survey of India have a separate organisation for that.

Mr. T. K. Rajagopalan.—I had something to do with this case. I discussed the matter on behalf of the Finance Department. The position is that we require only a commercial store account. There are at present no regular stock registers and issue registers. The Survey Officer was of opinion that to keep these registers he would require almirahs worth 2 lakhs. The value of the maps would be 10 lakhs but they would be a slump in the market. It will never be a good proposition to sell the maps. Some of the maps have existed ever since the Survey of India started. They have however some strategic value. The series has to be preserved and they would have to be kept in cubicles to denote each series separately—I distinctly thought that the game was not worth the candle.

Chairman.—The position is that the matter is under consideration and we may leave it at that.

411. *Chairman*.—Para. 104.

Mr. Bajpai.—The position is clearly explained in the letter press.

412. *Chairman*.—Para. 105.

Mr. Bajpai.—It is an infringement of the treasury order and definite orders have been issued to the subordinates.

413. *Chairman*.—Para. 106.

Mr. Bajpai.—All that we have done is to call the attention of the Surveyor General to the grave irregularity and to warn him against its recurrence.

414. *Dr. Lohokare*.—What is the disciplinary action taken ?

Mr. Bajpai.—The matter was taken up on receipt of this report. The Surveyor General has not yet reported.

415.—*Chairman*.—Para. 107.

Mr. Bajpai.—It is very much of the same nature as 106. I have no special comment in this case. These are the direct result of the statutory audit. The officer used to do the same thing in previous years and now these transactions are more closely looked into because there is an independent audit staff whose business is to look into these transactions and make inquiries at leisure. All this has been brought about by the statutory audit.

Sardar Mutalik.—In any case the procedure is irregular and objectionable.

Mr. Kaula.—The audit office is so over worked that it cannot detect every case.

(The Committee adjourned for lunch till 3 P.M.)

Evidence taken at the seventh meeting of the Public Accounts' Committee held on Thursday, the 29th July at 3 p.m.

PRESENT.

The Hon'ble Sir BASIL BLACKETT, *Chairman*,

Mr. N. M. JOSHI,

Maulvi Syed MURTUZA Saheb Bahadur,

Rev. Dr. E. M. MACPHAIL,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH,

Colonel J. D. CRAWFORD,

Dr. S. K. DATTA,

Sardar V. M. MUTALIK,

Members.

Sir FREDERICK GAUNTLETT, the Auditor General,

Mr. T. K. RAJAGOPALAN, Officer on Special duty, Finance Department,

were also present.

Mr. G. KAULA, Accountant General, Central Revenues,

Mr. G. S. BAJPAI, Deputy Secretary, Department of Education, Health and Lands,

Mr. A. C. LOTHIAN, Deputy Secretary, Foreign and Political Department.

Mr. ERNEST BERTRAM HIGGS, Assistant Secretary, Foreign and Political Department,

witnesses.

Rai Sahib CHUNI LAL, Foreign and Political Department.

The Committee re-assembled at 3 P.M. Examination of Mr. Bajpai was continued.

416. *Chairman.*—We will now take Survey of India. The first point is that there is an excess at pages 300 to 303. This is a case where we have to recommend to the Assembly with such observations as we think fit an excess vote of Rs. 1,13,000. What is the general explanation of the excess vote ?

Mr. Bajpai.—In fact the explanation which we have got from the Pay and Accounts Officer in Calcutta is somewhat different from what occurs in the foot note here. So far as this item of Rs. 46,000, the entry of which I understand was duplicated both in the accounts there and in

the accounts in the headquarters at Delhi, was concerned, this explanation at page 303 stands. I have nothing to add to that. The total gross excess was due to the non-realisation of savings, and an erroneous adjustment of Rs. 42,000, which is being rectified in the accounts for 1925-26. As regards (3), the note says "larger expenditure on Survey Parties working for Provincial Governments, etc. counterbalanced by smaller expenditure on Survey Parties, General due to curtailment of field programme." The explanation which we have now got from the Pay and Accounts Officer is that this division which is made in the accounts between Survey Parties, General and survey parties working for Provincial Governments, etc. is really not a practicable division, for the simple reason that there are no special establishments maintained as it were for Central Parties and Provincial Parties and he makes out that if you were to take heads from D-2 to D-7 onwards and join them up to heads from E-2 to E-7 onwards, there would be no excess at all.

417. *Chairman.*—But the total expenditure is more by a lakh.

Mr. Rajagopalan.—Probable savings were not realised. Rs. 46,000 was the Finance Department cut. We were not able to supplement it, Sir. There is another Rs. 12,000. This lakh is made up of Rs. 46,000, Rs. 42,000 and Rs. 12,000. The Rs. 12,000 is due to less receipts than expected. Mr. Bajpai's explanation holds good as regards foot-notes on page 302. The uncovered excess could not possibly be covered under the present system of grants. As controlling officers, we have suggested the telescoping of the heads D and E.

418. *Chairman.*—What will be the advantage of telescoping these heads ?

Mr. Rajagopalan.—The present distribution is certainly artificial. There are so many parties. All the parties do odd jobs. We cannot get the details out till after the year is closed. We get consolidated distribution statements and the adjustment cannot be made till the March final accounts.

Chairman.—But the telescoping of heads D and E would not alter the fact that there has been an excess vote in this case.

Mr. Rajagopalan.—It would cover variations as between D. and E.

419. *Chairman.*—What is the reason for the excess vote ?

Mr. Rajagopalan.—Rs. 42,000 was unfortunately a double adjustment, for which we have not got full explanation, though I believe the Accountant General has got some explanation. Rs. 46,000 is due to non-realisation of probable savings which the Pay and Accounts Officer duly reported well before the close of the year and the orders of Government as you will see under the foot-note under G "Appropriated during the year under orders of Government to meet anticipated excess." It was brought to the notice of Government.

420.—*Chairman.*—Why was no supplementary estimate presented ?

Mr. Rajagopalan.—I suppose, Sir till July we did not know exactly what amount was to be recovered from Provincial Governments.

421. *Chairman.*—Do you mean to say that it is impossible in January to foresee whether there is going to be an excess ?

Mr. Rajagopalan.—It seems impossible so far as the Survey Department is concerned. Right up to 31st March they go on working. They cannot allocate what exactly is due from other parties.

422. *Sardar V. N. Mutalik.*—What is the system? You pay your servants, no matter whether they are working for Provincial Governments.

Mr. Rajagopalan.—The deductions are an important factor. We can play about with several lakhs by just operating on the deductions. If we charge Provincial Governments more, the excess will disappear.

423. *Chairman.*—It is not the failure to recover money that has caused the excess here. There is excess on the gross as well as the net.

Mr. Rajagopalan.—So it is. To that extent my explanation is inadequate I quite admit that, Sir. The gross excess really comes to Rs. 58,000.

424. *Chairman.*—The explanation of it may be that some probable savings was not realised, but the fact that that was not realised seems to have been known at an early date. Why was no supplementary estimate presented?

Mr. Rajagopalan.—I could not give you an answer.

425. *Chairman.*—Have you anything to add, Mr. Bajpai?

Mr. Bajpai.—I confess that the item of Rs. 46,000 under G has baffled me. I do not quite understand that at all. But as regards the individual items of excess which go to make up this total of 113,000 minus the Rs. 42,000, it really is the result of a double entry and no excess at all. With regard to these items the excess was actually incurred under this head E. that is to say, work for the Provincial Governments; and as my friend here pointed out, this excess was evidently brought to the notice of the Accounts Officer after the close of the year, because the allocation as between the Central Government and the Provincial Government is made by the Surveyor General after the work is finished.

Sir F. Gauntlett.—It is a curious fact that although they state that the excess is under the party working for Provincial Governments, the recoveries are less than the budget estimate.

Mr. Rajagopalan.—Survey parties are working and apparently the value of the work is debited only on its completion.

426. *Chairman.*—On page 303 there is the item F-19. For maps and instruments supplied to Survey and other Public Departments. The Surveyor General must be in a position, like other officers, to apply for a supplementary estimate if he is likely to incur an excess.

Mr. Bajpai.—That, I think, Sir, is a rather difficult thing, because, as the Pay and Accounts Officer has pointed out, there is no separate establishment as such maintained for working in provinces.

427. *Chairman.*—We cannot leave the position as you would leave it that an excess vote on the Survey of India may be a recurring thing annually.

Mr. Bajpai.—No, Sir. I submit we shall be avoiding that when, as suggested by the Pay and Accounts Officer, heads D and E are lumped together. In other words there is one provision made and there are no separate heads and the actual allocation between the Central and Provincial Governments has to be worked out under that head.

428. *Chairman.*—The Surveyor General surely knows what he is spending under survey, and staff all the time.

Mr. Rajagopalan.—I am afraid not always. These people are sometimes 10 days post away from the nearest camp and if they engage 100 coolies to carry their instruments they would do much more work than with ten coolies. It all depends on the state of the weather, crops, etc., whether they have 100 coolies or 10 coolies.

Mr. Bajpai.—If you look at E you will find that most, if not all, of the excesses have occurred under this head. In other words most of the excess is under the heads relating to works which have been done for Provincial Governments whereas most of the saving is under works done for the Central Government.

429. *Chairman.*—That does not touch the point. I am not troubled for the moment as to the uncovered excesses under E or savings under D.

Mr. Bajpai.—Is it with regard to the future or any particular year ?

430. *Chairman.*—There are three questions. (1) Why there was an excess in the expenditure this year ? (2) Why was an excess vote necessary instead of a supplementary grant ? (3) How are you going to avoid an excess vote in future ?

Mr. Bajpai.—As regards the first question, my answer is that the excess expenditure was incurred under E and that was because more work, according to the Surveyor-General, was done for the provinces than he had anticipated. If the separation between Provincial and Central were to continue in the future, undoubtedly this would be a case of budgetting on the part of the Surveyor-General and we will have to require him to be more careful in regard to his forecasts in the future. If, on the other hand, you treat the party as a unit of work and the Central Govt. and the Provincial Govts. as separate units for the purpose of allocation, then my submission is that you should make provision in a lump sum for each party and to that extent you will not be exceeding the total grant.

431. *Chairman.*—There is an excess of over a lakh on D and E combined.

Sir F. Gauntlett.—The excess is very much greater than the saving under D.

432. *Chairman.*—If the Department knew that they had to appropriate the 46,000, why did they not come up for supplementary estimate ?

Mr. Bajpai.—I presume at the time the excess was not anticipated. We as a department did not resume this 46,000.

433. *Chairman.*—There was a failure on somebody's part to approach the Finance Dept. for the steps to be taken to present a supplementary estimate which was apparently known at some date ?

Mr. Rajagopalan.—I submit, Sir, that F was a problematical quantity. Most of these F adjustments were made in March final accounts.

434. *Chairman.*—On what date did the Department of Education, Health and Lands know that there was going to be a considerable additional expenditure on these provincial Survey parties ?

Mr. Bajpai.—To tell you the honest truth we have seen it in this Audit and Appropriation report for the first time. (Laughter).

Mr. Rajagopalan.—The Pay and Accounts Officer has started functioning only very recently. This survey problem is a difficult one, but we were tackling it.

Chairman.—At present the position is that when we get up in the Assembly to explain our recommendation that there shall be an excess vote, all that we can say is that apparently no one knew anything about it until long after it had been incurred. That is not satisfactory.

Sir F. Gauntlett.—At present the gentlemen who come before us are Deputy Secretaries. The people who appear in England are held

responsible that the expenditure is kept within the budget estimate. If Mr. Bajpai were held responsible for keeping within this estimate, he would have very much more information on the subject.

Chairman.—Mr. Bajpai is speaking for his department. I do not think that it is the practice in England to have the head of the department before you, though there are advantages in it. He sometimes appears by his deputy. We need not separate Mr. Bajpai from his department. His department is the accounting department for this vote and we are trying to get information from him of the excess and so far as he is concerned he has honestly told us that he knew nothing about it until the last few weeks.

Mr. Bajpai.—I do submit frankly that we saw for the first time when this thing appeared that there had been extra expenditure on the provincial parties and savings under the other head.

435. *Chairman.*—It might perhaps help you if I put this question. In 1925-26, as we know, there was a considerable over-spending in this department but it was regularised by supplementary estimates. Why not also in 1924-25 ?

Mr. Rajagopalan.—The Pay and Accounts Officer is now sending his monthly returns which help to control expenditure. There is however a real difficulty when payment is made at the Treasuries. The parties cannot be paid by cheques. The officer-in-charge of a Survey party has got plenty of power to entertain coolies and he simply puts in a bill into the treasury. The Pay and Accounts Office does not get these bills till 45 days afterwards.

436. *Chairman.*—The existence of the Pay and Accounts Office enabled excess vote to be escaped in 1925-26 because they were able to inform the Surveyor General of the progress of expenditure and adjustments in December, so that reasonable steps could be taken.

Mr. Rajagopalan.—Yes.

Mr. Bajpai.—What I can promise on behalf of the Department is that in order to keep closer control over expenditure we might ask the Surveyor General to keep us posted with the progress of expenditure in regard to these parties from month to month.

437. *Chairman.*—Does the Pay and Accounts Office send its report only to the Surveyor General or to the Department ?

Mr. Rajagopalan.—Only to the Surveyor General.

438. *Chairman.*—Would it not be advantageous if the department also knew about these reports ?

Mr. Rajagopalan.—It might, Sir. I thought they would not like to be bothered with all the detailed work. It is the Calcutta office that receives these returns.

439. *Chairman.*—It is satisfactory to note that the Pay and Accounts Office is now in a position to warn the persons responsible of the dangers of supplementaries subject to the limits that you have laid down. Are you satisfied that the department and the Surveyor General are organised in such a way as to take action. You said the Surveyor General does not take notice of it.

Mr. Bajpai.—I think we could require him to take notice of the progress of expenditure which is reported to him from month to month. If

there is a co-ordination between the department and the Surveyor General, then it will be ensured that there is no expenditure left uncovered:

Chairman.—That is the point we want to ensure. We want to see that proper steps are taken by the Department and the Surveyor General to see that the information that we now understand to be available is taken advantage of for the purpose of avoiding this sort of thing.

440. *Sir F. Gauntlett.*—Is it pertinent to ask as to who is held ultimately responsible for keeping the expenditure under these grants—the Surveyor General or the Department ?

Mr. Bajpai.—It is the department and not the executive head of the department.

Chairman.—I don't think it makes very much difference.

Sir F. Gauntlett.—Except that it is pertinent to the consideration of the question whether your Dept. should receive monthly statements of the progress of expenditure.

Chairman.—It makes no difference whether it is the Secretary in the Education, Health and Lands Dept. or the Department by name.

Sir F. Gauntlett.—I suggest the Department ought to receive monthly statements of expenditure.

Mr. Bajpai.—That is what I offered to do, to call for statements month by month.

Mr. Rajagopalan.—The real truth is we over-estimated our receipts.

441. *Sardar Mutalik.*—How was the payment made without this grant ?

Sir F. Gauntlett.—Payments are made from treasuries all over India. To the extent that payments are made by cheque from headquarters, the head office can see whether the account is being exceeded, but where the amount is paid from the treasury, the treasury can apply no check.

Chairman.—In the result the department concerned is the Department of Education, Health and Lands, and the authority watching the expenditure is the Surveyor General. That is I think all we can get as regards the excess vote.

442. *Col. Crawford.*—The estimate here seems to be rather loose ; in one place you are 2 lakhs out and in another 1 lakh odd. Is there no method of getting a closer estimate ?

Mr. Bajpai.—With regard to that, we have approached the Surveyor General twice and each time he said the actual amount of recovery depends on the actual amount of work done by the survey parties, and that depends on several conditions which cannot be forecasted.

Chairman.—The total activities of the Surveyor General can be forecasted, but the question whether he is working for the Provincial or Central Government cannot be forecasted.

443. *Sir F. Gauntlett.*—Will the Finance Dept. accept liability for one year so that, after that, the Local Governments could be charged with the amount spent in the previous year ?

444. *Chairman.*—What is the total of these recoveries ?

Sir F. Gauntlett.—About 22 lakhs.

Chairman.—That would become a budget question. 22 lakhs out of one year's budget becomes a biggish question. Of that 9 lakhs is estimated to come from maps. Your explanation of difficulties of forecasting does not apply to that at all.

Mr. Bajpai.—No, except this, that we cannot say with any approach to accuracy what the demands of the different departments such as the Army Dept. with regard to maps will be.

445. *Chairman.*—What is this figure based on ?

Mr. Bajpai.—The estimate was based presumably on the previous experience, but we are out to the extent of Rs. 1,83,000 this year under head 19, maps and instruments supplied to Survey and other departments.

446. *Chairman.*—The actuals of 1922-23 were Rs. 7,93,000 ; the budget estimate of the next year you took as 8,84,000. Do you know how much you recovered from it ? There was an increase of a lakh in estimated receipts, none of which was realised ; in fact it was 81,000 less.

Mr. Bajpai.—Yes.

447. *Chairman.*—I rather expect the true explanation of the excess in this item is that it was incorrectly imagined that because you were going to recover more from the provincial governments you could go ahead and incur more expenditure on that so that, though your gross expenditure might be exceeded, your net would not, but at the end of the year you found you were Rs. 1,81,000 out on the maps.

Mr. Bajpai.—Yes.

Mr. Rajagopalan.—The value of maps comes through exchange accounts and sometimes it is too late and it goes in to next year's account. We have tried various methods by which these maps should be sold for cash. If they were sold for cash as soon as the transaction took place, we could credit the amount.

Sir F. Gauntlett.—If a watch is kept over the actual issues of the maps, it should be possible to frame an estimate of what should be recovered for the maps.

Mr. Rajagopalan.—It usually happens that reminders have to be sent to the recipients of the maps.

448. *Chairman.*—Who are the recipients of the maps ?

Mr. Bajpai.—Various provincial governments, Land Record offices and others.

449. *Col. Crawford.*—The other departments have to estimate their expenditure on maps ; will not that give you the total ?

Mr. Rajagopalan.—There are thousands of requests for maps.

Sir F. Gauntlett.—And the purchase of a map by an individual disbursing officer might be lumped up with contingencies.

450. *Chairman.*—I think the answer we had before was that the accounts officer will enable a closer estimate to be made of the progress of receipts under that head ; but will it assist in arriving at better original estimates than this ?

Mr. Rajagopalan.—I think so because we have issued instructions that both the pay office and the map office should work together. It is only this coming year that the full effect will be known because the budget will be practically prepared by these people and the Accountant General, Central Revenues, will exercise only a general check. As a matter of fact one surveyor officer with whom I was talking said it is most fallacious to take one year's figures for the next. Suppose a Survey party opens up a new tract. The first year every one comes in for a map, but the next year every one has a map and there are no more sales in that tract.

451. *Chairman.*—But you ought to be able to get an average? It looks to me as if there was almost a deliberate over-estimate of a lakh in this original figure. That is I think all we can do on the excess vote. As regards details, any questions on page 300?

452. *Dr. Lohokare.*—P. 301 (d) (9). A supplementary grant was asked for and in spite of it the expenditure is in excess. Why was this expenditure exceeded?

Mr. Bajpai.—We had provided Rs. 22,000 for repairs to the Castle Hill Estate in Mussoorie, but the Surveyor General reported that the amount would not cover it at all. The rain which came at the end of October 1924 swept things away and necessitated repairs to drains, pushtas, etc.

Mr. Rajagopalan.—That was the first year in which the work was done by the civil officers instead of the Public Works Dept.

Mr. Bajpai.—That would not account for the excess of Rs. 22,000.

453. *Chairman.*—When were the supplementary estimates mentioned under (D) obtained?

Mr. Rajagopalan.—In February 1925 the estimates went to the Assembly.

Chairman.—That is to say a supplementary estimate was being presented in February 1925 already.

Sir F. Gauntlett.—I am inclined to think that the dates of the supplementary estimates ought to be given in these statements because they are nearly always pertinent.

Chairman.—Yes. That is to say that practically the excess under (E) was covered by a supplementary estimate. A supplementary estimate of Rs. 88,000 was agreed to for the provincial survey parties. It is said the main reason for the excess expenditure was the increase in the programme strength of No. 6 working party.

Mr. Bajpai.—That was for the Nizam's territory and partly for the Residency area.

Chairman.—We have the further fact that the supplementary estimate was presented in February. It looks as if the real explanation is that they did not realise this loss on maps.

454. *Chairman.*—There is a big item of saving under B2 that I think the Auditor General draws attention to in his letter.

Mr. Bajpai.—I just want to say that last year also I had occasion to explain this very point. As the committee is aware, we purchase our quinine bark from a syndicate of which Messrs. Howard & Sons in

London are the representatives and provision in the Budget is invariably made on information communicated to us by the High Commissioner as to the amount likely to be required in the course of the year for payment to Messrs. Howard's. In this particular year the intimation received by us from the High Commissioner was that £30,000 would be purchased and therefore we put in Rs. 450,000, but actually the amounts—I couldn't say at this stage what the amounts of bark actually delivered were, but the debit passed on to us by the High Commissioner in the course of the year was Rs. 1,42,190, and so long as this present arrangement with Howard's continues I do not think we can approach anything like accuracy because they themselves do not communicate the price to us for each particular instalment as it is delivered to Howard's agents in Java. The sample is communicated to Amsterdam and the Amsterdam people then communicate the price to Howards. Howards pass it on to the High Commissioner. So that in the course of the year in which the bark is purchased adjustment of price is impossible. But this arrangement with Howards terminates in 1928.

455. *Dr. Lohokarc.*—Up to now you have not been able to regulate the purchases.

Mr. Bajpai.—We regulate that under the agreement, but it is difficult to regulate the price.

456. *Chairman.*—But it is the amount of purchases rather than the price that has been the cause of this overestimate.

Mr. Bajpai.—I should not say that, Sir, because here there is an indication that a further debit of Rs. 91,265 was passed on because the High Commissioner found this out later and communicated it to us. I should not be surprised if in 1925-26 you find that the balance of price was adjusted in the year in which the provision was made.

457. *Chairman.*—But the total unspent is Rs. 3,07,810 out of a total provision of Rs. 4,50,000. That surely must be due to a reduction in the amount purchased. If you look at the figures on the next page, you will see there was a very large fall in stock.

Mr. Bajpai.—That might have been due to issues.

458. *Chairman.*—The issues exceeded purchases to that extent.

Sir F. Gauntlett.—The original budget estimate is founded on the maximum.

459. *Dr. Lohokarc.*—Don't you press your claim on the Syndicate for them to deliver the whole amount?

Mr. Bajpai.—No, because it may not be always convenient for us to buy up to the maximum.

460. *Chairman.*—Page 314—Zoological Survey. There is a small paragraph on page 78 of the letterpress in regard to the placing of contracts without tenders. Have you anything to say on that?

Mr. Bajpai.—The only thing I wish to say on this subject is that the matter is under investigation.

461. *Chairman.*—The next Grant is No. 26—Archaeology. Here there was an excess. What is the explanation ?

Mr. Bajpai.—Well, Sir, the items are indicated. The biggest item really is this of Rs. 89,080—an adjustment with the Government of the U. P. on account of their maintenance of Archaeological Gardens.

Mr. Rajagopalan.—Kindly see the note on page 316.

Mr. Bajpai.—The note explains it here in para. 2 of Sub-head D.

Sir F. Gauntlett.—I think that is directly contrary to the orders which were issued at the instance of the Public Accounts Committee. Where you have a long belated adjustment of this sort you should not bring it into the account of the year in which it was made unless there is provision there for it.

462. *Chairman.*—Why wasn't that recommendation of the Committee followed here ?

Mr. Bajpai.—That is perfectly true, Sir, and when we come to Public Health I shall point out that the Department did follow the recommendation of the Committee in regard to a similar adjustment which had to be made with the Government of Bombay. But evidently the Director General overlooked the fact in this case and we are inviting his attention to the fact that it should not happen in the future.

463. *Dr. Lohokare.*—What is this excess of Rs. 35,736 in Excavation charges ?

Mr. Bajpai.—This was on account of excavation at Harappa and Mahenja-daro. We did not anticipate the extent of the discoveries or the extra amount of work that would be required.

464. *Chairman.*—That was specially agreed to on the understanding that it would be met by reappropriation ?

Mr. Bajpai.—Yes. It was met by reappropriation. The excess is explained solely by the adjustment with the U. P. Govt. for the maintenance of gardens. The adjustment amounted to Rs. 89,000 and the excess only amounts to Rs. 57,000.

Mr. Rajagopalan.—Kindly see the note on the next page.

465. *Dr. Lohokare.*—Same under J ?

Sir F. Gauntlett.—I may explain that the D. G. of Archaeology has very much the same difficulty as the D. G. of Survey in regard to expenditure all over India in keeping track of the actual expenditure that is being incurred specially by Provincial Governments on his behalf.

466. *Dr. Datta.*—That is eliminated now ?

Mr. Rajagopalan.—Yes, we are getting advance schedules as far as possible.

Mr. Bajpai.—Over and above that we have put the Deputy Director General of Archaeology in charge of the Northern Circle quartered at Agra. He has been made directly responsible for supervising these things because these gardens are in the United Provinces and nowhere else.

Sir F. Gauntlett.—The Accounts Office does not issue cheques for all the expenditure of the D. G. Archaeology. A certain amount of it is incurred through the agency of Provincial Governments.

Mr. Rajagopalan.—We get advance schedules.

Sir F. Gauntlett.—But it is not pre-audited.

Mr. Rajagopalan.—No.

467. *Dr. Lohokare.*—Now about item J—that excess is not explained surely it could have been foreseen.

Mr. Bajpai.—It was really brought over from last year.

Sir F. Gauntlett.—There again, it is the same explanation.

Chairman.—Well we shall have to report that that excess vote is due to a contravention of the request of a previous Public Accounts Committee.

Sir Frederic Gauntlett.—I would like to point out that in 28 we get a lump head, loss or gain by exchange, which covers all the last four or five grants that we have been discussing. That explains the difficulty why we could not find exchange before, because in our Govt. accounts we work by major heads.

468. *Chairman.*—Does that still continue.

Sir F. Gauntlett.—The difficulty here is that we have only one major head which you have divided up into four or five grants and we do not take exchange into the individual grants ; we take it under the major head ; we do not keep our accounts by grants.

469. *Chairman.*—The Assembly is not presented really with the total expenditure under the head of Archaeology under that vote ?

Sir F. Gauntlett.—No : we ought really to split this exchange into sub-heads according to the grants.

Mr. Kaula.—Under the new system it is done.

470. *Chairman.*—Grant 29 : Education : Charges about the Mayo and Aitchison Colleges : Have you any comments to offer on that ?

Mr. Bajpai.—It is not our charge : it is the F. and P. Deptt.

471. { *Sir F. Gauntlett.*—Page 319 : Here again you have an excess.
Chairman.—What is the explanation of the excesses.

Mr. Bajpai.—In the grant for which we are responsible I do not see any excesses. The grants-in-aid to the Universities are what we are concerned with ; there the supplementary grants are fully indicated and the disbursement is equivalent to the grant.

472. *Chairman.*—Grant 30 : Have you any comments on this ?

Mr. Bajpai.—I think, Sir, the point on which some explanation is necessary is raised in para. 113, namely, the extraordinary quantity of surplus stores which are retained in the X-Ray Institute at Dehra Dun. We asked the Director General of Stores for an explanation and I will read it out :

The majority of the surpluses were due to the accumulations during the war, to the return of the stores by demobilized units after the war and to the maintenance of the 50 per cent. reserve for war purposes. Another factor which contributed is the fact that during the war equipment of all

sorts and patterns as could be obtained was purchased and much of it became obsolete after the war.

The superintendent has assured us with reference to the recent home indents that on the receipt of the stores demanded therein he will have not more than a year's supply of each article demanded. This is a reasonable limit below which it is not practicable to allow his working stocks to fall. This is in accordance with the Indian Retrenchment Committee's recommendation in para. 14, p. 206 of their report.

473. *Dr. Lohokare.*—Why were not these stores returned like the other war stores and cleared away ?

A.—We are trying to clear them away now.

474. *Q.*—As far as I know after the war all the medical stores were cleared away immediately ?

A.—I do not know much about the medical stores. But as regards this, the Great War ended in 1918 ; there was another war, the Afghan War in 1919, and the alarms and excursions evidently prayed upon the mind of the head of the Institute and he kept these stores.

475. *Q.*—My point is this : in 1919 all army medical stores were completely at the disposal of the Bombay and Calcutta depots for sale : and in them there was not a single item of X-Ray apparatus to be found. What was the reason ?

Chairman.—What is your question ?

476. *Dr. Lohokare.*—Why was the store received in excess and not disposed of immediately ?

A.—Well, I have given the answer so far as it is an answer in the words of the head of the department, that they did not feel themselves justified in 1919 in clearing this because they wanted to maintain a reserve ; they were not quite sure at that stage what calls might be made upon the department for the supply of this apparatus which is very highly special apparatus. The general stores to which you referred are ordinary medicines, bandages and such like which it is easy to get at short notice : but it is not so easy to get this apparatus at short notice ; and in 1920 and subsequently I think that there were possibilities of trouble in Mesopotamia and elsewhere and we thought that having got these stores we would much rather keep them in reserve than get rid of them then.

477. *Dr. Lohokare.*—I think the explanation brings forth another comment. Was he justified in keeping all those stores ?

Chairman.—I think Mr. Bajpai has given you the explanation. I think it becomes more or less a question for argument whether or not he was justified in being cautious in getting rid of stores that might be wanted in certain circumstances. It is obviously a question of judgment.

Sir Frederic Gauntlett.—I may refer to explanation 2 on page 325 : stores considered to be surplus are shown under surplus and obsolete stores which is only Rs. 53,000.

478. *Chairman.*—The question that Dr. Datta asks, is, is not Rs. 8,79,000 an unnecessarily large amount of stores to keep ?

A.—But if you look at item 1, you will find that in the previous year it was Rs. 8,96,000.

479. Q.—Is that not an unnecessarily large working balance ?

A.—I submit not, Sir, because the bulk of this represents old accumulated stock which we got during the war period and which we have tried to get rid of from time to time. As time goes on, the Superintendent of the X-Ray institute sends up a list of stocks which he considers to be surplus from time to time.

480. *Chairman*.—What is the figure which you would regard as a normal working balance ?

A.—I should say the amount of the actual indents now something over a lakh.

481. Q.—And you have got 8½ lakhs ?

A.—We are taking steps to get rid of them ; of course there is an enormous loss.

Sir F. Gauntlett.—Might not we have a memorandum on the subject ? It is a very technical matter.

482. *Chairman*.—I think we had better ask the department to examine the question as to what should be done.

Mr. Bajpai.—I can answer that roughly now. We asked the head of the department.

Well the head of the department said the amount that we had been spending in the normal year, 1924-25 plus 50 per cent. for reserve would represent the normal requirements of the Institute.

Sir F. Gauntlett.—That would be roughly a lakh and a half,—say at most two lakhs.

483. *Chairman*.—Eighteen months' stock seems rather large to keep in hand.

Mr. Bajpai.—Well, Sir, the Retrenchment Committee themselves recommended that they should have a year's stock in hand.

484. *Col. Crawford*.—What is being done with the balance ? Is it likely to be wasted altogether ?

Mr. Bajpai.—The only point which I would submit is that the demand for these things is limited in any particular year. We cannot glut the market. If we do that, we will probably get less than if we have a graduated release of these stocks.

485. *Mr. Joshi*.—It will be obsolete.

Mr. Bajpai.—It is already obsolescent.

486. *Chairman*.—That is really worth considering. Have you considered the question of giving these away to people who would really use them ?

Mr. Bajpai.—Well, we have given them away in one case. I think the Auditor General would be in a position to speak with authority as to whether we would be justified in giving these from central revenues for provincial purposes. But in one case in the Punjab, they made an application for a certain purpose and with the concurrence of the Finance Department we presented it free of cost.

Chairman.—That seems a more useful way than keeping them in stock indefinitely, obsolescing.

487. *Chairman.*—Grant No. 32, page 333, 334, 335, 336. I want to make a general point. What is the original large saving of 2 lakhs and 18 thousand ?

Mr. Bajpai.—Oh, these are made up of various items, Sir. If you like I can explain them.

488. *Chairman.*—Doesn't it suggest considerable over-estimating ?

Mr. Bajpai.—Well, Sir, the general explanation is that our ventures in Bangalore and Karnal are entirely new. We started these in 1924-25. Bangalore was actually started in the middle of the year and it is difficult to say with any approach to accuracy what the expenditure is likely to be. Besides we are dealing with technical experts recently brought out from England with practically no knowledge of Indian conditions. A fair criticism would be on the basis of next year's report.

Sardar Mutalik.—In almost every case.

Mr. Bajpai.—This department has just been started. We hope for better results.

Col. Crawford.—You do not make a net budget here.

489. *Chairman.*—This is the charge for the expenditure. Where are the receipts ?

Sir F. Gauntlett.—They are in the store accounts and balance sheet on pages 338 to 356. There are 18 pages for the accounts of these farms. It is the first time these have appeared.

490. *Chairman.*—The point is, in the budget in this case, the gross expenditure is included, is it ?

Mr. Kaula.—Yes.

491. *Chairman.*—And the receipts come in as revenue.

Mr. Bajpai.—They come in as ordinary revenue.

492. *Chairman.*—As a matter of fact, these are all of them more or less running at a loss or at a profit ?

Mr. Bajpai.—Two of them are running at a loss, but we hope that they will improve.

493. *Sir F. Gauntlett.*—On page 339, Karnal is shown as making a profit of Rs. 6,000.

Mr. Bajpai.—But Bangalore and Wellington are running at a loss.

Sir F. Gauntlett.—Wellington made a loss of 9,616, page 646. Bangalore made a loss of 19,000.

Chairman.—Any question on these accounts ?

494. *Dr. Lohokare.*—Does the department think that these farms are to be maintained at a loss ?

Mr. Bajpai.—Well, with regard to the Wellington and the other farms, as I said, we have not enough experience yet. They were started in the

year to which this report refers. I don't quite know what the losses for 1925-26 were.

495. *Chairman*.—They were taken over from the military ?

Mr. Bajpai.—Yes.

Chairman.—We shall watch it with interest.

496. *Sardar Mutalik*.—Apart from profit making or running it on commercial lines, do you think that any good is derived from these farms ?

Mr. Bajpai.—Well, we certainly think that with regard to the work they are doing, namely production of dairy produce under hygienic conditions and also cattle breeding, they should do useful work in the same way as the demonstration farms.

497. *Chairman*.—I suppose all their work come under the scrutiny of the Agricultural Department ?

Mr. Bajpai.—Oh, yes.

498. *Sardar Mutalik*.—Are they research departments also ?

Mr. Bajpai.—I don't know really that you could describe them as research departments but there is a certain amount of experimental work done in them.

499. *Rev. Dr. Macphail*.—Has there been any improvement in the breed of stock ?

Mr. Bajpai.—That is the object of the farm at Karnal. You probably get there the best breed of cattle in Upper India.

500. *Chairman*.—Is it possible to give a statement of the profit and loss on them altogether ?

Sir F. Gauntlett.—22,000 is the loss on the three. The old one is working at a profit. The two new ones have not yet been brought on to that stage.

501. *Chairman*.—Page 358. Have you any explanation of the excess ?

Mr. Bajpai.—I have nothing to add to this explanation. The attention of the officer has been drawn to the irregularity but I regret to say that we have had some difficulty with the head of the Veterinary Institute at Mukhtesar. He is a brilliant research officer but he does not know much about accounting and he is generally apt to ignore ordinary precautions in regard to the matter of budgeting.

502. *Dr. Lohokare*.—What is the excess of 26,000 due to ?

Mr. Bajpai.—My explanation would be this. Until 1925 the manufacture of serum was confined to one centre, Mukhtesar. It is a somewhat remote place and the demand naturally was not very high because of the inaccessibility of the place. On account of various considerations we decided to concentrate some of the work on the manufacture of serum in Izatnagar in Bareilly and Dr. Edwards unfortunately had not anticipated what provision should be made in order to meet the increased demand which would be created by the accessibility or the ready availability of the serum manufactured at Izatnagar.

503. *Chairman*.—When was the necessity for the additional purchase brought to the notice of the department ?

Mr. Bajpai.—In last year's budget we have made provision for 1925-26 for increased demand.

504. **Chairman.**—Was the department not in a position to ask for a supplementary estimate ?

Mr. Bajpai.—I do not think that the excess was reported to us until almost near the end of the year when it was impossible to get a supplementary estimate.

505. **Chairman.**—Have any steps been taken to prevent a recurrence of this ?

Mr. Bajpai.—We have issued instructions to the Agricultural Adviser to the Government of India to watch the progress of expenditure and that provision for expenditure in future years is made with greater regard to accuracy.

506. **Chairman.**—This is another case in which, in the year 1925-26 we have had a supplementary estimate to cover exactly the same thing ?

Mr. Bajpai.—That is an aberration of the scientific mind for which I must apologise to the Committee.

507. **Chairman.**—Was that sanctioned by the department.

Mr. Bajpai.—We were faced with the *fait accompli*.

Sir F. Gauntlett.—The Officer has no justification for expending on books much in excess of the grant.

508. **Chairman.**—We have got to explain this in our report.

Mr. Bajpai.—I am not sure whether it would be economical to post an officer for the Director of the Institute at Muktesar. His is a comparatively small budget but I am quite prepared to consider in consultation with the Agricultural Adviser whether for the two establishments together any system like the Pay and Accounts officer is required.

Mr. T. K. Rajagopalan.—If we had a pay and accounts office it will think twice before giving a cheque. The Treasury simply pay Bills as they come along.

Mr. Bajpai then withdrew.

Mr. Lothian (F. and P. Department) examined.

509. **Chairman.**—Will you see page 78 of the thick volume relating to the charges of Rajkumar and Aitchison Colleges. Can you tell us whether any conclusion has been arrived at in regard to the question of paying the staffs direct from the College funds ?

Mr. Lothian.—The question is still under the consideration of the Government of India and has not yet been definitely settled. As you are aware, Sir, the question of the future of the whole of the Chiefs Colleges is under consideration at the present time and the minor question of paying the staffs from college funds in the first instance largely depends on whether the colleges remain directly under the control of the Government of India or whether they are handed over to the control of Governors of the Colleges. If the Chiefs Colleges cadre of the Indian Educational Service is abolished, and the colleges permitted to do their own recruitment, it is not unlikely that the staffs will be employed on short term contracts and paid directly by the colleges.

Chairman.—The position is simple. The question is under consideration. I doubt if we can take it up further.

Mr. Lothian.—It is part of a very much bigger question. May I say in reference to the foot-note, Sir, that the outstandings that are mentioned there have been all recovered in the subsequent year.

510. *Chairman.*—Outstandings have been recovered in subsequent years. Meanwhile the result is that there is an excess vote ?

Mr. Lothian.—Yes.

Chairman.—That is exactly similar to the case we commented on in the past. It is not an excess over the net, it is an excess over the gross expenditure.

511. *Dr. Lohokare.*—The subscriptions were not in their hands.

Mr. Lothian.—Simply they were not paid up-to-date that year and were paid in the following year.

Sir F. Gauntlett.—It is a fact that a similar trouble arose two or three years ago which led to the inauguration by the Committee of this question which is still under consideration as to whether the colleges should not pay their staffs instead of the staffs being paid direct by Government.

Chairman.—We shall have to draw attention to the remarks that we made in the past year.

Mr. B. Higgs.—In the meantime we have issued orders, as stated in the report, to recover monthly from the college funds expenditure in excess of 1/12th of the contribution.

512. *Chairman.*—There will be no need for a supplementary grant and the grant will not be exceeded ?

Mr. Lothian.—Yes.

513. *Chairman.*—Grant No. 15, paragraph 17, page 4 of the report of the Auditor of Home Accounts. This is a point that is left open. Dr. Lohokare wanted to know who determines the share of the contribution of the Government of India to diplomatic and consular establishment at Persia and is the Government of India consulted in regard to additions to staff or changes in staff.

Mr. Lothian.—This is a legacy of war expenditure in Persia. Certain expenditure partly civil, partly military, had to be incurred to combat enemy activities. This expenditure was incurred by the Indian and British representatives there and in accordance with the decision of the Welby Commission of 1904 the civil expenditure was debited half against the British Government and half against the Indian Government revenues. Of the expenditure that was then incurred a considerable proportion was military. It took some time to settle what items were chargeable against military and what against civil as reference had to be made to local officers, and when that had been done 50 per cent. of the civil expenditure was automatically charged against the Indian revenues.

514. *Chairman.*—I think your question, Dr. Lohokare, was a general one. The share is determined by the decision taken after the Welby Commission of 1904. Secondly is the Government of India consulted in regard to additions to staff or changes in staff ?

Mr. Higgs.—The Government of India cannot sanction any expenditure in excess of £100, I think, non-recurring, and a £100 also a year recurring. Similarly the Secretary of State does not sanction expenditure in excess of these amounts without consulting the Government of India. We have to consult each other.

515. *Chairman.*—The Foreign Office and the Treasury have to be consulted on the one hand and the Secretary of State and the Government of India on the other ?

A.—Yes.

516. *Chairman.*—Grant No. 44, page 403. This is not a supplementary estimate ?

Mr. Higgs.—No, Sir. This was an original demand voted by the Assembly.

517. *Chairman.*—You had a saving of infinity on the original grant ?

Mr. Lothian.—On the 29th May 1924 the Bombay Government reported that no expenditure on account of famine relief was likely to be incurred in the Palanpur Agency. This information came to the Political Branch of the office but unfortunately was not passed on to the Finance Department. The Political Branch of our office did not show the case to the Accounts Branch and treated it purely as a political matter, the effect on accounts being forgotten.

Mr. Higgs.—We might have rectified the matter by surrendering the grant.

Mr. Lothian.—In December 1923 the Bombay Government reported that indirect relief expenditure during the year 1924-25 would amount to Rs. 14,838 and asked that the provision for the required amount be made in that year's budget.

518. *Chairman.*—They did not tell you that it would be paid from a famine relief fund.

Mr. Lothian.—That was long afterwards.

519. *Chairman.*—Now we come to Grant 50, pages 115 and 116. Have you any statement to make on paragraphs 164 and 165 ?

Mr. Lothian.—A local officer has been deputed by the Administration of the N.-W. F. P. May he answer on my behalf ?

Rai Sahib Chuni Lal.—The case referred to in paragraph 164 has already been fully explained. There is nothing to add to it. This grant was intended for the Government school.

520. *Sir F. Gauntlett.*—But you placed the grant at the disposal of a private body ?

Rai Sahib Chuni Lal.—It was under some misapprehension that it was placed at the disposal of a private body.

521. *Chairman.*—This is a 1920 case ?

Rai Sahib Chuni Lal.—Yes, Sir.

Chairman.—I think the Auditor General has taken the right line. He does not want to press for any further action.

522. *Sir F. Gauntlett.*—The money was out of the Treasury for four years at all events.

Rai Sahib Chuni Lal.—It was in the Treasury, though not as part of Government balances. At the same time, it was verified that the balances at the disposal of the local body were over 40,000. The local body did not utilise any part of this money.

523. *Mr. Kaula.*—Did the local body apply for this grant ?

Rai Sahib Chuni Lal.—I do not know about that. It was given in 1920.

Sir F. Gauntlett.—It was handed over to the notified area committee for a High School, but there never was a high school.

Chairman.—All that we can do is to leave it where it is.

524. *Chairman.*—Page 446.

Dr. Lohokare.—Staff and Household grant, Rs. 18,000, expenditure Rs. 58,000. You can increase the staff and household expenditure immediately by Rs. 40,000 ?

Rai Sahib Chuni Lal.—There is an explanation of this. It was due to replacement of two motor cars on account of the visit of Their Royal Highnesses the Prince and Prince Arthur of Connaught.

525. *Chairman.*—Was that under sanction from the Government of India ?

Rai Sahib Chuni Lal.—Yes, and the amount was met by re-appropriation. No extra grant was obtained.

526. *Chairman.*—The exact date at which these cars were replaced was determined by the visit of Their Royal Highnesses ? In the absence of such visit, when would such cars have been replaced ?

Rai Sahib Chuni Lal.—We might have postponed it till the next year.

Chairman.—It was a case of anticipating by a few months a normal replacement.

527. *Sir F. Gauntlett.*—I have a general note on page 447 on (e) (5). Provision is made under one sub-head whereas expenditure is put under another sub-head. When attention has been called to this one presumes the budget will be prepared differently in the future.

Chairman.—I presume you and the authorities in the North-West Frontier Province will study these reports with a view to correct errors.

Rai Sahib Chuni Lal.—In regard to this head there has been some change in regard to classification after the budget had been prepared. Charges on account of agency, circuit houses, establishment, etc., were formerly provided under 16-Miscellaneous, but it was afterwards decided they should be put under this head. This was after the budget was prepared.

528. *Sir F. Gauntlett.*—You are talking now of change of classification from one major head to another. What I called attention to was that these figures have been shown under "other establishments" whereas they should be under "other contingencies".

Rai Sahib Chuni Lal.—The Audit Department made a mistake, but we made an inquiry from the Accountant-General and he has reported that it should be debited to allowances and not to contingencies, so in future provision will be made under allowances.

Chairman.—Page 448.

529. *Dr. Lohokare.*—There are two large excesses under (e) (10) and (11).

Rai Sahib Chuni Lal.—These are all due to change of classification. You will find that under (e) (9) there is no expenditure at all. This expenditure has been recorded under (e) (11).

530. { *Chairman.*—Page 453.
Dr. Datta.—What about (b) (12) ? Did the rates change without notice, or were a larger number of men sent ?

Rai Sahib Chuni Lal.—The excess was Rs. 17,809. We have got an explanation. This was due to the payment of the share of the cost of the police training school and Finger Print Bureau for two years 1923-24 and 1924-25, whereas provision in the estimate was made for one year. Formerly payments for various contributions to the Punjab Government were made to that Government for one year, but in 1924-25 it was decided they should be made in that year. So two years' contributions were budgetted in that year.

531. *Dr. Datta.*—Page 459, under B1 (4) there is an increase of Rs. 63,550.

Rai Sahib Chuni Lal.—The provision on this account was made under B1 (6) representing wireless machines, land telephones, etc., but the expenditure was recorded under various other heads.

532. *Chairman.*—Page 460. Was B3 (2) originally overestimated ?

Rai Sahib Chuni Lal.—In reply, read a statement giving details of the saving effected under this head.

{ 533. *Chairman.*—Page 466.
Sir F. Gauntlett.—Here there has been a considerable excess under Medical as a whole.

Rai Sahib Chuni Lal.—That is due to the payment of 2 years contributions. There is one item of Rs. 37,721 on page 467 which explains the major portion of this increase. That is a contribution payable to the Punjab Government.

Chairman.—The same explanation—two years' contributions made in one year and brought up to date ?

Rai Sahib Chuni Lal.—Yes, Sir.

534. *Chairman.*—Page 468-B. Grants-in-aid for Public Health purposes. You originally asked for Rs. 44,800. We granted Rs. 44,800 and you actually spent Rs. 1,18,800.

Rai Sahib Chuni Lal.—Read a statement in reply to the effect that the excess was due to a grant of Rs. 80,000 to the Abbottabad Municipality for its water supply scheme. The necessity for this grant arose from the failure of the Alliance Bank of Simla. The Municipality had deposited Rs. 2,25,000 in the Bank out of which sum only 50 per cent. had been received back. The work was in progress and Rs. 2,14,000 had already been spent up to the end of February 1925, leaving only Rs. 18,000 with the Municipality to carry on the work. It was estimated that in addition to the Rs. 18,000 a sum of Rs. 1,50,000 would be required to complete the scheme. In the circumstances explained above it was considered necessary to give a grant to the Municipality.

535. *Dr. Datta.*—Are there any rules about banking in regard to public bodies ?

Chairman.—I think you will find it very difficult to lay down a rule that they must bank with the Imperial Bank. I set my face against that rule when I found it.

536. *Dr. Datta*.—We raised that question on the Research Fund—did we not ?

Sir F. Gauntlett.—Yes.

Mr. Joshi.—It is not fair to other Banks. Even these local bodies are statutory Government bodies.

Mr. Kaula.—There is a list of approved Banks.

Rai Sahib Chunni Lal.—I think permission was given in this case to keep the account with the Alliance Bank. It was one of the approved Banks.

537. *Chairman*.—Page 473. Was the large saving here due to

Rai Sahib Chuni Lal.—To change of classification, yes, Sir.

538. *Mr. Joshi*.—On page 470, there is an item—F2 : Encouragement of Local Horse Breeding. "The expenditure of Rs. 2,500 represents the amount allotted to the Peshawar and Rawalpindi Race Clubs for prizes" is the explanation.

Chairman.—That is generally recognised as the best way to encourage horse-breeding. It is a feature of a many good Governments. You find it everywhere in one form or another.

Rai Sahib Chuni Lal.—It is an encouragement to the breeding of horses. The Punjab Government also give these prizes.

539. *Chairman*.—They would be invariably for country-breds—wouldn't they.

Rai Sahib Chuni Lal.—Yes, Sir, undoubtedly that is the case.

The Chairman thanked Rai Sahib Chuni Lal and the Committee adjourned till the following day.

Evidence taken at the eighth meeting of the Public Accounts Committee held on Friday, the 30th July 1926, at 11 a.m.

PRESENT :

The Hon'ble Sir BASIL BLACKETT, *Chairman*.

Mr. N. M. JOSHI,	}	<i>Members.</i>
Rev. Dr. E. M. MACPHAIL,		
Dr. K. G. LOHOKARE,		
Sardar GULAB SINGH,		
Colonel J. D. CRAWFORD,		
Dr. S. K. DATTA,		
Sardar V. N. MUTALIK,	}	<i>were also present.</i>
Sir FREDERIC GAUNTLETT, the Auditor-General,		
Mr. G. KAULA, Accountant-General, Central Revenues.	}	<i>Witnesses.</i>
Mr. J. C. FERGUSSON, Commissioner, Northern India Salt Revenue,		
Mr. A. H. LLOYD, Member, Central Board of Revenue,		

Sir FREDERIC GAUNTLETT, the Auditor-General, }
Mr. G. KAULA, Accountant-General, Central Revenues. } *were also present.*

Mr. J. C. FERGUSSON, Commissioner, Northern India Salt Revenue, }
Mr. A. H. LLOYD, Member, Central Board of Revenue, } *Witnesses.*

Mr. Lloyd (with Mr. J. C. Fergusson) examined.

540. *Chairman*.—I do not know whether you are prepared to make any general statement to start with.

Mr. Lloyd.—I should like to make just a few remarks about this rather lengthy report which is concerned with the Northern India Salt Revenue Department. The Auditor General in a letter to the Government of India (which perhaps I may be permitted to quote) said :

“ It is the application of this local scrutiny for the first time which has disclosed the revelations made in this Report. It is a common experience in audit that the first local enquiry reveals startling features. I am glad to say that it is an equally common experience that energetic action is taken to rectify defects thus disclosed and after a few years the local audit settles down into a humdrum routine which is rarely enlivened by the discovery of serious irregularities. I trust that in succeeding years it will be possible to say the same of the work in the Northern India Salt Department.”

What I wish to say is that the C. B. R. which became concerned with the department not much more than two years ago is determined that so far as lies in its power that hope of the Auditor-General will be realised. I think it is only fair to add that as long ago as 1917 the Commissioner of the Northern India Salt Revenue Department pointed out that the local audit conducted by clerks was unsatisfactory and asked for the introduction of a professional and peripatetic audit, or least the annual deputation of auditors from the Audit Department ; but his request was refused. The matter was again represented to Government in 1921 as a result of comments made by the A. G. C. R. but no such professional audit was introduced until October 1923. Now, Sir, if I may, I should like to speak about the series of paragraphs which are all concerned with one general subject, that is, the Sambhar Lake Improvement Scheme. These are paragraphs 45 to 54, 57, 61, 67, 70, 72, 73, 89 and 90 of the Report on Audit and Appropriation Accounts of the Central Government. The Board has been placed in a great difficulty by the printing of these paragraphs in this report. They are taken from notes which were submitted a considerable time ago to the Board ; but we decided to deal with all the objections relating to the Sambhar Lake Scheme together. The officers concerned were convinced that these notes contained many mistakes misunderstandings and unjustifiable inferences ; but in order to establish this it has been necessary for them to devote many months of work to a complete overhaul of the accounts and records, such overhaul being made in the light of a proper understanding of the nature of the work involved. It is claimed that the audit officer in some of his passages clearly shows that he did not himself possess that understanding. The task of examining these records is not yet quite complete, although I understand it is very nearly complete ; and thus the C. B. R. and the Government of India have not yet been able to consider these criticisms in the light of the rejoinder that is being prepared. The matter is therefore still under investigation and I should have preferred to say no more at this stage. But unfortunately the recent decision that cases of irregularity should not be brought before the Public Accounts Committee *ex-parte* has not operated in time to prevent the inclusion of this matter or rather of the editing of this matter before its inclusion in the present report. The anonymity of the report is of course in this case so flimsy as to be valueless, and it is therefore only right, in the interests of the officers concerned, as the report has been placed in many hands and may be regarded in a sense as a public document, that I should say something on the merits, although I must necessarily withhold anything

that might be described as a finding by the C. B. R. In order that the Public Accounts Committee and any others interested may approach the questions here discussed with a true sense of values and proportions, I must make some general observations on this important scheme.

It would be impossible for any person who has merely read the auditor's remarks to have any idea of the unique character of the scheme of its importance and of its success. The task set was to relieve Government of the constant anxiety which this salt source had been giving for years, culminating in 1917 in disaster. How grave this constant anxiety was will be realised when I mention that normally Sambhar Lake is relied upon to produce about one-sixth of the total production of salt in India and roughly one-eighth of the total consumption of salt in India. The productivity of the lake depended to a startling degree upon the amount of rainfall since that governed the supply of brine. When the rain has fallen you have a lake with an area of something like 90 square miles and salt water lying on it to an average depth of 18 inches. When the brine does become available with each monsoon, feverish efforts are necessary to coax as much of it as possible into the pans in which the salt was made, since a very short spell of dry weather dried up the lake and left the salt which had been in suspension spread over its entire surface, which as I said before is about 90 square miles, so that it was absolutely irrecoverable. The old methods were also very wasteful of labour, and in Rajputana the labour problem had been steadily increasing in difficulty. The Government of India were satisfied that an entirely new method of working must be adopted, involving considerable capital works, and selected for the execution of these works an officer who was held to have exceptional qualifications. The physical conditions of the lake are absolutely peculiar, and it was impossible for any engineer to lay down and stick to a definite programme. Much of the work had to be experimental, and the schemes put up had to be modified at very short notice some times, as the work progressed. But the Executive Engineer had other difficulties. In 1921 when he was in the middle of the work there was a disastrous failure of the monsoon which called for instant and strenuous action by the ordinary manufacturing staff, if an almost complete failure was to be averted; and the fact that the Executive Engineer had most of the labour supply under his control inevitably compelled him to assist in these operations of the manufacturing staff. This resulted in some complication of the accounts which it is claimed has entirely misled the audit officer in many instances. At the same time the Executive Engineer's experience and inspiration were so invaluable that a crop of 70 lakhs of maunds was secured, which was considerably higher than those of previous years in which there was no shortage of rainfall. On the basis of past experience averaging over twenty years, on the basis of the average crop per inch of rainfall, we could not have expected more than 35 lakhs of maunds; in that year 1921, 70 lakhs of maunds were recovered.

Then again not the least of the Executive Engineer's difficulties was the lack of adequate assistance whether of officers or clerks. Several times in the early course of the scheme, when assistance was refused, he tendered his resignation and was with reluctance prevailed upon to remain at the task. The result was that upon his own shoulders rested practically the whole of the burden not only of designing and supervising the execution of the works but also doing the best he could to maintain the accounts. This

led to a serious breakdown in his health. I have already mentioned that proper local audit had not been instituted during the period of greatest activity in connection with this important scheme.

Of the success of his work only an expert can speak with absolute confidence. But it needs no expert to appreciate one fact, that the productivity of that part of the lake has been increased per inch of rainfall by approximately 66 per cent., whether we compare the present result with the average of five or ten or twenty years before this important scheme was executed. The output in 1925-26 was a million maunds higher than was ever previously recorded in that part of the lake, although the rainfall was a poor one. Expert opinion on the scheme is forthcoming in the fact that the Institution of Civil Engineers has awarded this gentleman the Telford Gold Medal for his description of this engineering feat ; and Sir Thomas Holland, and there is no scientist who has anything like his personal knowledge of the lake, has written in extremely high terms of the work that was done. He said it was dramatically successful. I may add that the works have been visited by the Hon'ble Chairman and by both members of the C. B. R. and we were all equally impressed with what we saw.

I have said all this at the risk of wearying the Committee because I think it is quite necessary that there should be some appreciation, as I have said, of the importance and success of the work that was done by the officer in question. The difficulties that I have mentioned would go far to meet the irregularities complained of, even if the audit notes were correct. I have said that the officers concerned claim that the notes contained many mistakes and there was much misunderstanding. It is not denied that certain irregularities did occur. These financial irregularities really boil down to two points. Firstly, the officer, as the scheme developed undertook new works, which he was not authorised to do, without obtaining permission from the proper authority. Secondly, he put down items spent on one kind of work in his accounts to another kind of work.

Now as regards the first charge, which is admitted, the officer claims that he misunderstood the instructions. He was given un-official power to re-appropriate from any one sanctioned head to another in anticipation of the approval of Government, and he had, to this extent, such a free hand that he got the impression that he could undertake new developments, as the works progressed, without getting each item specifically sanctioned. There was considerable excuse for him, because he had a fairly free hand. Perhaps I may quote from a note that is on record in the proceedings of the Government of India. This is not a note of any subordinate officer. " The scheme is of such a nature that the Executive Engineer-in-charge has to utilise labour and materials as they become available on any of the sub-schemes, and it is necessary that he should be able to utilise any funds allotted to him on any of the sub-schemes at any time so that he may be able to make the most economical use of the materials and labour "

Then as regards the question of accounts, the point that, I think, must be emphasised is that, as I understand, nothing was concealed. Things were frankly and clearly put down to any head for which there were funds. The officer was given to understand that he had the power to re-appropriate in anticipation of sanction and to get it formalised afterwards, and the position really is, so far as the sanctioned works were concerned, that while

spending on one head it was put down to another, and it was done in anticipation of straightening the accounts afterwards, to do which he had not the time.

There is one other point that I ought to mention in connection with the accounts. I have seen enough of the papers to be able to say, without prejudging the case generally that, it seems perfectly clear that there has been a very serious misunderstanding as to the distinction between manufacturing works and improvement schemes during that disastrous year of 1921 when, as I mentioned, the Executive Engineer had to come to the help of the manufacturing staff. I think, Sir, these are all the general observations that I would like to make.

541. *Col. Crawford*.—What is the general financial result of the whole scheme? Has the revenue increased considerably?

Mr. Lloyd.—That is a question that is impossible to answer. I have told you what the production of salt is. If any one given source produces an increased quantity of salt, that will not necessarily produce increased revenue.

542. *Chairman*.—So far as you know, you are producing this salt at a less cost than before?

Mr. Lloyd.—That is certainly believed to the case.

543. *Chairman*.—You produce 66 per cent. more salt?

544. *Col. Crawford*.—As a result of the whole scheme, the result has been most beneficial?

Mr. Lloyd.—Taking the accounts as a whole, I think it has been beneficial, but it has not as yet reduced the cost of production at Sambhar. It has certainly prevented an inevitable increase in the cost of production of salt. The thing of course is still in its earlier stages.

545. *Chairman*.—When was it completed?

Mr. Lloyd.—Early in 1924.

Sir Frederic Gauntlett.—It is a little difficult to state exactly the financial results until the accounts are placed on a commercial basis.

546. *Sardar Mutalik*.—Apart from the commercialisation of accounts, may I know what the present cost actually is as compared with the cost you had to incur before the scheme was completed.

Mr. Lloyd.—There has been no reduction in our selling price. We are waiting for the commercialisation of the accounts. We cannot answer that question now.

Chairman.—The purpose of the scheme was to prevent the failure of Sambhar salt and largely to increase the amount of salt we got from Sambhar.

547. *Sir Frederic Gauntlett*.—Has it stabilised the production?

Mr. Lloyd.—The figures that I have here show much less variation from year to year for the last few years including the years while the scheme was partially completed. These are the figures. In 1921-22, which was the bad year I spoke of, we got 52½ lakhs of maunds. In the next year we got 60

lakhs of maunds ; in the next year we got 46 lakhs of maunds, and in the next year, that is last year, we got 73 lakhs of maunds. Before the improvement of the scheme, for about 5 years,—I will take the first five years, the figures were 19 lakhs, 31 lakhs, 20 lakhs, 11½ lakhs and 27 lakhs.

548. *Chairman*.—Do you necessarily go to the maximum production every year ?

Mr. Lloyd.—That is a point, Sir, which the C. B. R. is very anxious about. It has led us to recommend to the Government of India the appointment of a special officer to make sure that we do not overproduce.

549. *Sardar Mutalik*.—What did you do in the past ?

Mr. Lloyd.—In the past the practice had been to get as much as could be produced each year.

550. *Sardar V. N. Mutalik*.—My impression is that you do not necessarily produce the maximum that you can ?

Mr. Lloyd.—That is a point that the C. B. R. is very much concerned about, and we have some suspicion that the old policy of producing as much as possible may have to be modified. In order to help us to make up our minds, we are obtaining the permission of the Government of India to appoint a special officer.

551. *Chairman*.—Is there much competition between the Northern India salt and Madras salt ?

Mr. Lloyd.—We have felt somewhat uncomfortable about the stocks we are carrying.

552. *Sardar Mutalik*.—Did you take the maximum in the past ?

Mr. Lloyd.—I am speaking of Sambhar Lake, and I think you could say that with regard to Sambhar. In Khewra, where you have salt mines, the limits are different. At Sambhar much depends upon the rainfall. There is certainly no limit, humanly speaking, to the production of salt at Khewra. The salt is always there all the year round, and it is only a question of digging it out of the bowels of the earth, but there is the question of demand. We have gone in for the policy of supplying the maximum demand. In the case of salt works which depend upon the drying of salt out of brine in the sun, the policy has been rather to go in for maximum production, while in the case of certain works in the Bombay Presidency, we have asked them to slow down, because we thought the stocks were getting too big. However, that is not really the point. The real point is that we may have to put a limit upon the production, but the result of the admirable work done by the officer in the scheme has been to make it possible for us to be assured of getting the production we do require and not to have it precarious.

553. *Sardar Mutalik*.—Do you think that if an officer promulgates and completes a scheme and that it is very productive, these financial irregularities should be allowed ? My impression is that there is really something very serious at the bottom ?

Mr. Lloyd.—That is a matter on which I can't say anything at present, because we have not yet dealt with the case finally.

Chairman.—The difficulty in this case is that these irregularities have been before the Government of India in one form or another for over a year. Both Mr. Lloyd and I have at different times visited Sambhar Lake. Obviously there is some confusion. The audit report, which is the basis of this, runs to a great many pages, and it has been answered in detail by the officers concerned, and their answers also run to a great many pages. The whole thing is at the moment being printed. It has not been fully examined, and therefore it is quite impossible for Mr. Lloyd to express at this stage an opinion as to what his final judgment about these irregularities will be.

554. *Chairman.*—What is the total capital cost incurred in this ?

Mr. Lloyd.—About 33½ lakhs.

In reply to Dr. Datta, Mr. Lloyd said :—The thing was to prevent an inevitable increase in the cost of production owing to various reasons such as the great difficulty of labour.

555. *Dr. Datta.*—Are the Sambhar works really necessary for the maximum production and for the salt supply of India ?

Mr. Lloyd.—It is undoubtedly essential for the requirements of India under present arrangements. It has been always relied upon to supply something like a sixth of the total production of India.

556. *Dr. Datta.*—Suppose you reduce the salt tax, can't we get the requisite quantity ?

Mr. Lloyd.—You would still need it, because the question of transport comes in more than anything else. All round Central India and the United Provinces you could not get other salt without paying prohibitive railway freight.

557. *Dr. Datta.*—Do you think that if these 33 lakhs are put into the capital account, you can pay interest on it ?

Mr. Lloyd.—That will be done in the commercialisation of accounts.

558. *Dr. Datta.*—It has not been done ? You are not quite sure ?

Sir F. Gauntlett.—From 1st April 1924 commercialised accounts have been started. So interest is now coming into the cost.

Chairman.—The difficulty is you have not got the previous cost with which to compare.

Mr. Joshi.—We have heard Mr. Lloyd's statement that the subject matter is a quite complicated one for this Committee to express an opinion upon. There are the statements of the Auditor and it has been said that the Auditor has made mis-statements and has not appreciated the position of the officers. On the other hand Mr. Lloyd stated that on the whole he put forward before us the difficulties of the officers. I feel, therefore, that, considering the importance of this subject, this Committee, instead of going into these statements should request the Government of India to appoint an independent committee consisting of the officers of the Department and of the Audit Department to go into this Audit report as well as these statements made by the officers and make a report on it independently.

Sir F. Gauntlett.—It has been brought out that two requests were made for local audit. The first was made in 1917 when I was not occupying this post, when the gentleman who did occupy the post was a gentle-

man who had been the previous Commissioner, Northern India, Salt Revenue. He was quite satisfied with the internal arrangements and therefore at that stage he said nothing further was necessary. In 1921 when it was asked, all our offices were about 30 per cent. below the proper strength. Every office was increased during 1921-22 by at least 30 per cent. It was quite impracticable to take on any further work at that stage.

Chairman.—This is one of those cases where the matter is still *sub-judice*, but in view of its importance the Auditor General has brought it before us. I think that it is so important that even under the new regime he would have felt it incumbent upon him at any rate to mention in this report. It is too big a case to be left hanging on. But at the same time we are not in a position to investigate it until the facts are more or less agreed. As regards the appointment of a special Committee, it does not at this stage commend itself to me personally. The matter is extremely complicated. It is a matter between the Audit Officer and the officers of the Department. I fancy they are likely to come very much closer together and come to agreed statements if a little more time were given and it will then be for the Government of India to attempt to apportion praise or blame, and, what is still more important, to secure that such irregularities as are proved are prevented from recurring. At this stage at any rate I am not sure it has become a scandal requiring special investigation by a special Committee.

Sir F. Gauntlett.—I would like to make one comment with regard to a remark of Sardar Mutalik. I have no feeling whatever, after reading everything that the Audit Officer has put before us, for believing that the Engineer in charge is in any way pecuniarily responsible or that he has benefited in the slightest degree.

Chairman.—It is clear that the Engineer, anxious to make a huge success of the scheme, was impatient of the rules and regulations that got in the way. He did not worry much about his accounts, but there was no concealment of accounts, as far as I can see. But of course the matter was still *sub-judice*.

Sir F. Gauntlett.—In the local accounts there was no concealment whatever, but in the accounts sent up to the head office there was. I think that is correct.

Mr. A. H. Lloyd.—Mr. Fergusson asks me to mention that the Engineer asked for permission to be allowed to send up copies of his own accounts.

Chairman.—It must be investigated before we can pronounce upon it.

559. *Sardar V. N. Mutalik.*—What is the exact position with regard to this affair ?

Chairman.—This matter is *sub-judice*. It is obviously very important. It must be cleared up and the responsibility ultimately meted out and brought before the Committee next year.

560. *Col. Crawford.*—A free hand and discretion should be given to an officer carrying out a big scheme of this kind, but I would inquire what power the Government of India had or what they did to give discretion to an officer of this kind.

561. *Chairman.*—I think he was given unofficially all the discretion that was necessary. But the point is he ought to have had some more accounting assistance. I do not know if he asked for it.

Mr. Lloyd.—He very definitely asked for it. He was so persistent on this matter of assistance that he several times asked for permission to resign.

Chairman.—There is obviously a real laxity of system behind this.

Sir F. Gauntlett.—I have just seen very detailed orders issued by the Railway Board specifying exactly what the powers will be of the Engineer-in-Chief of the Vizagapatam Harbour project. If a statement of that sort had been duly considered and issued to the Engineer in charge, instead of giving him this sort of unofficial discretion, perhaps a good deal of this trouble would not have arisen. In fact, I think he was given no more powers than an ordinary Executive Engineer, which are practically almost negligible. That is one of the main sources of the trouble. He was not given more power.

Mr. Lloyd.—Not officially. In 1923 he came up with a huge batch of reappropriations. He justified these as in exercise of this free hand that he supposed had been given to him.

Sardar V. N. Mutalik.—May I tell you what I feel about these reappropriations? I feel that you have budgetted more than your actual requirements, and secondly you have given so wide powers that any misuse of them is quite possible.

Mr. Lloyd.—“Any misuse.” is perhaps a rather strong remark. As regards over-estimates, the officer concerned has stated that his estimates were framed on generous lines in order to provide for unforeseen contingencies. Government is responsible for the estimate.

Chairman then inquired if the Committee approved of Mr. Joshi's suggestion for the appointment of a special committee.

Mr. Joshi.—There is more than one reason why I suggest this committee. This is not a case of an irregularity committed by one officer. The whole Report shows that the Department was not properly managed, and secondly, I doubt whether the Govt. of India's control over this Department was properly exercised.

Chairman.—We do not yet know the facts. I think next year will be time enough to recommend a special committee to inquire into this matter when the facts have been more or less ascertained.

Sardar V. N. Mutalik supported Mr. Joshi's suggestion.

Chairman.—Before the Committee can inquire there must be some facts. The Committee that is proposed at present is simply to do the work of the Govt. of India. We have not yet completed our investigation. Until that is completed I think it is premature to suggest that a Committee should be appointed to inquire into this matter and to apportion praise or blame.

Dr. Lohokare.—The point is this. This Public Accounts Committee will go out at the end of this year, and consequently, before the next Public Accounts Committee comes into existence there will be a good deal of time. Government may appoint any committee they choose to inquire into this matter.

562. *Chairman.*—If in next year the Public Accounts Committee after considering the ascertained facts, not the disputed facts, thinks a special inquiry is necessary to apportion praise and blame, that will be the proper time to make an inquiry. Now it is too soon.

Mr. Joshi.—We shall only be delaying matters.

Col. Crawford.—When the facts have been ascertained the Public Accounts Committee will perhaps itself be able to come to a decision.

563. *Dr. Lohokare.*—It is our duty as members of the Assembly not to allow the thing to sleep over.

Chairman.—The Auditor General will not allow it to sleep.

Mr. Lloyd.—The Central Board of Revenue and the Government of India must have time to consider it. I think the Chairman has made it clear that the Government of India cannot agree to this going before a committee until the Government of India has itself examined it. I cannot undertake to examine a case of 100 pages of audit report and a corresponding amount of rejoinder at very short notice.

Chairman.—The Salt Department and, if I may add now, the Audit Department have been brought before this committee with a certain amount of criticisms against them. They will be extremely anxious to clear the whole case up and to see that their position is not left misunderstood. That is the last thing they want.

Dr. Lohokare.—If it is promised that immediately the next Public Accounts Committee is appointed a report will be made to them, then it is a different matter.

Chairman.—This subject will be included in next year's report.

Sir F. Gauntlett.—The whole of this report of course is based upon inquiries made by one of my subordinate officers on the spot. Naturally I have not had an opportunity of investigating on the spot the actual details on which the report was based. I could not possibly do so having regard to the other work for which I am responsible all over India. What is happening at present is that paragraph by paragraph is being investigated by the Central Board of Revenue and when they have tentatively framed their conclusions and the arguments on which those conclusions are based, I shall be able to arrive at a considered judgment and if that considered judgment goes back to the Government of India, there may be a further rejoinder and it may be then fit for the Government of India to express a final opinion but I should be most reluctant myself to proceed with that detailed discussion at the present moment.

Chairman.—The Auditor General has entire discretion as to what he puts into the Audit Report and in view of what has happened the last thing he is going to do is to say nothing about it in the next year's report. He is obviously going to bring it forward in the next year. I am sorry there has been delay. In particular this officer himself is very anxious to come before this committee and clear what he regards as a slur on his character. From his point of view, it is unfortunate that there should be delay. Taking the whole case, I propose that the matter should be investigated by the Government of India and presented in the next year's report in detail with a view to a final decision.

564. *Col. Crawford.*—Certain general points seem to arise. One is that an accounts officer is obviously necessary for schemes of this sort.

Chairman.—We can bring that out in our report.

565. *Dr. Lohokare.*—How many years' service has the Engineer in charge put in ?

Mr. Lloyd.—He retired shortly after the completion of this scheme. He had reasons to believe that his prospects in his own province suffered because he had consented to carry this scheme through instead of going to his own province. He was told that if he did not come back his prospects would suffer. He finished this job and retired on proportionate pension.

566. *Dr. Lohokare.*—He is no longer in Government service ?

A.—No.

567. *Mr. Joshi.*—This report has become public property. This report cannot be suppressed and the public will not be satisfied because the Government themselves are to a certain extent involved. The charge against Government is laxity of control.

Chairman.—The only possible result of your argument is that under no circumstances should the Auditor General mention a case that is *sub judice*.

568. *Mr. Joshi.*—This is the case of a department.

Chairman.—It is only one particular scheme.

569. *Mr. Joshi.*—It is not a single act. It is a series of acts.

Chairman.—It is all one case. I think that now we know the exact position we may discuss it among ourselves and come to a decision. I should like to say that if the audit report is published in this form it obviously gives rise to a bad impression. I think we must discuss this in our report. There is a good deal of other points in this report about the Northern India Salt Department.

Mr. Lloyd.—There is one passage which I feel it my duty to mention.

Chairman.—The best way would be to take this paragraph by paragraph.

570. *Chairman.*—Any remarks on para. 34 ?

Mr. Lloyd.—I am afraid I have no remarks on that, Sir.

571. *Sardar V. N. Mutalik.*—Why was there a large saving ?

Sir F. Gauntlett.—Specific reference will be found on page 239. There is a saving of 3½ lakhs on 30 lakhs under establishment.

Mr. Lloyd.—The only remark I would make is that it was under the administration of the Government of Madras at that time and it is common experience to make insufficient allowance for leave, new men joining at the bottom of the scale, etc., in establishment matters in the figures that come up from the Accountant General.

Chairman.—It is the general question of over-estimation of establishment.

Mr. Lloyd.—The Central Board of Revenue according to its lights has been taking action in the matter, but it is a very difficult problem. We have been making deductions for the last two years.

572. *Sardar V. N. Mutalik.*—Who is responsible for the budgeting ?

Mr. Lloyd.—The responsibility of course ultimately rests upon us, but we were led by the material which was supplied to us, and, as I say, in the case of establishments, we are very much in the hands of the Accountant-General.

Mr. Mukherjee.—The main difficulty in this case is with regard to supplies, services and manufacture charges. That is the item in which there is usually a large saving. The next item of importance is Capital expenditure.

Mr. Lloyd.—There is an explanation on page 226.

Sir F. Gauntlett.—If we can go back for a moment, Sir, to the question of pay of establishments, I think it is one to be threshed out, because, I imagine, there is some misunderstanding between the administrative departments and the audit office as to what is the respective responsibility of the two branches with regard to pay of establishments. It seems to me that the responsibility of the audit department ought to be to check that the sanctioned scale shown in the budget estimate for which money is asked accords with the sanctioned scale recorded in the audit registers. The amounts that ought to be deducted for savings, etc., ought to be apportioned by the executive department which is ultimately responsible for the estimate.

Chairman.—That is very much so. In budgeting first of all you want to get the exact sanctioned figure. That is the duty of the accounting staff ; the executive department and the finance department—and I think to some extent more the Finance Department—ought to be responsible for doing their best to see that there is no unduly large margin in any vote and that they have got to judge by their experience of previous years.

Sir F. Gauntlett.—Statistics ought to be kept of difference between estimates according to sanctioned scales and actual expenditure year by year.

Chairman.—There is considerable improvement in the matter of watching progress.

Sir F. Gauntlett.—That is almost entirely due to the fact that there is now a special audit section which deals with salt revenue, etc.

573. *Chairman.*—Paras. 38, 39, 40. All these show that there have been over-estimating again.

Sir F. Gauntlett.—I have commented on para. 40.

Chairman.—As a matter of fact we have introduced closer check over the details of expenditure

574. *Sardar V. N. Mutalik.*—Have you got any comprehensive programme extending over some years about your works ?

Mr. Lloyd.—That question would only arise in the case of new works. We have now fallen back to what we call the routine manufacture position. We are not expecting any Capital works.

575. *Chairman.*—You have a little railway line, and development ?

A.—Yes, we have the general electrification scheme.

576. *Mr. N. M. Joshi.*—Is the system which is referred to in para. 40 by the Auditor now changed ?

Mr. Mukherjee.—That is the present position, Sir. The estimates are not prepared beforehand.

Mr. Lloyd.—We have asked the Commissioner to let us have estimates in advance whenever it is possible.

577. *Sardar V. N. Mutalik.*—On what basis do you sanction the estimates ? Is there at least a rough estimate of the works ?

Chairman.—There is general provision for new works, development works at Khewra. The details which go to make that up are detailed estimates that are sanctioned during the year.

578. *Sardar V. N. Mutalik.*—Do you examine the scheme before any money is sanctioned.

Mr. Lloyd.—The Commissioner does ; we do the best we can.

579. *Chairman.*—The duty of examining is largely delegated to the Commissioner ?

Mr. Mukherjee.—His power is restricted to Rs. 2,500. He can carry out works up to that amount.

580. *Sardar V. N. Mutalik.*—If you ask for the estimates beforehand, there is apprehension that the estimate may be made too high ?

Mr. Lloyd.—That is true. But when we discover that, we make a reduction in the sanction.

581. *Sardar V. N. Mutalik.*—I presume you place all these before the Standing Finance Committee ?

Mr. Lloyd.—Not the recurring works.

582. *Sardar V. N. Mutalik.*—New works.

Mr. Lloyd.—These are not new works in the true sense of the word. If you make a channel here or a channel there, that is not placed before the Committee.

583. *Chairman.*—Will the Commissioner tell us the sort of works that are in progress.

Mr. Fergusson.—At Khewra we are going to electrify the power. We are going, I hope, to redesign the depot of issue so as to issue more rapidly and more economically and with far less waste of labour.

584. *Chairman.*—In those cases you will prepare estimate and come up for sanction.

Mr. Fergusson.—The estimate for electrification has been prepared by Mr. Pitkeathley ; the other has been worked by Mr. Lancaster who is the headman of the East Indian Railway collieries and who is supposed to be the best expert in India.

585. *Chairman.*—Will those estimates go from you to the Central Board of Revenue ?

Mr. Fergusson.—The estimate for electrification has already gone and has been sanctioned. The other one is about to be submitted to the Board.

586. *Chairman*.—Are those estimates submitted to the Standing Finance Committee ?

Mr. Lloyd.—I think so, speaking from memory.

587. *Chairman*.—The ordinary rules apply ?

Mr. Lloyd.—There is nothing to the contrary.

588. *Chairman*.—Work is started after the estimates are sanctioned with regard to big works. As a matter of fact here we are talking about really minor works.

Mr. Lloyd.—Tram lines in the mines, staff quarters, etc.

Chairman.—One has to be careful. We do not want to tie the Commissioner hand and foot so that he may not get salt. The main point, I think, here is that the estimates should be prepared as far as possible on the basis of sanctioned schemes. This should certainly be the case with all major works.

Mr. Kaula.—For emergent work in some departments special powers are given to local officers, may not the local officers in the Salt Department be given special powers ?

Chairman.—What you really want is a careful set of rules.

Mr. Fergusson.—May I give an instance. We were pulled up not long ago for making a tunnel in the Khewra mine. This was put down as a capital work because it was not work in salt but in rock. We had to do it because we were ordered by the Chief Inspector of Mines. We had to go on with the work while we sent up the case for sanction. Cases like that ought to be covered by something.

589. *Sardar V. N. Mutalik*.—So far as manufacturing business is concerned, there can be no necessity of estimates before you begin your work. But so far as capital works like buildings, etc., are concerned you ought to have some estimates.

Mr. Fergusson.—We never sanction buildings without full estimates.

590. *Sardar V. N. Mutalik*.—Is there a set of rules ?

Mr. Lloyd.—The ordinary Government rules apply.

Chairman.—I think we could recommend to the Govt. of India that they should take steps to remedy the defects mentioned by giving careful instructions as to the kind of cases for which authority is required.

591. *Dr. S. K. Datta*.—Para. 43. What is this profit that is mentioned here ?

Mr. Mukherjee.—That is a profit on the sale of salt to the traders.

592. *Dr. S. K. Datta*.—That is in addition to what you get for revenue purposes ?

Mr. Mukherjee.—Yes.

593. *Mr. Joshi*.—May I ask whether by including this profit you have taken note of the monopoly because all these profits are due to monopoly only ?

Mr. Lloyd.—It is based on the selling price of salt—4 annas a maund. There is no monopoly of salt.

594. *Mr. Joshi.*—You can control your supply and always try to show profit.

Chairman.—We always try not to show profit.

Mr. Lloyd.—I am afraid I misunderstood the question of Mr. Joshi. We have monopoly in that sense.

595. *Mr. Joshi.*—You have monopoly because Bombay salt cannot be brought to Northern India ?

Mr. Lloyd.—That is so.

Chairman.—The rule is that as far as possible no profit should be made on the manufacture of salt.

596. *Mr. Joshi.*—To whom does this Sambhar lake belong ?

Mr. Mukherjee.—It is leased from Jaipur and Jodhpur Darbars. We pay royalty to these two Darbars.

597. *Mr. Joshi.*—Who owns these salt mines ?

Mr. Lloyd.—The Government own them.

598. *Mr. Joshi.*—Supposing, instead of working the mines yourselves you ask other persons to work them, will you get something in the shape of royalty ?

Mr. Lloyd.—Yes, and the consumer will pay. We try not to make a profit.

599. *Sardar V. N. Mutalik.*—I presume you have taken up the Sambhar Lake for various other considerations. It is not only for the purpose of extracting salt ?

Mr. Lloyd.—We have taken it solely for salt purposes.

600. *Sardar V. N. Mutalik.*—I mean only to say that there is some policy also about the Salt Department. You cannot allow other States to produce salt.

Mr. Lloyd.—Yes ; the object is to prevent other people producing salt.

601. *Mr. Joshi.*—Don't you think there should be a very strict watch on the cost price ?

Mr. Lloyd.—That is why we are commercialising the accounts.

Mr. Joshi.—There is no competition and therefore there must be more than ordinary strictness in watching the cost of manufacture.

602. *Chairman.*—I think your point is that this Committee should watch jealously to see that the Government is not extracting a large profit from the sale of salt.

Mr. Joshi.—Yes.

Sir F. Gauntlett.—Does not Mr. Joshi go further and say we should watch our cost of production and see if it cannot be kept down ?

603. *Chairman.*—One of the recommendations of the Taxation Committee, now that we have unified the control of salt, is that we should have an expert inquiry into the question of our methods of producing salt with a view to seeing if we cannot get the costs down. They are very low. What is it ?

Mr. Lloyd.—Four annas a maund.

604. *Chairman.*—Are there any points in 55, 56 ?

Sir F. Gauntlett.—I have seen the full facts since this was written. Very roughly, the garden was almost essential for the benefit of the people; only the garden coolies were shown as workmen instead of being paid from a private fund maintained to show the garden accounts. That is really what it boils down to.

Mr. Lloyd.—I should like to mention that this irregular arrangement started in 1881 and it is rather difficult to find a person to take disciplinary action against ; also it was started on account of an outbreak of scurvy in that year.

605. *Chairman.*—57 :

Mr. Lloyd.—That again is a case in which we have not yet passed orders. I should just like to mention that I am informed that the principal reason why the cost of the water tower was greatly increased was because it was found that it was necessary, as the works went on, to double its capacity and the number of connections. It had nothing whatever to do with the provision of rooms. Of course a water tower has to be high up above the ground and the Commissioner said let us use the intervening space to provide rooms because we shall want more rooms. It merely meant putting in a certain amount of brick-work between the supports of the tank. One of the two rooms so made was taken over for the use of the Government because it was found to be required. The other one will be taken over if it is required, though it is being used by these officers to meet and play billiards in on their home-made table. But I do not think any officer can be criticised for showing the foresight of taking advantage of the erection of a building to have walls put to it in order to make provision for future needs.

606. *Mr. Joshi.*—Has any provision been made for the labourers ?

Sardar Mutalik.—I would not question the foresight of the officer in this case, but the expenditure should have been regularised.

Mr. Lloyd.—If it was not regularised, it should have been.

Chairman.—There are two questions here. One is irregularity of sanction, and though it is *sub judice*, it is fairly clear the sanction was not given properly. The other is the question of the provision of a club which, as it appears here, rather suggests prejudice. On the question of irregularity of sanction, it was irregular, but on the question of whether it should have been supplied, I think there is a certain amount of prejudice.

Sir F. Gauntlett.—The statement is made that no rent is charged for use of the buildings.

Mr. Lloyd.—With regard to the statement that no rent is charged, that is true. The officers use the lower room in which they have put a home-made billiard table. As all the housing accommodation, lights and fans in Sambhar are free, it did not occur to the Commissioner to charge for rent or for power for lights. Also the room will doubtless soon be required. But no one who has seen the pleasure which the use of this room gives to these hard-worked men in a lonely spot with no amenities could desire that the use of it should not be continued while it can. The Railways provide their staffs from capital with institutes and recreation

grounds and private employers recognise the value of such tonics for their employees. The Commissioner says, if he has exceeded his powers in permitting the men the use of this room, he asks for formal sanction to its use. He says railways charge no rent for their institutes, nor for electric installations, but they do charge for maintenance of institution metres, hire and current consumed. If desired, a separate metre can be added for this room and separate charges made, but unless Government are prepared to sanction the use of the room permanently, such expenditure does not seem to be justified.

Chairman.—I think we might leave this to be taken up later. Mr. Joshi asked whether the labourers are given a house. There is a note that a large sum was spent in building pucca quarters, grain shops, etc.

607. *Sardar Mutalik.*—Why was this sanctioned when it was not intended for Government employees ?

Sir F. Gauntlett.—That is one of the cases which is still *sub judice*.

608. { *Chairman.*—60.

{ *Sardar Mutalik.*—How do you frame your contracts ? Are they shown to the Government Solicitors ?

Mr. Fergusson.—In the past they have not been. There are old contracts which have gone on for generations. Recently I took them all to the Government Solicitor and asked him to go through the lot of them. He said they were not in exactly legal form, but they were probably all right. Since then he made some suggestions and I have an officer now going through the whole contract forms and making standard forms, and also a standard manual with regard to giving out contracts.

Chairman.—The Auditor General has a paragraph on this.

Sir F. Gauntlett.—I would call attention to it, because this is one of the cases that I have had a final opportunity of considering.

Chairman.—In paragraph 60, on page 7 of the Auditor General's report and para. 25 of his letter there is a reference to it.

609. *Sardar Mutalik.*—What is the system of giving tenders. You do not call for tenders generally from the public in giving contracts ?

Mr. Fergusson.—In the old days it was not apparently the regular custom to call for tenders ; now they are called for invariably.

610. *Sardar Mutalik.*—And you allow your officers to enter into contracts ? Your officers can send in tenders ?

Mr. Fergusson.—No.

611. *Sardar Mutalik.*—What is this "copper coin contractor"—what were his duties ?

Mr. Fergusson.—For the payment of thousands of labourers all round the Lake who are paid very small sums it was quite impossible for the departmental officers to carry all that amount of copper ; so they had to have a copper coin contractor for this purpose. I abolished him myself though he had gone on for many years ; we can exist without him.

612. *Chairman.*—Is 62 an improvement scheme case also ?

Mr. Lloyd.—No.

613. *Chairman*.—Have you any statement to make on that.

Mr. Lloyd.—This is a case on which the orders of the Government of India have been obtained. It is an *ex parte* case. I personally feel that the officer mentioned in this case and the Government of India have a right to resent the way in which this is expressed. It seems to me impossible to read this paragraph without reading into it the meaning that the officer was personally interested in the contract which was entered into with the society of which he was the president ; and also it is hardly possible to resist inferring from the wording of this note that the officer put up the society as a blind. The Government of India have already enquired into this case and were satisfied with it. Their decision was that whatever the informality the officer who organised this co-operative society of labourers had done very good service to Government ; and in the course of our enquiry we went into the question whether he was personally interested, and the fact disclosed was that he was not—neither he nor any of his friends or relations. Just like a very large number of district officers in India he had taken an active part in organising a co-operative society and the co-operative movement is much supported by Governments. It seems to me consequently exceedingly unfortunate that in this report after the orders of the Government of India had been passed the case should be described in such a way as to convey what seems to me a most misleading impression. There are 99 shareholders in the society—85 labourers, 10 skilled labourers like masons, etc., and the remaining 14 comprise 8 peons, 2 jemadars, 2 kotgashts (whatever kotgashts may be), 1 clerk and 2 retired kotgashts.

614. *Chairman*.—Who is the officer ?

Mr. Lloyd.—The officer is the president of the society.

615. *Mr. Joshi*.—The irregularity was that he was the officer charged with the execution of this contract and he became the president of the society.

Mr. Lloyd.—I was speaking rather in general terms at the moment, and I thought it my duty to enter a protest against the wording of this paragraph on behalf of the Government of India as well as on behalf of the officer concerned. I think if he was not a Government servant the compiler of this book might run a risk of successful prosecution for defamation of character.

616. *Sir F. Gauntlett*.—In view of that statement, would you kindly point out the actual portions of paragraph 62 to which you take exception ?

Mr. Lloyd.—Well the opening words—“ a certain officer was given large contracts for manufacture and other works relating to his own department.”

Sir F. Gauntlett.—That is correct ?

Mr. Lloyd.—It is technically correct, Sir.

617. *Sir F. Gauntlett*.—As president of a co-operative society ?

Mr. Lloyd.—Yes.

618. *Chairman*.—Mr. Lloyd, could you give us perhaps a little more of the details of the story—have you got it there ?

Mr. Fergusson.—I can speak as to its origin, Sir, if you like. This society grew out of a small settlement which I started in 1919. When I came to the department I found great difficulty in getting and retaining labour. When we wanted labour for manufacture we had to apply to the local authorities of the two States of Jodhpur and Jaipur. They brought men in—I do not know the methods they employed but they could not have been too pleasant because the men went away as soon as they could. We had great friction and endless trouble with the State authorities and in 1919 I reported to the Government of India that I proposed to try and form a little settlement. We leased a piece of land at the back of the Guda Salt Works and we started with about 20 men in very rough and humble style in huts. But 2 years later we built a low barrack as cheaply as we could build it ; that has been increased and now there are three lines of barracks containing about 90 rooms. While I was away on leave Mr. Strickland, who was Registrar of Co-operative Societies in the Punjab, acted for me. At whose instigation I don't know the matter first came up but he approved of the gangs working in these settlements being turned into a co-operative society. The man, in question who was the Superintendent at Guda, has a perfect genius for controlling labour and he got these men trained to work in gangs all the year round, and they are the most efficient labourers in the whole Lake after being turned into a co-operative society. The rules and every thing were drawn up while I was away by the Registrar in Rajputana because after I came back the thing started and one of the rules was that the Superintendent was the president of the society. I am afraid I just sanctioned it as somebody said there was no objection to his being president. I made a mistake there ; he should not have been made president without the sanction of the Government of India. Anyhow he worked for his societies as if they were departmental labourers, worked them in gangs exactly the way we worked the old departmental men before we had contractors. The first notice I took of it was when the despatch contractor—the man who despatches the salt from the Kewra yards—could not work on the rates of his contract and broke down and this society offered to take up the contract at the same rate. They made a little profit on it. The whole thing depends on the excellent system of working. The next thing that hapened was we had to put down in the Guda yard a two-foot gauge line according to the continental system of gathering salt, and the first year it was rather a ticklish business. We did not know how it would work, so instead of giving out a contract we worked out the very lowest possible rates and took our own men to make the experiment. The first year I took the co-operative society ; it was in Guda and we gave them a contract for the work. Incidentally the rates we worked out were rates for loading and scraping and did not include the hire of the locomotives and trucks. By some mistake the same contract was signed for all the places that had locomotives and trucks and you will find later we ought to have recovered from the contract rates for these locomotives and trucks but did not. They made a tremendous success of slewing the trucks and they were given the contract for the next year at the same rate. In subsequent years tenders were invariably called for and they as invariably got the contract for the lowest tender. They work as a departmental gang and what they have done is to bring down the rates for all kinds of contracts at the Lake very greatly. I see it is said somewhere—if it is not actually on this page please forgive

me but it is in one of the files—that the rates came down anyhow and it is suggested that the rates for loading and bagging at the Sambhar Issue Yards came down without any difficulty and it is suggested that this proves that the society was not responsible for bringing down the rates, the fact being that it was when the society came in and put in a lower tender than anybody else in Sambhar that the rates for this particular contract came down.

Sir F. Gauntlett.—Might I make one comment and that is, Mr. Fergusson, if I may venture to say so, has entirely omitted to mention the gravamen of this paragraph which I have brought out in my comment in paragraph 27. I do not mention there at all the formation of workmen into a co-operative society. The comment that I do make—and I regard this as one of the most serious cases in the report—is that an arrangement under which a responsible officer of Government is allowed to become a contractor as president of the society for work which he himself as a Government servant has to supervise, check and measure on behalf of Government is opposed to the fundamental principles of the control of Government expenditure. He as president of the society takes the contract and then as a Government servant he measures the work which the contractor does ; and as president of the society he presents the bill signed by himself and then as a Government servant he admits that the work has been done, then as a Government servant he authorises payment to be made. Those two duties ought not to be combined in the same person. That is the gravamen of my criticism.

Chairman.—You have heard the story of how it grew up.

Col. Crawford.—Remarked that though theoretically Sir Frederic was right, officers in India have often to perform both duties in the practical conditions under which they have to work.

Chairman.—There is not the least doubt that this gentleman is something of a genius in this matter of controlling labour. He has immensely improved the conditions of labour and saved Government money ; but that the arrangement is thoroughly irregular I do not think anyone would deny and the moment it was brought to the Government of India's notice they at once arranged that the officer in question should cease to be a Government servant and be transferred to foreign service as president of the co-operative society and cease to perform these dual functions which are obviously in theory an irregular practice though it conduced immensely to the well-being of a large number of labourers and to economy in the working of the Government department.

619. *Sardar Mutalik.*—What I want to know is to whom do the profits go—to the society ?

Mr. Lloyd.—To the men themselves.

620. *Sardar Mutalik.*—Is this man a shareholder of the society ?

Mr. Lloyd.—He is not a shareholder.

621. *Sardar Mutalik.*—So he is not interested in the financial affairs of the society ?

Mr. Llyod.—No.

622. *Lohokare.*—May I know what objection there was to working the system departmentally under those circumstances ?

Mr. Fergusson.—That is on one of the files.

623. *Chairman.*—This is altogether a very curious case where all rules were broken. What is the position now. Is he paid the same salary by the co-operative society as he got from the Government ?

Mr. Lloyd.—Yes. Sir.

624. *Dr. Datta.*—What was his pay as a Government servant ?

Mr. Fergusson.—About Rs. 400 a month.

Chairman.—I am inclined somewhat to agree with Mr. Lloyd that the form in which this is presented is calculated to convey a prejudice.

Mr. Joshi.—But the results show that the society can pay the man Rs. 400 a month.

Chairman.—The whole suggestion is that this man, owing to the irregular position in which he was, was probably making improper profits. I suggest that the Accountant General ought to present the case objectively, not as if he were a counsel for the prosecution.

Sir F. Gauntlett.—I have already asked Mr. Lloyd that I might go through this paragraph with him in detail word by word when we have due opportunity, so that we can consider carefully whether there is an imputation, because I am myself most anxious to present reports objectively and to put statements in the report which are necessary to an essential understanding of the position—not to pad it out and make it too long, and at the same time not to put in any innuendos or insinuations. Statements of fact ought to be as impartial as possible. If there is anything in this paragraph which militates against those principles which I have suggested, I will go through the paragraph with Mr. Lloyd and find out whether it has occurred and will put that to the officers who are immediately responsible for the preparation of this volume. The difficulty at present is that I am not immediately responsible for the writing of this volume. I cannot write fifteen or twenty reports all over India.

625. *Sardar V. N. Mutalik.*—But surely there must be something defective in the rules when you allow things like this to go on for some years ?

Mr. Lloyd.—There was no effective audit until Mr. Mukherjee began working in the end of 1924.

Sir F. Gauntlett.—There was no possibility at headquarters of apprehending that the officer who was the President of the co-operative society was the same officer as the one who passed the bills. You could not know it until you went there yourself.

Chairman.—I think that the Auditor General's note in paragraph 23 of his Report is very just in this connection. We have it before us, but I will read it again :—

“ The work of this department is undertaken in such remote localities that the Department has hitherto escaped adequate

local audit scrutiny. It is the application of this local scrutiny for the first time which has disclosed the revelations made in this report. It is a common experience in audit that the first local enquiry reveals startling features. I am glad to say that it is an equally common experience that energetic action is taken to rectify defects thus disclosed and after a few years the local audit settles down into a humdrum routine which is rarely enlivened by the discovery of serious irregularities. I trust that in succeeding years it will be possible to say the same of the work in the Northern India Salt Department."

That to my mind presents the position in these remote localities where you have an arrangement made which owing to the special character of this officers works extremely well but which is absolutely contrary to all ordinary theory of public accounts or anything else.

Sir F. Gauntlett.—I would only point out that the fact of a man presenting his own bills and checking the measurements of the work which he has done and then authorising payment himself,—it is no insinuation ordinary theory of public accounts or anything else.

Chairman.—I think the Audit Department has done a real service in bringing these facts to light. I have no quarrel whatever with their being brought to light ; all I have suggested is that I support Mr. Lloyd to a certain extent in saying that if one were to read this as it stands it looks as if the officer concerned were a limb of Satan doing horrible things.

Mr. Joshi.—Unless the Auditor goes out of his way and says that the man had no personal interest in the matter, the insinuation will be there.

Chairman.—He might have said that the matter had been carefully considered by the Government who had come to the conclusion that there was no insinuation personally against the officer.

Mr. Joshi.—The insinuation is due to the presentment of the facts.

Chairman.—I do not think it is.

626. *Sardar V. N. Mutalik.*—What sort of precautions did you take that the sums sanctioned by Government were properly spent when there was no audit ?

Mr. Lloyd.—There was a sort of local audit by clerks which was regarded as unsatisfactory.

Sir F. Gauntlett.—The documents purporting to represent what had taken place had always been forwarded to the office of the A. G. C. R. down in Calcutta ; but it is nearly 1,500 miles away from Sambhar. There was no local audit on behalf of Audit Department. There may have been a departmental local inspection.

Mr. Fergusson.—We used to send a head clerk from one office to audit the accounts of the head clerk of another office and Mr. Connolly strongly objected to this and asked for professional audit.

627. *Sardar V. N. Mutalik.*—Referring to the concluding portion of paragraph 62, why was Government inclined to pay more than what the accounts of the society showed as actual expenditure ?

Mr. Lloyd.—The Government preferred to have a valuation : that is the usual way of arriving at the price when property is transferred.

628. *Sardar V. N. Mutalik.*—But the accounts showed Rs. 81,000 : why did you sanction Rs., 1,000 more ?

A.—That was as a result of the valuation ; a railway officer was sent down to take the valuation and he valued the railway at more than what the society spent on it.

With regard to paragraph 65, the defects are being put right.

Sir F. Gauntlett.—Paragraph 69 is apparently a case of splitting up expenditure to evade sanction.

Mr. Fergusson.—May I say a word ? What happened was this : we thought that we could do it under the original estimate of Rs. 24,000. But when I went down during the rains I found that the office was working late hours till 10 and 10-30 and so I hurriedly said “ Give them two or three more lights : that cost Rs. 274 : I had no intention of evading sanction.

629. *Sardar Mutalik.*—Paragraph 71 : Surely this is an irregularity ; have you got anything to say ?

Mr. Lloyd.—The local government is of course really responsible for not taking any action ; it is a relic of the agency system which has been abolished.

Mr. Fergusson.—With regard to paragraph 74, I would like to say this : Khewra has a little co-operative society which makes no profit but simply sells stores to the miners and people at the least possible price. The department as a whole did not deal with the shop. I wrote afterwards asking if they did deal with the shop, and it was found that when they wanted small quantities of linseed oil and things of that sort, tenders were called for in all cases.

Sir Frederic Gauntlett.—The point of the objection is that permission was given on the condition that the department did not purchase any stores, and the Audit officer says that such purchases are being made.

Paragraph 75. No discussion.

Mr. Fergusson.—There are two rooms at the end of the headquarter salt office in Agra. They have been occupied free since they were built in 1870, I think. I myself reported to the Government of India that I was living free like all my predecessors and that I could find no sanction for it. It was reported by me that this was happening, and I have now to pay rents. They have asked me to pay rent.

The Committee adjourned for lunch till 3 P.M.

Evidence taken at the ninth meeting of the Public Accounts Committee held Friday, the 30th July 1926, at 3 p.m.

PRESENT :

The Hon'ble Sir BASIL BLACKETT, *Chairman*,

• Mr. N. M. JOSHI,
Maulvi Syed MURTAZA Saheb Bahadur,
Rev. Dr. E. M. MACPHAIL,
Dr. K. G. LOHOKARE,
Sardar GULAB SINGH,
Colonel J. D. CRAWFORD,
• Dr. S. K. DATTA,
Sardar V. N. MUTALIK,

} *Members.*

Sir FREDERIC GAUNTLETT, the Auditor General }
Mr. G. KAULA, Accountant General, Central } were also present.
Revenues. }

Mr. A. H. LLOYD, Member, Central Board of }
Revenue. } *Witnesses.*
Mr. J. C. FERGUSSON, Commissioner, N. I. S. R. }

The Committee re-assembled after lunch at 3 p.m., Mr. Lloyd was examined in continuation.

630. *Chairman.*—With reference to the comment that the Auditor General made, I notice that on page 225, Appropriation account on Salt, the saving in non-voted expenditure is only Rs. 16,000 whereas the saving on the voted expenditure is Rs. 17 lakhs. It has been suggested that this is because one is under the control of the Assembly and the other is not. Would you accept that as an explanation ?

Mr. Lloyd.—I certainly can see no reason whatever for accepting that suggestion.

631. *Chairman.*—You see the explanation of this case on top of page 228. The non-voted expenditure is salt compensation of which the figure is almost exactly known in advance. It is a fixed sum not subject to variation.

Mr. Lloyd.—Yes.

Mr. Kaula.—There is another explanation. In the case of non-voted funds, re-appropriations which are sanctioned by the Finance Department are also treated in modification of grants whereas in the case of voted expenditure, such re-appropriations cannot be so treated.

Sir F. Gauntlett.—That only explains variations in sub-heads but does not explain variations in the total grant.

632. *Chairman.*—The original non-voted figure, if you look at page 228, was Rs. 31,23,000. It is shown on page 225 as Rs. 30,95,000. It seems to me that the figure should be the same as in the original Budget.

Mr. Lloyd.—I think it is fairly clear. If you look at page 228, against the original net grant of Rs. 30,51,000 appears the explanation that so much has been deducted.

633. *Chairman.*—On page 225 where the Summary is given the grant is the reduced grant after re-appropriations ? It is not the original grant ?

Mr. Lloyd.—No.

634. *Chairman*.—What appears on page 228 ought to appear on page 225 also.

Sir F. Gauntlett.—In the Summary you would like the original and supplementary shown separately ?

Chairman.—I think so. It is convenient. Anyhow, it is a very small matter.

Mr. Kaula.—The difference between voted and non-voted is this. In the case of voted grants, if there is re-appropriation from one sub-head to another, that does not affect the total. But even then the altered figures against sub-heads are not shown in the Grant column in the Appropriation Account. In the case of non-voted expenditure, such re-appropriations, both within sub-heads and also additional grants, do affect the figure in the Grant column. If there is an additional grant given, that will appear in the Grant column.

Mr. Lloyd.—There was also another thing. In this particular case it was a question of postponing the electrification scheme at Khewra. The electrification scheme was originally supposed to cost 4½ lakhs. It was re-examined and postponed pending examination by another expert as a result of which it was decided to have a much less ambitious scheme costing 2 lakhs.

635. *Chairman*.—Let us take New Works, page 231.

Sir F. Gauntlett.—Dr. Lohokare raised the rather important point whether any of these ought to have been regarded as new services, for which a supplementary grant should have been obtained. I would only say that they have been examined in audit and they have been accepted. I think it would be desirable that we should record a comment that these new works should be specially scrutinised by Audit to see whether they constitute new services.

636. *Chairman*.—Page 231. This gives a very good idea of what is major works—over Rs. 2,500.

Sir F. Gauntlett.—There are two kinds of major works, first of all, major works over Rs. 50,000 and then unforeseen major works between Rs. 2,500 and Rs. 50,000.

637. *Sardar V. N. Mutalik*.—What is the difference between Major Works and Minor Works ?

Sir F. Gauntlett.—It is merely a question of expenditure. Each Department fixes its own monetary limit. In this Department it is taken as Rs. 2,500. The Railways might take it as 10,000.

Chairman.—The Standing Finance Committee have taken Rs. 20,000 as the limit for public works. I think a similar rule might very well be applied.

638. *Dr. Datta*.—Page 232. Where is Fergussonpur ?

Mr. Lloyd.—It is the little village where the Co-operative Society is situated. It is named after the gentleman who has been Commissioner, Northern India Salt Revenue, for seven years.

639. *Sir F. Gauntlett*.—I would draw attention to the fact that this list we are now considering is a new feature of the Audit and Appropriation Account, and I would ask whether the Committee desires all this mass of

detail and the observations on each individual work. It means an enormous amount of labour in compiling.

Chairman.—I am inclined to think that the Rs. 20,000 limit might apply to the Audit and Appropriation account.

Sir F. Gauntlett.—The general principle was accepted of dividing in this manner, giving all these observations. Do the Committee wish to read all these observations, when the estimate was sanctioned, what expenditure was incurred up to what particular date, and so on ?

640. *Dr. Dattā.*—What rate of interest is charged on capital ?

Mr. Mukherjee.—4½ per cent. on all capital expenditure up to 31st March 1924 and 5.54 per cent. on all subsequent expenditure.

641. *Mr. Joshi.*—Has the Central Board of Revenue got any separate financial adviser ?

Mr. Lloyd.—We have a staff to assist us but not an officer who can be called a special financial adviser. Our Secretary gives us exceedingly useful assistance in dealing with the budget. He is an officer of the Audit and Accounts Service. We are considering the question of strengthening our staff by the addition of an officer who might be called something in the nature of a Financial Adviser. We are discussing it now with the Auditor General. The scheme will cover the whole of our operations and not merely the Salt Department.

Chairman.—It has special reference to Customs and Salt.

Mr. Lloyd.—Primarily to Salt.

Sir F. Gauntlett.—The scheme was mooted some four months ago and it has been under my consideration for over two months and it has just been returned by me to the Board.

Mr. Lloyd.—We have made certain proposals to the Government of India.

642. *Col. Crawford.*—What is the explanation of this wastage mentioned on page 242 ?

Mr. Lloyd.—Wastage is a peculiar feature of Bombay. Some of the wastage is due to salt having been stocked too long and become unsaleable. It has to be put back into condensers in order to strengthen the brine. It is not really wasted.

643. *Sir F. Gauntlett.*—Do you try to keep this wastage as low as possible ?

Mr. Lloyd.—We are very much concerned with this question of stocks. We have certainly formed a provisional opinion that there is a tendency at the moment to produce too much from our own sources. We have obtained for this, amongst other reasons, the services of a special officer to investigate the whole problem.

644. *Col. Crawford.*—Could we make a comment on this subject ?

Chairman.—I think we might say that the whole question of producing salt at the lowest possible cost be examined, also the question of the amount to be kept in stock.

Taxes on Income. Page 222.

Sir F. Gauntlett.—I imagine there has been a very serious saving under pay of officers and under pay of establishment due to the full organisation not having been brought in.

Mr. Lloyd.—That is exactly the case. It is due to the gradualness of introducing our own organisation in various directions.

645. *Chairman.*—In page 224 there was a provision for Rs. 4,40,000 for probable savings. The actual saving is, curiously enough, another Rs. 4,40,000. That is a case where the deduction was more than justified.

646. *Dr. Datta.*—Under what conditions are savings like this surrendered to Government ?

Chairman.—If during the course of the year it becomes evident that savings can be effected in a particular work, it is reported to the Government of India in the Finance Department ; the amount is written off from the disposal of the spending officers of that department and the information is utilised for budget and other purposes.

647. *Dr. Datta.*—In this particular case was it only known at the very end of the year ?

648. *Chairman.*—Does the audit department see whether possible surrenders are notified to the Finance Department in good time ?

Mr. Kaula.—When the revised estimates are prepared, anything that could be surrendered is surrendered. It may be a little before the preparation of the revised estimates.

649. *Dr. Datta.*—Was a decision come to very late in this case ?

Sir F. Gauntlett.—The peculiarity is that new establishment is being introduced gradually and every month there will be more and more establishment. If the establishment were a fixed one, Dr. Datta's criticism would be absolutely sound. But the audit officer is not quite certain what new establishments are going to be entertained and he is therefore reluctant to advise that the savings should be given up.

Mr. Lloyd.—The C. B. R. is scrutinising these accounts, and watching the progress and we would certainly see that if anything could be surrendered it is surrendered in good time.

Para. 93.

Sir F. Gauntlett.—This relates to the use of Government servants for maintaining gardens.

650. *Chairman.*—Have you anything to add :

Mr. Lloyd.—No.

Mr. Kaula.—I have received further information. The Local Government agreeing with the audit officer that the expenditure was not justified passed order directing the agent to discontinue the services of the establishment. The establishment was accordingly disbanded from 6th April 1926.

Page 243.

651. *Dr. Datta.*—How are these advance payments recovered ?

Mr. Lloyd.—So much less paid when the final settlement is made.

652. *Dr. Datta.*—What happens when the crop is bad ?

Mr. Lloyd.—I have never heard of a crop so bad as not to be enough to cover the advance. The advance is only a proportion of the value.

Sir F. Gauntlett.—In any case it will be carried on to the next account presumably.

653. *Dr. Datta*.—Page 247. The quantity of opium in store, balance in store, was 8,136 chests. It is a clear case of over production. You were selling 3,000 a year. You actually had in stock on the 1st April 7,439, and the next year it was even higher, very nearly three years' stock.

Mr. Lloyd.—That is true. We have been very much concerned over the size of stocks and the failure hitherto to reduce the stocks of opium in our possession. As anyone who remembers the proceedings of the Assembly on a supplementary demand year before last knows, it was partly because we were taken by surprise over the unexpectedly big outturn of crop and generally because we have inherited the legacy, as we think, of a policy which might perhaps be described as a failure to visualise future prospects sufficiently; we have now drawn up a policy of our own for reducing cultivation in connection with the proposed abolition of exports, a very drastic policy to reduce cultivation, which in the course of a term of years is designed not only to cut off the amount of production which corresponds to the amount which is now exported, but also to absorb all but a reasonable balance of the stock that we now have in hand. The matter is not one that can be tackled by suddenly, stopping opium cultivation with any prospects of renewing it.

Chairman.—We had three seasons of exceptionally heavy crop one after another. Fortunately from our point of view this season is going to be a remarkably bad one, with the result that for the first time since I have been here I shall not have to present an opium supplementary.

654. *Mr. Joshi*.—Does the quality of opium improve or deteriorate with lapse of time?

Mr. Lloyd.—There is hardly any perceptible change.

655. *Chairman*.—Now we come to para. 95.

Sir F. Gauntlett.—I have a comment on that para., Sir. Cases of considerable loss of stamps in transit have again been brought to notice this year. In the previous report it was stated that the Controller of Stationery was to make proposals to Government for the prevention of such losses. It is not apparent whether these proposals have been submitted and orders passed thereon.

Mr. Lloyd.—As a matter of fact it has been decided that it pays us best to let the stamps continue to be carried at owner's risk. The amounts that have been actually lost in transit are reported as follows:—

	Rs.
1923-24	18,025
1924-25	239
1925-26	265

The amounts for the last two years have been so small that the Controller himself had written them off.

656. *Rev. Dr. Macphail*.—You have to insure them at the face value?

Mr. Lloyd.—I suppose we should.

Chairman.—As a general rule, the Government does not insure.

657. *Sir F. Gauntlett*.—The real issue is whether we should send at owner's risk or at railway risk?

Mr. Lloyd.—When I used the expression “insured” I meant that to refer to extra payment for railway risk. The matter was considered and we decided that it was not worth while pursuing it.

658. *Chairman.*—Page 253. There was a saving of nearly quarter of a grant. Was this a case of over-estimating ?

Mr. Lloyd.—It is a case due to the extreme difficulties of framing estimates at a time of transition, i.e., getting supplies from England and also starting our own works here.

659. *Sir F. Gauntlett.*—Page 254. Here, again, we have got a saving of 1 lakh and a half.

Chairman.—That was a supplementary grant, which is really less wicked. The saving does not upset the Budget figure.

660. *Chairman.*—Page 499. Is it possible to make more closer estimate in the future ?

Mr. Lloyd.—This was based on past actuals. In the case of a large province, I should think that it is very unlikely that such a big divergence would occur. In the case of a small place like Delhi, one or two small items alter the whole reckoning.

661. *Chairman.*—Does it mean merely that you have paid less in Delhi and more somewhere else ?

Mr. Lloyd.—I could not answer that question without examining the accounts.

662. *Dr. Lohokare.*—You say it is not possible to estimate these refunds ?

Mr. Lloyd.—I have just mentioned that it is not likely that a 50 per cent. error would occur in a large province. In the case of a small place like Delhi a refund claim by one single income-tax payer may make the whole difference.

663. *Chairman.*—The provision is based on past actuals. Now we come to Customs, page 20. *Mr. Lloyd*, have you got any note on para. 26 ?

Mr. Lloyd.—As regards Pay of Establishment, it is the same thing that we did before. We presumably had not realised to what extent we could cut down the figures that came up to us. That is a point which we are, of course, constantly watching.

As regards Overtime and Holiday allowance, it is a matter for which we can hardly be held to blame for the Legislature had approved the considerable increases in the rates of overtime and these increases were coupled with the reorganisation of the system upon which the overtime would be paid. It was therefore only possible to make a guess of what the actual result would be in the first year under the new system. Our guess was, as it turned out, excessive. The Standing Finance Committee agreed to the outlines of the scheme of the arrangement. As regards the supplementary grant of 50,000 obtained in February 1925 for Bengal, the Central Board of Revenue can only say that it made a mistake.

664. *Chairman.*—Paragraph 27.

Sir F. Gauntlett.—I have a general comment on paras. 27 to 29. This report leaves an uneasy feeling that there has been a serious leakage in this department which may recur. This department provides more revenue to the Govt. of India than any other department. Money stopping

this leakage would be well spent. The income of this Department is in the hands of the appraisers and the vital need at present is that their work should be properly supervised whether by adequate provision or otherwise. There is also evidence in this report that the internal audit conducted by the department is not as suitable as it might be.

Chairman.—Perhaps Mr. Lloyd would make a statement on this subject.

Mr. Lloyd.—Generally speaking, I discussed this matter with Collectors of Customs and none of these officers is seriously perturbed as to the integrity of the majority of their staff. A certain number of frauds have been detected in the period that ended in 1923. They were undoubtedly serious frauds and they led to the dismissal of a number of officers. But, generally speaking, any impression that the department is honeycombed with corruption is regarded as entirely without foundation by the officers who are directly in charge of the operations of these appraisers. As regards the improvement of supervision and check of their work, as I said last year, we recognise that there is undoubtedly scope for spending more money on improving the supervision and check. We have been discussing this matter at considerable length. I personally went round and discussed with all the Collectors of Customs a scheme that had been laid before us and after considering the various points of view the Central Board of Revenue recently drew up the outline of a scheme upon which it has consulted the Auditor-General, but no reply has yet been received. When we receive the Auditor General's opinion on our views, we propose to put the matter before the Govt. of India for general approval and then call for detailed proposals. The line upon which we are at present inclined to work is that we should considerably increase the supervising staff so that every document upon which appraisement is conducted should be dealt with first of all by a junior appraiser and secondly by a senior appraiser. At present such check as is exercised by the senior appraiser can hardly be called more than nominal. Before we proceed any further with it, we are anxious to have the Auditor-General's opinion because our scheme is not quite on the same lines as that originally put forward by one of his officers.

Chairman.—I think it will be convenient if we take this question of Customs rather generally first of all.

Mr. Joshi.—Though the department may not admit that it is honeycombed with dishonesty, the general opinion of the public, is that it is so.

Mr. Lloyd.—I personally would treat a statement of that sort in the form of a rumour, in the same way that I would treat an anonymous petition.

Chairman.—This is a matter to which I have devoted some personal attention partly because there were very serious frauds brought to light in Calcutta in 1923.

Mr. Joshi.—There has been personal experience of this.

Mr. Lloyd.—It is hardly fair to save up these personal experiences for this Committee. They should be reported to the executive.

Dr. Lokhokare.—It cannot be stopped in this way ; that is why we do not refer to them.

665. *Sardar Mutalik*.—It is absolutely necessary to have better supervision.

Mr. Lloyd.—We hope to arrange for that.

Chairman.—The question here is the corruption, if any, that exists in the Customs Department.

666. *Sardar Mutalik*.—Don't you think there is a good deal of scope for an under-valuation of goods ?

Mr. Lloyd.—There is a great deal of scope undoubtedly. It is a very responsible task and a very difficult task—that of an appraiser.

Sir F. Gauntlett.—That really underlies the whole of my comment. It is so responsible that it seems rather hard to leave it almost entirely in the hands of people who do not get a rate of pay which might remove any temptation to dishonesty.

667. *Col. Crawford*.—Will Mr. Lloyd give us an account of what happens when a case of goods comes in, so that we can understand the duty of the appraiser ?

Mr. Lloyd.—A document which is called the bill of entry is prepared by the importer, who enters upon that a description and the value or what he claims to be the value of the goods. I am speaking of goods assessed on their value, which is where the difficulty occurs. That document is presented to the appraiser, who examines along with it such other documents as may be produced in the way of invoices and so on, and also applies the result of his own inquiries as to the market conditions and sees whether, in his opinion, the value declared is or is not correct. If he sees it is not correct, the matter is reported to the Assistant Collector of Customs, who is in charge of the department. If it is correct he signs the bill of entry and the man goes off and pays duty and the goods are cleared, after final examination to verify that the description and the quantity are correct.

668. *Sir F. Gauntlett*.—And does that come under the scrutiny of any other officer provided the appraiser agrees to the accuracy of the entries ?

Mr. Lloyd.—Under the present arrangement there is in some ports a nominal scrutiny by the head appraiser which he has not time to make effective.

669. *Col. Crawford*.—There is no sort of audit of these appraisers' work ?

Mr. Lloyd.—The difficulty about audit is that the goods have gone, invoices have gone, shipping samples have gone, there is nothing for the auditor to work on ; but in practice there is this other check that there are other appraisers on the jetties. An importer, after he has had his goods appraised, comes to the jetties to have them examined. He has to produce all his documents with the invoices, for instance, initialled by the original appraiser, and there is always the possibility that the appraiser in charge of the examination at the jetty may check the valuation of the invoice. Also we are arranging, where the staff permits, for a certain amount of inspection of work on the jetties and wharves by an Assistant Collector of Customs, and when such an officer is going his rounds he does check bills of entry that he comes across. I myself used to do it in Rangoon. But all that is not very regular and not a very complete qualification of the suggestion made by Sir Frederic Gauntlett that where the appraiser has accepted the value there is very little further check.

670. *Col. Crawford.*—The difficulty of audit is that you have not the documents, but that could be got over by making a further set of documents which you would retain. You would have to have an officer for check.

Mr. Lloyd.—I have thought of that very seriously, but may I point out that you would have to have an independent set of documents from the supplying country, otherwise it would be no use. If you had a copy attested by the appraiser, it would be valueless. We would have to legislate for that. None of the Collectors of Customs whom I have consulted consider that that precaution is worth the trouble it will give to commerce.

Perhaps I under-estimated the amount of audit, though it is not cent per cent so far as checking with documents is concerned.

671. *Chairman.*—It is an internal check ? What does the internal audit department do ?

Mr. Lloyd.—They check all the records of the appraisers, including the appraisements so far as they are on record. That is to say they would certainly be responsible to see that the thing was issued at the right rate of duty and would see that the value was properly calculated as regards the quantity and rate per unit.

672. *Sardar Mutalik.*—Is the auditor expected to examine the goods ?

Mr. Lloyd.—No, the goods have gone.

673. *Rev. Dr. Macphail.*—The auditor does not check either the quantity or quality of the goods ?

Mr. Lloyd.—No that is impossible.

674. *Sardar Mutalik.*—So the auditor checks only the papers ?

Mr. Lloyd.—Only the documents.

Sir F. Gauntlett.—All that is brought to notice in this volume except in respect of cases in Calcutta which came to notice from other channels, is the result of a very small test audit applied by a staff that I have working under me, which visits each Custom office periodically and at each visit this officer of mine obtains all the documents relating possibly to two or three ships during the last year and goes through them in detail.

675. *Chairman.*—Is it quite true that this is brought out by audit ?

Mr. Lloyd.—None of the frauds ; most of the irregularities mentioned and mistakes, but none of the frauds were brought out by audit.

676. *Sardar Mutalik.*—What check is there if a merchant gives you a false invoice ?

Mr. Lloyd.—The check is the vigilance of the appraiser. That is what we rely upon to a very great degree.

Sir F. Gauntlett.—You would accept the statement that if there is to be real improvement, it must be done before the goods leave the Customs.

Mr. Lloyd.—That is the basis of the proposal we have just outlined and have forwarded for consideration to the Auditor General.

677. *Mr. Joshi.*—What salary do these appraisers generally get ?

Mr. Lloyd.—At the ports of Bombay and Calcutta they start on Rs. 250, and the highest pay of a head appraiser is Rs. 800. There is one head appraiser at each of these ports on Rs. 800.

678. *Col. Crawford.*—Have you any one man whose office it is to go round and find out irregularities ?

Mr. Lloyd.—No I do not think we can say we have that, except the Assistant Collectors where we have a big enough staff to afford it, to go about and see details of what is going on. But anything in the way of a special vigilance department we have is confined mainly to the prevention of smuggling. It is perfectly true that, in the course of its operations, it does come upon instances. I had a recent instance from Karachi where what looked like very serious frauds, not appraising, but on the other hand not smuggling in the ordinary sense were brought to light by the vigilance staff intended to investigate smuggling. But we have not really any organised staff to deal with this appraisement. And if you come to think of it, human nature being what it is, you will not get the best work out of your appraisers, who are a body of responsible officers, if you make them feel they are being subjected to the observation of detectives the whole time. The general impression among the Collectors of Customs is that these frauds which have been detected about 1923 and before were not symptomatic.

679. *Chairman.*—Would you agree that one of the most hopeful ways of avoiding these difficulties is to increase the number of specific duties ?

Mr. Lloyd.—I think that certainly obviously would reduce the strain upon the responsibility of appraisers, although it will never be entirely eliminated.

680. *Dr. Datta.*—What about your actual customers—many of these, through whom the bulk of your goods go, are reputable firms ?

Mr. Lloyd.—Yes.

681. *Dr. Datta.*—In that case you can pass their papers without any detailed scrutiny ?

Mr. Lloyd.—That is the case. (In reply to a further question from Dr. Datta). Who is going to feed the responsible officers but the original appraiser ? You see, there is one thing we cannot do—we cannot be asked to draw up a black list. From what we know of the working of large offices in India that black list would be public property in a very short time ; so we must leave it really to the discretion of the original appraiser.

682. *Dr. Datta.*—But the bulk of your goods go through reputable firms ?

Mr. Lloyd.—What is the definition of a reputable firm ? In a port which shall be nameless of which I know something, I should say that about half the goods go through firms whose declaration I should ordinarily be prepared, subject to reasonable checks, to accept. Probably 10 per cent. of the goods go through on the declaration of firms with regard to whom I should feel certain not only that an honest declaration had been made but also that very great care had been taken to see there was no mistake. I am afraid we cannot either have a list of goats or a list of sheep.

683. *Rev. Macphail.*—The double check you suggest—would not that be the best way out of the difficulty ?

Mr. Lloyd.—That is the most hopeful line, but we have not yet put it before the Government.

684. *Chairman.*—Is it in this same connection you have also raised the question of financial officers ?

Mr. Lloyd.—That is in a different connection—the control of internal audit ; this is merely a check on the acts of appraisers.

685. *Dr. Lohokare.*—Is there any percentage of check on appraisers by any higher official ?

Mr. Lloyd.—There is a nominal check in some ports. In Calcutta the volume of work was found to be such that its practice had to be surrendered ; but in some of the other ports there is a nominal check but it is not really enough to justify our making the senior officer responsible for overlooking a mistake. We want an effective check in all cases.

Chairman.—No more questions ?

Mr. Lloyd.—There was one question I remember *Dr. Lohokare* asked last year, and that is he said “ how much will it cost ”. Our present scheme will cost about a lakh of rupees a year. When you are dealing with a revenue of 45 crores that is not much. That is, for the appraising part.

Sardar Mulalik.—It is desirable to have a double check ?

Chairman.—Don't let us go over the ground again. We must put something in our report about this.

686. *Dr. Lohokare.*—We should suggest a percentage check.

Chairman.—I doubt we can make any detailed recommendation.

Mr. Lloyd.—We are suggesting a cent per cent. check !

Sir F. Gauntlett (to Dr. Lohokare).—I should not make your recommendation if I were you !

Chairman.—Paragraph 27. I think that is all covered by what we have been saying.

687. *Sir F. Gauntlett.*—Have the orders yet come out ?

Mr. Lloyd.—No orders of the Government of India. It was not thought necessary to obtain any particular orders of the Government of India in these cases. The cases were all dealt with and remedial action taken by the Department ; they were also considered by the Examiner of Customs accounts ;—I mean action has been taken to prevent a recurrence so far as it is possible, disciplinary action has been taken and various officers dismissed and so forth.

688. *Chairman.*—Paragraph 28.

Mr. Lloyd.—The only thing I can say about that case is that the police advised us not to prosecute. It is rather difficult to institute a criminal prosecution against the advice of the police.

689. *Chairman.*—Paragraph 29.

Mr. Lloyd.—That happened before the Central Board of Revenue took over the department.

690. *Dr. Datta.*—What steps generally are you taking ?

Mr. Lloyd.—In what connection ?

691. *Dr. Datta.*—To prevent corruption. What is this preventive staff ?

Mr. Lloyd.—That means the customs preventive officers who examine passengers' baggage.

692. *Dr. Datta.*—Who is the appellate authority ?

Mr. Lloyd.—So far it has been the Board of Revenue in Madras. In future it will be either the Government of India or the Central Board of Revenue. It depends on the new rules which are being drawn up.

693. *Mr. Joshi.*—This officer who was dismissed and then re-instated—was he re-instated as a matter of mercy ?

Mr. Lloyd.—As I said, that case was dealt with by the Madras Board of Revenue. All that we know about the case is that the preventive officer was dismissed by the Collector of Customs and on appeal he was reinstated. The Board observed that there was no conclusive evidence to prove that the baggage detained was the one passed by the particular officer. The appeal was accordingly allowed and he was reinstated.

694. *Chairman.*—Paragraph 30, sub-section (1). Has Bombay introduced the improved methods ?

Mr. Lloyd.—Yes, precautions have been taken now against the recurrence of this mistake.

695. *Chairman.*—Sub-section (2).

Mr. Lloyd.—This is about gauging. There is no doubt that the gauging department in Bombay got in rather a bad way. The Collector reports as follows : “ Investigations to which the Examiner of Customs Accounts ”—from whose report this is taken—“ refers originated mainly in reports received from the gauger then in charge of the bottling warehouse. As a result of these investigations which were very intricate and prolonged, I took disciplinary action with the approval, where necessary, of the then chief Customs authority. Since then I have had no fault to find with the work of the Gauging Department.”

Chairman.—I think the most important matter here is the question of local audit.

Sir F. Gauntlett.—I have a general comment on the whole of paragraph 30 which brings together the bulk of the points my examiners discovered in the course of the year :

“ The following defects of the existing system of local audit are specially brought to notice in support of the comments made last year as to the need of suitable measures in order to put the system of the internal check and audit in the Customs Department on a satisfactory footing :

(a) There was no certainty that bond bills of entry had ever really been audited.

(b) Local audit failed to note that standing orders were not complied with.

As a consequence of (a) and (b) above, not a little revenue was lost to Government.

(c) Local audit failed to detect non-payment of duty in the case of certain articles.

(d) Local audit failed to detect incorrect basis of assessment of duty on certain articles involving loss to Government.

(e) An erroneous method in the calculation of duty in several instances, continued for several years which resulted in a very considerable loss to Government and was not detected in local audit."

That is a general comment upon the efficiency of the present system of internal check.

Mr. Lloyd.—I should like to say that it is a comment upon the efficiency of the local audit in the period under review but not necessarily upon the system altogether. During the period under review or most of it the local audit department were in a bad way so far as the staff was concerned. It is during the last couple of years that we have obtained a considerable increase of establishment in order to strengthen the staff of those departments. It is obvious that, however satisfactory the system the work must be indifferent if the departments are insufficiently staffed.

696. *Chairman.*—Is it a fact that owing to the general pressure of economy the Customs were perhaps understaffed and the whole burden of that understaffing fell on the local audit because people were taken away for other duties which came first ?

Mr. Lloyd.—That was undoubtedly the case. The audit staff was reduced to almost a nonentity because we could not spare the men.

Chairman.—This is internal check ; it would be convenient to keep this clear from audit proper. They are part of the customs establishment.

697. *Mr. Joshi.*—Do they know anything about accounting or audit ?

Mr. Lloyd.—This is internal check. A very important part of their work is the check of executive processes seeing that all provisions of the law and all standing orders are properly observed and seeing that the standing orders are adequate. That of course so far from requiring a special person with audit experience, a person with customs experience is far better qualified to do.

698. *Sir F. Gauntlett.*—There is also an accounts check.

Mr. Lloyd.—Yes, that is also part of the customs establishment but it is not a technical accounts check, not to any great extent. The accounts check is not a check of the sort that deals with Budget provision ; it is merely checking the accounts, the figures and anybody can control that. These irregularities mentioned in paragraph 30 were almost all brought to light by the test audit. The test audit is done by the Auditor General's staff.

The Auditor General, I think, brought to light case 1. Case 2 was brought to light departmentally by neither audit nor check, but by an executive officer. Case 3 is a case which depends upon test audit. So case 4 : and so also case 5. Case 6 is mixed up with case 2, and I think may be called departmental as much as it is audit.

In this report there is no clear distinction between the cases. The Examiner of Customs Accounts has quite rightly included in his report everything of importance whether detected by him or not.

699. *Sir F. Gauntlett.*—But in so far as it is his work it arises from a check of perhaps two or three ship's manifests possibly once in two years ?

A.—Rather more perhaps.

700. Q.—For what period does he visit every port every year ?

A.—As regards the frequency of his visits, it is something under once in two years.

701. Q.—And certainly not a numerous number of ship's manifests only a few ?

A.—I could not give the number. The impression created is that it is only a few.

702. *Colonel Crawford*.—Do you think that outside audit is of value to you ?

A.—Personally I welcome outside audit, and the Auditor General is now trying the experiment of carrying on test audit all the year round in one of our custom houses.

703. Q.—And what is the result ?

A.—I do not think we are able so far to dogmatise as to the result.

704. *Chairman*.—We have now dealt with two important points—one as to appraisers and the other local audit. As regards local audit, your view is that immense improvement has been brought about in the last few years ?

A.—So I am told ; and as far as I can see that is so ; the work has improved considerably since we strengthened the staff. We have not by any means reached finality because any further developments will be bound up with the scheme we have under discussion for adding to our staff an officer who will assist generally in financial matters.

705. *Sir Frederic Gauntlett*.—And there is under discussion a suggestion that the internal check staff should be brought under the direct control of the C. B. R. ?

A. That is a question that will have to be settled.

Chairman.—That involves an amount of centralisation which rather frightens me !

706. *Sardar V. N. Mutalik*.—With regard to sub-para. (vi) (a) about ware-housing, what steps have been taken ?

Mr. Lloyd.—The position has been rectified. The work in connection with goods bonded after the 1st January 1921 has been brought up to date. As regards work before that date, it was found also that we could get no definite advantage by further examining the matter and so we closed proceedings ; but everything is now up to date.

707. *Col. J. D. Crawford*.—Is there coordination between the custom houses ?

A. The C. B. R. attempts to function in that direction. It is quite a new institution ; up till a few years ago they were all under the local governments. One of the principal reasons for constituting the C. B. R. in its present form was to coordinate customs work in all ports. The Board began to function from about the 1st April 1924. Most of these cases relate to a period before that date.

708. Q.—Is the Sea Customs Act up to date ?

A.—No ; it was passed in 1846 and has hardly been touched since. We are discussing with other departments of government various proposals to improve the Act ; I think we may say that we are actively discussing the actual amendments ; but the Act is so far from being up to date that it is an exceedingly detailed discussion.

Sir Frederic Gauntlett.—It has been extremely difficult for me to audit against the Act—so difficult that I think it is almost fair to say that the audit administration could not continue but for a ruling of the Legislative Department—I am not quite sure if I have got in accurate terms—but generally that it is not *ultra vires* of any Act for the Government to allow the importer to pay less than is technically required under the Act.

709. *Chairman.*—I think I am right in saying that the first thing the C. B. R. were asked to do was that they should set about the revision of this Act.

A.—It has been one of the things that we set about first ; we held a conference of Collectors of Customs in January 1924 and the discussion has been continuing ever since. If I may intrude a personal opinion, I am exceedingly glad that I was not able to get the whole thing finished within a few months of that conference, because I think the experience that I have gained during the last two or three years studying the working of the Act in its present form from the point of view of the C. B. R. has contributed greatly to the merit of any proposals which I may ultimately have to make as to its amendment.

710. *Chairman.*—Can you say anything as to the probable date when Government will be ready to come before the legislature with the proposed amendments ?

A.—I should imagine that there is good reason to hope that we may have a Bill (after obtaining public opinion) ready for presentation next Simla session.

711. *Q.*—The matter is between you and the Legislative Department now ?

A.—Yes ; as to the policy we have still points to obtain the opinion of the Commerce Department on.

712. *Sir Frederic Gauntlett.*—Would you agree that the Act in its present form is a great hindrance to the work of the C. B. R. ?

A.—I do not think I can say that because we have arrived at so many conventions that the hindrance has almost ceased to exist.

713. *Q.*—That is, that you act deliberately *ultra vires* of the Act ?

A.—Yes ; in a great many cases to the advantage of the public. Where we are not likely to be taken advantage of, we have a regular procedure which is quite illegal, one of which I may mention : we assess goods provisionally pending the production of proper documents at a latter date : there is no legal provision for that.

714. *Sardar V. N. Mutalik.*—With regard to (ii), are there many cases when you have to recover after selling the goods by auction ?

A.—It is obviously an occasion that would arise very rarely.

715. *Sardar V. N. Mutalik.*—Para. 31 (1). What are these exemption certificates from the Political Agent ?

A.—The personal property of Ruling Princes entitled to a salute of I think 19 guns is passed free of duty on the production of a certificate countersigned by the Political Agent that they are the personal property of the Ruler.

Case (2) : We have nothing to say about that : we have not upheld the Collector of Customs.

Case (3) : We did not consider any specific orders were necessary in that case.

Para. 32 : This we are discussing in the Government of India. The Collector has submitted a report which is being discussed in the Government of India now. The papers are, I think, with the Commerce Department at present. In fact in this connection I have made certain proposals for altering the Act which are being considered in the Commerce Department.

716. *Chairman*.—Is there anything on page 218 ?

717. *Dr. Lohokare*.—In spite of savings, you have asked for a supplementary grant ?

Mr. Lloyd.—An apology is due. The fact is that we were informed that there were savings of 2 lakhs to support the demand for a supplementary estimate.

718. *Dr. Lohokare*.—Page 220. What are these Sunday fees ?

Mr. Lloyd.—Vessels working on Sundays or holidays have to pay special penalties in addition to paying the ordinary overtime fees to customs officers. The Standing Finance Committee and the Government of India decided that we were entitled to take out of the proceeds of that. I should go back to the years before 1924 when the whole of those penalties were credited to general revenues in Bombay and Karachi. In Calcutta and Rangoon the whole of them were distributed either to customs officers or to charities on the principle that Government ought not to make a profit out of this. In Madras there were no penalties. We are entitled to take out of those funds overtime fees paid by Government for work done for which we cannot charge merchants. It is overtime-work on working days and not on Sundays, and the balance is distributed to various institutions and charities just as hitherto the whole used to be so distributed in Rangoon and Calcutta. There are several Seamen's Homes and in some ports here are Customs Clubs.

719. *Chairman*.—As regards notes to (c) under " Rewards " due to larger seizures of smuggled goods partly counterbalanced by savings under Pay of Establishment, is that at Pondicherry ?

Mr. Lloyd.—I should think so. The excess of course is a small one.

720. *Chairman*.—Has smuggling from Pondicherry been reduced ?

Mr. Lloyd.—So far as I have been able to see from the Collector's Report, the position is not very bad.

Chairman.—When we come to report, it is very desirable to bring out the general points prominently.

The Committee then adjourned till 11 a. m. on Saturday the 31st July 1926.

**Evidence taken at the tenth meeting of the Public Accounts Committee
held on Saturday, the 31st July 1926, at 11 a.m.**

PRESENT :

The Hon'ble Sir BASIL BLACKETT, *Chairman*.

Mr. N. M. JOSHI,

Maulvi Syed MURTUZA SAHEB, Bahadur,

Rev. Dr. E. M. MACPHAIL,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH

Colonel J. D. CRAWFORD,

Dr. S. K. DATTA,

Sardar V. N. MUTALIK,

Sir FREDERIC GAUNTLETT, the auditor
General.

Mr. T. K. RAJAGOPALAN, Officer on Special
Duty, Finance Department,

Mr. G. KAULA, Accountant General,
Central Revenues,

Sir J. E. C. JUKES, Financial Secretary,

Mr. A. C. LOTHIAN, Foreign and
Political Department,

Mr. E. B. HIGGS, Foreign and Political
Department,

Members.

were also present.

Witnesses.

Chairman.—Letter press p. 117, Accounts p. 476—Baluchistan.
Para. 166.

721. *Sardar Mutalik.*—Is there any special reason why so many re-appropriations were made here ?

Mr. Lothian.—We are not aware of any. I should think it is over-anxiety on the part of the local administration to do the correct thing.

Mr. Kaula.—What happens is that a proposal comes up for sanction of additional funds. The advance may be converted into a re-appropriation of funds without finding out whether funds are available elsewhere or not, whether there is a saving by it, so that they really don't know the progress of their expenditure.

722. *Chairman.*—As regards progress of expenditure we had a good deal of discussion with the Foreign and Political Department last year. Can you say anything about watching the progress of expenditure in Baluchistan ?

Mr. Lothian.—Yes, Sir, it used to be entirely left to the heads of local administrations. Now the local administrations have been requested to

send in progress statements to the Foreign and Political Department and the F. and P. Department itself will also check the progress of the expenditure. This is in accordance with the recent resolution issued by the Finance Deptt.

723. *Sardar Mutalik*.—But you expect the local administration also to watch the expenditure ?

Mr. Lothian.—Oh certainly.

Chairman.—We shall have to take this question on the excess vote.

Sir F. Gauntlett.—Might we ask Mr. Lothian if he thinks matters would be improved if he had a separate office for Baluchistan ?

724. *Chairman*.—You mean a separate accounts office ?

Sir F. Gauntlett.—Yes, at Quetta itself.

Mr. Lothian.—I should think it would be of very valuable assistance to the local government too.

Sir F. Gauntlett.—The N. W. F. P., scheme is under active consideration.

725. *Sardar Gulab Singh*.—Can't we have one for both ?

Chairman.—It is done from Lahore at present, isn't it ?

Sir F. Gauntlett.—No, from Delhi.

Chairman.—It doesn't take very much longer to get from Delhi to Quetta than it does from Peshawar to Quetta. You could not possibly have a combined office for Baluchistan and the N. W. F.

Sardar Gulab Singh.—For some years we had an educational department officer serving both.

726. *Chairman*.—That was a travelling officer. This is a question of a stationary office. Has the question of a separate accounts office for Baluchistan been considered at any time ?

Mr. Lothian.—It has not been considered.

Sir F. Gauntlett.—Not in detail. I know Mr. Johnston has often asked for it, spoken to me about it and said how much he would welcome it.

727. *Chairman*.—Is there as strong a case for it than for the N. W. F. scheme ?

Mr. Lothian.—No. The volume of work would be much smaller.

Chairman.—It is a matter that might be looked into. We might draw the attention of the Agent to the Governor General and Chief Commissioner to this matter.

Chairman.—Para. 167.

728. *Col. Crawford*.—Is there any change in government policy ?

Mr. Lothian.—I am not in a position to answer that question. It is a matter that concerns the Education, Health and Lands Department.

Sir F. Gauntlett.—Both 167 and 168 are very much on similar lines.

Col. Crawford.—I have seen in the press quite recently that there have been a lot of fruit trees cultivated all over the province.

729. *Chairman.*—We will ask Mr. Bajpai to answer questions on this. Is 168 also for Education, Health and Lands ?

Mr. Lothian.—Yes, Sir.

730. *Chairman.*—We will reserve that for Mr. Bajpai. 169. Have you anything to add as to the action taken by the local administration ?

Mr. Lothian.—It was really inexperience on the part of the officer concerned.

Chairman.—Para. 170.

Sir F. Gauntlett.—I have a note on 170, Sir. (Please see para. 41 of Auditor General's letter No. 704-Admn|83-26, dated the 9th July 1926.)

Chairman.—I think we shall have to re-affirm our recommendation of last year and stress it a little.

Sir F. Gauntlett.—When money is drawn from a government treasury and put into an important bank which fails it is brought home to one that risks are entailed.

731. *Sardar Mutalik.*—But apart from the question of the failure of the bank it is not quite a correct procedure to draw money from government and keep it.

Sir F. Gauntlett.—No, I only say that so as to show the risk that is entailed.

732. *Chairman.*—We must draw attention to it in our report. Para. 171.

Sir F. Gauntlett.—That is finished with.

733. *Chairman.*—172.

Mr. Lothian.—Action has been taken. The last para. shows that

734. *Chairman.*—173.

Mr. Lothian.—That concerns another department—Education. Health and Lands.

Sir F. Gauntlett.—It is called attention to because there must be some difficulty in procedure if two independent payments can be made on the same items.

735. *Chairman.*—Instructions have been issued. 174.

Sir F. Gauntlett.—I have a note on 174. (Please see para. 42 of Auditor General's letter No. 704-Admn|83-26, dated the 9th July 1926.)

736. *Chairman.*—Can you add anything to this ?

Mr. Lothian.—Yes, Sir I doubt if this case is so serious as would appear at first glance in reading through these notes here. The Accountant-General took objection to the grant on two grounds, (1) that the local administration had not the power to sanction such a grant in aid, and (2) that the object to which it was really devoted was not quite the object to which it was supposed to be devoted. As regards the first of these grounds it depends on the interpretation of article 62 of the Book of Financial Powers read with article 64, and article 62 is to the effect that minor local administrations have the power of making grants in aid or contributions to certain bodies in accordance with such scales as may

be prescribed. Article 64 empowers a minor local government to sanction grants in miscellaneous cases within definite limits and for objects for which no scales have already been prescribed. Well, the Accountant General's reading of that is that section 62 exists and therefore bars section 64 coming into operation in this particular case. The A. G. G.'s interpretation was that, as no scales were prescribed under 62 it was inoperative and therefore he had power under section 64. I don't know if there are any lawyers on the committee here at present (but it is obviously a very debatable point. As such it seems to me of merely technical importance.

737. *Chairman*.—That is a question of interpretation, we can get on to the question whether the money ought to have been spent ?

Mr. Lothian.—The second point is whether the money ought to have been spent. The A. G. G. states definitely that the road was a municipal road leading to this Gymkhana Club, intended purely for Indians, and he argues that at a time like this when there is communal strife in many places in India, any club of this nature which helps to encourage communal good feeling may be said to be in the nature of a public benefit.

Chairman.—If it is a municipal road, the question of the nature of the club may be ruled out and we come down to the one technical point, namely, this money was paid to the President of the Club and not to the municipality. That is the real point.

Mr. Lothian.—That is an admitted mistake which the Agent to the Governor General has explained in his letter the substance of which is reproduced in the note here. The case is still under consideration and the attention of the Local Administration will be called to the irregularity.

738. *Sardar Gulab Singh*.—Why not ask the Chairman of the Municipal Committee to pay this sum to the President of the Club ?

Sir F. Gauntlett.—The statement made is that the municipal authorities were too busy dealing with other roads.

Chairman.—It is an irregularity which requires to be avoided in future.

739. *Col. Crawford*.—Is there no regular programme for the repair of municipal roads in the order in which they ought to be repaired :—

Mr. Lothian.—I think that is fully explained here :

“ About a year ago, the Committee of the Club approached me and stated that they were endeavouring by improving their Club house and grounds to increase their membership and asked me if they could be assisted by the improvement of the Municipal Road leading to their club, the singularly bad state of which was extremely inconvenient. I enquired of the Quetta Municipal Committee who replied that the work was not only necessary and in every way advisable but that they had already allotted to repair of roads, equally dilapidated and necessary, as much as their somewhat scanty funds would admit. They, therefore, suggested that a contribution of Rs. 1,000 the estimated cost of repairing the road, should be made from Provincial to Municipal funds. This the rules permit and in the circumstances the contribution seemed in every way suitable. The contribution was accordingly made, and here the direct connection of this Administration with the matter ceased.

The Municipal Committee, whose staff was already fully occupied with their own road work took the not unreasonable view that as the membership of the Club included P. W. D., subordinates, petty contractors and the like, and as the Club was directly interested in getting a road which would be the best value for the money, the best course would be to have the work carried out by the Club. Here, however, the Municipal Committee admittedly committed an error in accounts procedure. Instead of bringing the contribution on to municipal accounts, giving the contract for the road to the Committee of the Club or a selected contractor and then adjusting the payment through municipal accounts owing to some mistake the money was paid direct to the committee of the club who executed the work of repairing the road in an entirely satisfactory manner. All that has happened was that there was admittedly a technical account mistake on the part of the municipal committee and I would ask that such regularisation be given to this as will satisfy the Accountant General, Central Revenues."

740. *Col. Crawford.*—My question was this. You have a series of roads in the municipality and this is one of them. Surely the municipality could prepare a list showing what portions of the roads require repair and the order in which the work could be carried out. Just because certain Government officials seem to be interested in a particular portion of the work, that is given precedence over other roads ?

Chairman.—They have had such a programme and they had devoted the funds available to other roads. They agreed that this road wanted repair but that they had no funds. They got a special grant from Government for it.

Mr. Lothian.—It is very largely a technical error.

Chairman.—The thing should be regularised and prevented from recurring again. The officer of Government who made the payment seems to be *ex-officio* Chairman of the Municipality. It is an irregularity which ought not to be allowed to occur.

741. *Chairman.*—Under item XII on page 476, there is an excess expenditure under non-voted and voted. Is there any special explanation ?

Mr. Lothian.—No special explanation except that but for the big lump debit referred to at note F, on page 488 there would have been a considerable saving in voted expenditure. The excess in non-voted was covered by re-appropriation.

742. *Chairman.*—When were these loans ordered to be written off ?

Mr. Higgs.—The Auditor General issued orders about the close of the year.

743. *Chairman.*—Was provision made for this in the next year's budget for this particular write-off ?

Mr. Higgs.—We wrote it off during 1924-25 and then the Auditor General after the close of the year said that provision must be made for this write-off. We could not take action then. This is an adjustment at the close of the year by a book entry. We had written it off in 1924-25.

744. *Chairman.*—Did you take any steps to secure funds ?

Mr. Higgs.—We went according to the old procedure.

745. *Chairman.*—What is the old procedure ?

Mr. Higgs.—We made provision in the next year's budget but it was disallowed. The Finance Department disallowed the provision made in 1925-26 for the write-off.

746. *Chairman.*—Why did not you then ask for a supplementary estimate ?

Mr. Higgs.—It was too late in the year. We had the budget under preparation at the time and if I am not mistaken it must have been about the end of February just before the presentation of the Budget. There was no time to present a supplementary estimate.

747. *Chairman.*—Did you consider the question of presenting a supplementary demand ?

Mr. Higgs.—I could not exactly say.

748. *Dr. Lohokare.*—Does this write-off apply to both the items ?

Mr. Higgs.—70,000 refers to another grant—F. non-voted. As regards the voted grant details are given in the note under F. voted.

749. *Chairman.*—The fact is that it ought to have been raised at the time when the Budget was under preparation.

Mr. Higgs.—I am not certain of the facts. Might I ascertain.

Chairman.—Please do so and find out whether the question of a supplementary estimate was raised because an excess vote has been incurred and it looks *prima facie* that there was time to present a supplementary estimate. The fact remains that an important failure to obtain a supplementary demand has occurred.

750. *Col. Crawford.*—Even if the whole vote is not exceeded, must we still go for supplementary vote ?

Chairman.—Yes, because you have got to get sanction from the Assembly for voted expenditure. If you have saved on non-voted, it does not authorise you to exceed the amount allotted for voted expenditure by the Assembly. You still have to regularise it by obtaining a vote from the Assembly. It may have been thought that the saving on Political Account No. VIII, was available for balancing this non-voted expenditure, *Mr. Lothian.* You might look into that.

Mr. Lothian.—Yes.

751. *Sardar V. N. Mutalik.*—Page 478. Account II.—Throughout these accounts there is a large saving on almost every item.

Mr. Lothian.—These small savings, I gather, are due to grain compensation which is necessarily a fluctuating amount and also to leave salaries. A general explanation in regard to the latter has been given at the beginning of the Report in para. 19. It explains these small variations in most cases.

Chairman.—We will take up the question of leave salaries as a general question.

752. *Chairman.*—Page 479, No. 3, B-6. Items B-5 and B-6 go together.

Mr. Lothian.—A head which was originally a single head has been subdivided.

753. *Sardar V. N. Mutalik*.—Account No. VI. Why should there be an excess under A-4 in office establishment ?

Mr. Higgs.—I might explain that all these excesses have been covered by savings under other heads.

754. *Mr. Joshi*.—Under A-1 there is a saving of Rs. 13,000.

Chairman.—It is due to the transfer to non-voted from voted and non-utilisation of provision for leave salary.

Mr. Higgs.—The voted saving was Rs. 18,072. That amount was transferred to non-voted *vide* the first column (Rs. 13,500) and that is explained in the foot-note.

755. *Mr. Joshi*.—The place of voted officer was taken by non-voted officer.

Chairman.—Yes.

756. *Sardar V. N. Mutalik*.—Under A-6 there appears to be a large saving compared to the original grant. Out of a grant of Rs. 1,51,000 we have a saving of Rs. 46,000.

Mr. Higgs.—A-5 and A-6 go together. A-5 was Rs. 46,000 and A-6 Rs. 1,51,860. But the A. G. asked for certain alterations as detailed on the next page, and they were made with the consent of the Finance Department, so that the altered grant was Rs. 1,58,040. The expenditure against that was Rs. 1,43,178. The real saving is therefore Rs. 14,862, which has been very lucidly explained by the A. G. C. R., in the foot-note. The total saving of Rs. 14,862 was due mainly to no charges having been incurred on account of compensation for dearness of provisions.

757. *Col. Crawford*.—Account No. VIII, Political.—There seem to be large excesses under these sub-heads.

Chairman.—These sub-heads were at the time simply one unit of appropriation. After the close of the year they were altered.

Mr. Higgs.—May I take the whole head Political together ?

Chairman.—Yes.

Mr. Higgs.—I have an explanation about that—

“ The position as regards non-voted expenditure is briefly as follows. The total savings under non-voted heads amount to Rs. 1,49,000 (round). Of this Rs. 41,000 (round) occur under “ Account XIV—Other Charges relating to “ Subject ” demands A-Interest on works for which no capital accounts are kept ”, and is due to adjustment having been made by the Auditor General in the closing entries. Deducting this amount from the total savings, it will be seen that the A. G. G. in Baluchistan is responsible for savings to the extent of Rs. 1,08,000, round. The reasons for the occurrence of savings of Rs. 91,000 are satisfactorily explained by the A. G. G.”

He effected a saving of Rs. 91,000 in his budget under 29-Political, all of small amounts with the exception of the undermentioned items Rs. 20,000 under pay of officers, Political Agents, Rs. 9,031 under pay of establishment, Political Agents, Rs. 8,928 under Zhob Levy Corps Allowances, Honoraria, etc.,

and Rs. 14,142 under Makran Levy Corps Supplies and Services.

“ Items (1) and (2). Pay of officers and pay of establishment. It was thought that in accordance with the previous practice the salaries of officers on leave out of India would be debited to Baluchistan Area Demand.” He therefore made the necessary provision for leave salary.

“ Item (3). The same remarks apply to this unit to which are charged the local allowances of a large number of men.

“ Item (4). Under this unit a margin is intentionally maintained to meet charges on account of book transfer debit for stores purchased from the Military Department which continue to come in long after the close of the year and regarding which there has been a good deal of correspondence with the Accountant General, Central Revenues and the Controller of Military Accounts, Western Command and Baluchistan District. It is hoped that these transactions will now be regularised by the receipt of timely debits.”

“ Of the remaining Rs. 17,000, (a) savings of Rs. 3,000 (round appear under “ Account XIII, Refund of Revenue Stamps, under which head, as explained by the A. G. C. R., no correct estimate is possible owing to the fluctuating nature of the charge, and (b) savings of Rs. 5,000 (round) appear under “ Account VII Ecclesiastical ” the reason for which is explained by the A. G. C. R., in his two notes under this head of account.”

That justified the two supplementary grants of Rs. 34,000 and Rs. 52,000.

Chairman.—It does not exactly justify.

Mr. Higgs.—It explains the reason for it, Sir.

758. *Dr. Lohokare.*—I wanted to know whether excesses under these heads require the sanction of the Finance Department.

Mr. Higgs.—No. Under 29-Political the A. G. C. has power to transfer from one sub-head to another.

Mr. Kaula.—If an excess requires an order of appropriation it would be said so in these notes. If it does not require such an order, everything is all right.

Chairman.—Within Account No. VIII he can effect transfers. Of course he has got to get sanction for increases.

759. *Dr. Lohokare.*—There is an excess budget at the same time in these cases.

Chairman.—It would look as if unduly large provision was made to begin with.

760. *Dr. Lohokare.*—A supplementary grant was given when there are savings.

761. *Chairman.*—That has already been explained. Does this point to over-budgeting for this head ?

Mr. Higgs.—I do not think so, Sir.

762. *Chairman.*—Why not ?

Mr. Higgs.—The total saving is only Rs. 1,49,000.

Chairman.—You have got to take Political as a whole. The grant was 42 lakhs and the saving is 1,83,000. I do not think I am satisfied that there was an over-estimate. It is explained by favourable conditions during the year, which reduced charges to some extent.

763. *Sir F. Gauntlett.*—Account IX—Education. As there was a provision of 8,000 under head B, why were these three special grants given ?

Mr. Higgs.—I am unable to answer that question. We can find out.

Mr. Kaula.—I can give the explanation on behalf of Local Administration. They have powers of reappropriation from one sub-head to another. So there was no occasion for them to come up. As to why they could not foresee their requirements, I cannot say.

764. *Sardar V. N. Mutalik.*—In such cases it is absolutely necessary that all these items should be included in the budget itself. They ought to furnish a fair statement.

Chairman.—It is found evidently that there were savings and when there is a saving under Education we allow them to do something else so that they might not reduce the sum devoted to education.

765. *Sardar V. N. Mutalik.*—What strikes me most is that you proposed to take only 8,000 but you have spent 27,000. There is a big difference.

Chairman.—Mr. Higgs, we do need an explanation on this point. In view of the fact that there was an excess on the vote as a whole, we want to know why an excess was incurred on this sub-head.

(Mr. Higgs took note of this and promised to send an explanation.)

766. *Syed Murtuza Sahib Bahadur.*—There is an excess in the case of non-Government secondary schools under B of 18,634, whereas there is a decrease of about 6,000 under non-Government primary schools. Does it go to show that secondary education is more important than primary ?

Chairman.—It shows the tendency to save on primary education for the benefit of secondary education.

Mr. Lothian.—I am not quite sure of the facts as applicable to Baluchistan, but presumably the circumstances are similar to those which arose in Hyderabad due to the policy of retrenchment in secondary education imposed at the instance of the Incheape Committee. They tried to curtail the expenditure on secondary schools very greatly but in practice this was not found to be workable without involving injury to primary education as well.

767. *Chairman.*—Was there a definite intention to save on primary education in order to find more money for secondary education in this case ?

Mr. Lothian.—I should like to be given an opportunity for making inquiries into this matter.

Mr. Higgs.—May I draw attention to notes E-2 and E-3 on page 527 under the Grant for Central India. I think that is a satisfactory explanation.

768. *Dr. Datta.*—The intention of the Legislature was reserved by spending too much on secondary education and too little on primary education.

Sir F. Gauntlett.—The real explanation is that a good deal more was being spent on secondary education than on primary at the time the Incheape Committee sat. The Incheape Committee said that you must cut down the grant and so they cut down the grant of secondary education because they could not cut down the grant of primary education. The possible suggestion is that the organisation for administration of secondary schools is much more elaborate and thorough than the organisation of the administration of primary. Consequently they are prepared to spend the money on secondary and therefore it goes there.

Mr. Lothian.—There is still one more point. The classification of education into secondary and primary is purely arbitrary. Most secondary schools have primary and middle classes and the reduction of the grants to the secondary schools really hurts the pupils in those classes most, as they constitute the majority of the pupils. In Hyderabad owing to this great difficulty was experienced in regard to the primary scholars attending the secondary schools.

Chairman.—It would be enough for the purpose of our report if we say that we have not got the facts very clearly, but that the figures sometimes suggest that money was saved on primary in order to spend on secondary education. We trust that this will not recur. I think that would cover the case. That will secure our object with the least trouble.

Chairman.—Account "XII.

769. *Col. Crawford.*—What are the charges on account of European vagrants—head C ?

Sir F. Gauntlett.—Some years ago I dealt with this question of European vagrants. There is a certain type of vagrant that goes from one station to another trying to get work, and if there is a charitable institution there he gets assistance, if not he gets charitable assistance from the Govt. They wander to Quetta in the hope of getting work.

Chairman.—Paragraph 179.

770. *Mr. Lohokare.*—Has the interest been recovered ?

Sir F. Gauntlett.—He had the money with him for over a year.

Mr. Lothian.—I cannot answer that, I am sorry.

Chairman.—180.

771. *Mr. Joshi.*—May I ask whether the fees were raised from Rs. 6 to Rs. 20 per month ?

Mr. Kaula.—I must apologise, I find it is a misprint for Rs. 10 a month.

772. *Chairman.*—Page 500, Ajmer-Merwara. To a considerable extent the large savings are due to transferred pension charges to Posts and Telegraph Dept.

Mr. Lothian.—Rs. 70,000 approximately is due to that.

Sir F. Gauntlett.—And a provision for leave salary not required.

Mr. Lothian.—Yes, Rs. 43,000 on that account. Savings on grain compensation allowances amounted to Rs. 15,000 and Rs. 30,000 was surrendered to Govt. so there is not much left to be accounted for.

Chairman.—Page 504, 505.

773. *Col. Crawford*.—A (4) non-voted. (Page 505).

Mr. Lothian.—That represents the pay charges and the passage pay of the special magistrate at Ajmer appointed to try certain riot cases. His appointment was expected to last three months and it lasted 12 months. It was not foreseen.

Chairman.—Page 506, 507, 508; Grant No. 55, Rajputana, page 518.

774. *Sardar Mutalik*.—Why was there a big saving under b (1) ?

Mr. Lothian.—It is explained at the bottom of the page.

775. *Dr. Lohokare*.—The passage and pay deduction should have been foreseen at the time of the budget.

Mr. Lothian.—That was the year the new arrangements came into force.

776. *Chairman*.—Central India, page 523. Auditor General, is there any special merit in the close estimate in Central India and Rajputana ?

Sir F. Gauntlett.—They are small areas where possibly the work is less difficult than elsewhere. I certainly think they are to be commended.

Mr. Kaula.—Their Financial Dept. is good ; they give us no trouble.

Chairman.—526.

777. *Sardar Mutalik*.—With regard to one remark on 526, a (7). Due to recovery from Indian States—due to Government ?

Sir F. Gauntlett.—It is a charge recovered from all Indian States and slightly more was recovered than was anticipated in the budget.

778. *Sardar Mutalik*.—All the same it was due ?

Mr. Kaula.—If it is not due, it would be adjusted.

Chairman.—531.

779. *Sardar Mutalik*.—Are there any refugees from Afghanistan now ?

Mr. Lothian.—In November 1924 the pension of one Ahmed Khan was transferred to Hyderabad. The amount of Rs. 250 paid to him was debited by the Treasury Officer, Hyderabad, to head 44, Territorial and Political Pensions, while the Accountant General, Central Revenues, altered its classification and debited it to head 25—Political—Refugees and State Prisoners. The Residency was not notified of this and steps could not therefore be taken to provide for it.

780. *Sardar Mutalik*.—Are there any refugees now ?

Mr. Lothian.—This was a solitary instance. The man came down by himself and he had to be provided for.

781. *Chairman*.—Page 534. Here a supplementary grant was obtained for voted expenditure from the Assembly unnecessarily. What is the explanation ?

Mr. Lothian.—There was a very good explanation. In December 1924 there was excess expenditure of Rs. 8,000 under Public Health, owing to a bad plague epidemic in Hyderabad, and of Rs. 3,000 under currency. To meet this expected excess expenditure the Assembly sanctioned an additional grant of Rs. 10,600 and Rs. 400 was made up by reappropriation. The saving of Rs. 30,000 under Superannuation Allowances and Pensions

was not then anticipated and was chiefly due to the fact that pensionary charges relating to commercial departments were debited to the departments concerned although provision was made under this head. The Resident was not aware of this change in budgetting.

Chairman.—It was made after that. That is a perfectly good explanation. I think that completes the business of the Department. Thank you, Mr. Lothian.

The witness then withdrew.

Witness : Mr. Jukes.

782. *Chairman.*—We have just had before us the question of an excess vote on Baluchistan. Account No. XII on page 488—Note F. A decision was taken apparently in connection with the preparation of the Budget for 1925-26 that this sum of Rs. 2,62,000 should be charged against 1924-25 and not as F. and P. Deptt. expected at the time, against 1925-26. The result is an excess vote. The question we asked Foreign and Pol. Deptt. which we should be glad if you would look into too, was why the question of obtaining a supplementary estimate was not taken up at the time it was decided that this was to be charged against 1924-25 and not against 1925-26 ?

Mr. Jukes.—May I put in a memorandum about that, Sir ?

783. *Chairman.*—Yes, please. Page 265—Interest on Ordinary Debt—Grant No. 13. Any questions ?

784. *Dr. Lohokare.*—A-1. The explanation given is that the excess was due to large payments being made towards the close of the year. Why should this be so ?

Mr. Jukes.—This is a question we cannot answer. There is something very extraordinary about these figures. What appears perfectly plain from the revenue accounts for the year that for some reason or other, on one lot of our bonds—the 1932 bonds—we actually paid over 16 lakhs in interest more than we were due to pay for the year. There is no explanation. The explanation given here, as you see, does not meet the case in any way, but I am investigating in order to find out how it was done.

785. *Sardar Mutalik.*—How can you pay more than was due ?

Mr. Jukes.—That is exactly what we want to know. On the face of it, it is impossible. It may be an accounting mistake or something else. We don't know ; there is no explanation here. Arrears are impossible. We have examined the previous year's accounts to see whether full payments were made and they were made. It looks like an advance payment or an accounting mistake, and I cannot understand how there can have been an advance payment.

786. *Chairman.*—Will you put in a note on that ?

Mr. Jukes.—Yea, Sir.

Sir F. Gauntlett.—It is difficult to understand how it can have been an accounting mistake because there is no head under which it could go.

Mr. Jukes.—It might have been something put down as paid which was not paid.

Mr. Kaula.—It might have been a misclassification. Some treasuries send in wrong schedules.

787. *Dr. Lohokare.*—With reference to B-1—page 265. Is the average rate of interest there for the same year or the previous year.

Mr. Jukes.—We apply an average rate based on the previous year as we don't know what the rate is going to be.

788. *Dr. Lohokare.*—In budgeting you make a guess and you take the previous year's rate if you don't know what the position is going to be.

Chairman.—I believe there is a question about the Railways getting a fixed rate of interest.

Mr. Jukes.—I think there is, the average rate to be taken over a certain period of years. It was discussed in this committee last year.

789. *Mr. Joshi.*—If a mistake is made in fixing the average rate, we are likely to suffer sometimes ?

Chairman.—It is not a mistake. What has happened is you have to guess at the beginning of the year what the average is going to work out to. It depends very much on the rates at which you borrow during the summer.

Mr. Jukes.—Very likely this year we shall be considerably over the mark.

790. *Dr. Lohokare.*—Would it not be better to take into account the last year's rate and put it that way. It may be one year in advance but it will give you a clear Budget.

Chairman.—It would mean a gift to the Railways.

791. *Rev. Macphail.*—What do you take as the average rate ?

Chairman.—It is the rate at which you are paying on the whole of your borrowings since 1916-17, I think, because since then we have been borrowing short term, long term, conversion, and so on, so that the rate in the case of the Railways for instance is difficult to arrive at. Before long we shall be in a position to calculate over a period of 10 years a reasonable average rate and these fluctuations will be less troublesome.

792. *Sardar Mutalik.*—Is the Finance Department considering the question of fixing the rate so far as the Railways and Post Office are concerned ?

Chairman.—Yes, the whole question is under consideration. It is very difficult to arrive at an arrangement that is fair to both parties.

793. *Sardar Mutalik.*—In the case of the Provinces I think it is settled

Chairman.—It is more or less settled. Page 266. Page 267.

794. *Dr. Datta* referred to a question which had been raised 2 years ago—the question of Management of Debt ; and he wanted to know whether it was now done wholly by the Finance Department.

Chairman.—That matter is under consideration. It is a very big question—a question of appointing trustees to manage funds, things like the Pension Funds. The matter is under very serious consideration and it will take a very long time—perhaps a couple of years.

Mr. Jukes.—Of course it does not arise under this head. It comes under the next head.

Sir Frederic Gauntlett.—The explanation at the foot of page 268 is interesting—“ The fall in bonus indicates that the investors are holding on to their certificates.”

795. *Chairman*.—Is that a fall in comparison with the previous year ?

Mr. Jukes.—The estimate was based on the figures of the previous year.

796. *Mr. Joshi*.—Grant No. XV. (Pages 279 and 280.)—There is an overestimate in every item.

Mr. Jukes.—Might it not be that the Finance Department as guardian of economy is trying to set an example to other departments ?

Chairman.—That happens to be true, but I do not know that it is a complete explanation.

Mr. Jukes.—There is one big item which comes in as advances on account of the move of the offices to Simla : these were adjusted in the accounts late in the year instead of being adjusted in the year's accounts. You will also see that under B (3) and also under A (3).

797. *Dr. Lohokare*.—In the case of B (1), could not the excess have been foreseen at the time of the supplementary grant ?

A.—No ; it is Military Finance, I notice ; but it is a comparatively small figure ; I think they should have foreseen it.

798. *Sardar V. N. Mutalik*.—Page 285 : The grant appears to have been exceeded in every respect ?

Chairman.—These are as a matter of fact compensated by savings under direct expenditure, are they not ?

Mr. Jukes.—No, Sir ; they are arrears ; there was a tendency just about that time—it has not ceased yet—for provincial governments to place their claims against us for work which they had done for us under agency subjects ; the same thing appears again later on in adjustments with provincial governments.

799. *Sir Frederic Gauntlett*.—Was it so urgent to meet these demands as to provide for them in this year ? Could you not have waited till you found funds in the following year ?

Mr. Jukes.—I think we could have done that ; but the position really was that we had the money and we saw no harm in providing the money this year. These are not excesses over the grant, but merely excesses over the individual amounts.

800. *Sardar V. N. Mutalik*.—But why should the provincial governments wait ?

Chairman.—That is a point ; they had waited too long.

801. *Mr. Joshi*.—(Grant XIV. Miscellaneous.) This includes a charge for Members of the India Council. Why should they be paid here and not in England ?

A.—I imagine because they were journeys made in India. Charges which occur in India are met in India.

802. *Chairman*.—Was that one of the Lee Commissioners who was also a member of the India Council ?

Mr. Jukes.—I am not quite sure.

Mr. Kaula.—I think it was Mr. B. N. Basu.

803. *Chairman.*—Grant No. XVI.—I notice in this case and in one other case, I think, that an officer is his own disbursing officer. Is this of frequent occurrence ?

Sir F. Gauntlett.—No ; it so happens that this officer is the Examiner of Railway Accounts on the B., B. and C. I. Railway and he was at that time the only railway government officer in Bombay.

Mr. Kaula.—The procedure is likely to be changed. The A. G., Railways, has just agreed to these payments being transferred to the Treasury officer concerned.

Chairman.—It is obviously not a desirable practice ; but we have had in the Andamans another instance of a different arrangement not working.

Sir F. Gauntlett.—As a matter of fact I viewed this case so seriously that I told the officer that I would not be able to give him any further permanent promotion.

As regards page 287, here again I must admit generally that there is considerable over-estimate under pay of establishments. If they are all lumped together there is a saving of about 3 lakhs on about 48 lakhs—one-sixteenth of it or about 6 per cent. ; and the general explanation is that given with regard to Bombay on the top of page 288—owing to retirements deaths, deputation vacancies having been filled up by men on the minimum pay in the time-scale : a man in service at the beginning of the year drawing Rs. 500 retires during the course of the year and the ultimate difference in the office is that instead of that man on Rs. 500 you get a man on Rs. 50.

804. *Sardar V. N. Mutalik.*—But do you not calculate that a man is retiring ?

Sir Frederic Gauntlett.—No ; he may be given an extension. The difficulty is that our officers number about 400 men and it is impracticable to go through each individual man and say “ Is this man going to retire or is he going to die ? ” You cannot answer the latter question, and there is also the important point of deputations. We have so many experiments going on all over India, so many temporary offices being created, so many increases of work in which technically trained accountants are required, that there is a constant demand on the account offices to spare men to go to these temporary offices. Whenever they go out on deputation like that, they have to be replaced by men at the bottom of the scale, and the only way of dealing with it is to deal with it in the manner that I have suggested once or twice before—get together a series of statistics over a period of years and from that to try and formulate some rough percentage which you can cut with a fair degree of accuracy every year. I see no other alternative, not with big establishments of this kind. I am told that the Finance Department did cut 3 lakhs out of the budget this year.

Chairman.—We have attempted by individual cuts to meet this point in the budgets of the last two years.

805. *Chairman.*—Grant No. XLI.—Any explanation in regard to B (5) on page 379 ?

Mr. Jukes.—No ; the whole thing was that the Controller of Currency over-estimated the amount of remittance transactions he would have to make during the year ; it was a thing extremely difficult to estimate and he

expected rather more owing to the abolition of the one-rupee note than actually resulted. He thought he would have to move more rupees about the country and that necessity did not eventuate to the extent which he had expected. The same thing appears again on the top of the next page 380.

806. *Dr. Lokokare.*—Some time ago we were very much concerned with these remittances,—I refer to (d).

Chairman.—That is loss by theft, and that has been set right. This is the actual cost of remittance.

Chairman.—42—Mint, page 382.—Previously we had to recoin all the silver that came in although we did not need it. We got an Act passed enabling us to hold the uncoined silver after melting it down at its rupee value, and that largely accounts for the saving.

807. *Mr. Joshi.*—What is the difference between the Calcutta Mint and the Bombay Mint ?

Mr. Jukes.—I am really not quite sure of it. At the moment neither of them are busy at all, but I believe the rupee coin is ordinarily minted at Bombay, but I am not quite certain as to what the exact position is.

808. *Sardar Mutalik.*—Does the Calcutta Mint also coin rupees ?

Mr. Jukes.—I am not quite sure of it. At any rate, when we come to the coinage of rupees, we might have to set both of them at work.

809. *Mr. Joshi.*—Do you really require two Mints ?

Chairman.—The Mints try to keep themselves busy. They are minting coins for Singapore, but their demand is fluctuating, and I don't know if both the mints are busy at the moment.

Sir Frederic Gauntlett.—There was a time when both the mints were working night and day.

810. *Chairman.*—45. Page 404. Superannuation of allowances and pensions.

Mr. Jukes.—It was due entirely to the fact that we recovered less from the Commercial departments than we expected to recover on account of pensions. For the reason why we failed to provide additional funds to meet it or to ask for additional funds, I am afraid I shall have to refer to the Accountant General, Central Revenues. He was responsible for it, as far as I know. He did not tell us.

811. *Chairman.*—What is the reason for the large variation in recoveries ?

Mr. Jukes.—They had to make a guess entirely, and the guess was very much above the mark.

812. *Mr. Joshi.*—Are you going to take more from the Commercial Departments ?

Mr. Rajagopalan.—Each Accountant General is responsible for sending in the estimates for superannuation. In fact the Accountant General is the controlling officer for it, and each A. G. is asked to estimate the probable recoveries on account of these commercial pensions. We have now separated accounts from audit in the U. P. and taken over the accounts work. This particular estimate was sent up

by the A. G., U. P., and we found that it was on oversanguine estimate to the tune of nearly 3 lakhs, due to certain misconceptions as to the method by which the number of pensions should be calculated. The fact is, they have got pension Audit registers in which all the pensions are put and they reckoned up the total, imagining that all the pensions would be drawn regularly. But several of them died, and several of them got transferred, and some of them did not draw their pensions within the year. The result was that the estimate was out by 3 lakhs ; though the A. G., U. P., himself reported so late as February 1925 that though he expected to realise 8 lakhs, he could not realise more than 5 lakhs.

813. *Chairman.*—Am I right in thinking from the explanation of this excess vote that this was the first year in which deductions were included and that the estimate was oversanguine and that it continued oversanguine up to the end of the year but that in future, now that we are in possession of facts, it will prevent this sort of excess occurring ?

Mr. Rajagopalan.—That is a point I am still investigating, because the question depends upon the misclassifications made in the treasuries ; it is quite likely that pensions are misclassified as between Central and Provincial Governments, commercial departments and non-commercial departments. As a matter of fact, we found quite a lot of misclassification in the U. P., with the result that we have now introduced a double check system. I have the whole question under consideration, and I shall probably submit to the Auditor General proposals for a more effective check in order to ensure that the allocation of pensions as between the Central and Provincial Governments in the first instance, and as between the commercial and non-commercial departments may be put on a proper basis.

814. *Chairman.*—One of the first results of the formation of a Pay and Accounts officer I remember, in Bangalore was to find that we owed the Madras Government something like 16 lakhs on pensions. But is an excess likely to be caused by the same error in another year ?

Mr. Rajagopalan.—I cannot answer that for the budget of 1925-26 which was prepared by the A. G., U. P. In fact, I am sanctioning a special establishment in order to count all commercial pensions and rectify matters for the future.

Mr. Kaula.—The overestimating was in the U. P.

Sir Frederic Gauntlett.—I think one can definitely say that the minor variations to which Mr. Rajagopalan is now devoting his attention will cause nothing like such a large difference as is indicated here.

Chairman.—We shall be in a position to estimate closely, but this being the first year we were not.

Sir Frederic Gauntlett.—In the second year possibly after these figures come to light before the budget for 1925-26 has been prepared, there may still be a large variation in 1925-26, though not to this extent.

Chairman.—I hope not in the revised budget.

Sir Frederic Gauntlett.—By that time everything ought to be on a much more accurate basis.

Mr. Jukes.—Page 406.—Is it legitimate for a witness to ask a question whether the form adopted in this in connection with a particular grant and for certain other grants is really correct. If you look at the headings, you will find a very large number of minus supplementary grants. It is really impossible, for the Assembly to reduce a grant which is already made. These minus and plus figures are really only the distribution, I gather, made by the Finance Department, of a plus grant, but I don't think it is correct to say that there was a minus supplementary grant, because it is an impossibility.

Chairman.—I think it is open to the Assembly, without the question of voting twice coming in, to transfer a provision from sub-head (a) to sub-head (b).

Mr. Jukes.—But my position is that I don't think the Legislative Assembly did anything of the kind. The Legislative Assembly actually paid a supplementary grant of four lakhs.

Chairman.—It simply voted it as undistributed. I don't know that there is any real objection to this form. It has convenient results.

815. *Rev. Dr. Macphail.*—What exactly does it mean ?

Chairman.—It means that the whole vote has been redistributed after the supplementary estimate of four lakhs was granted so as to allow for savings under sub-heads where supplementary grants were not needed and provide for rather more than four lakhs in addition under the head where it was needed. It is a redistribution.

Mr. Jukes.—If I might point out, it does vitiate the figures of the last two columns.

Chairman.—The expenditure is 35 lakhs odd against a grant of 33 lakhs.

Mr. Jukes.—Not the total figure : under the four sub-heads.

Chairman.—I don't think we can do more than say that the appropriateness of this method should be further considered.

Mr. Kaula.—If I might explain, Sir, what happened was that the supplementary demands were not presented to the Assembly in detail ; the details were in the Finance Department. Since then the Finance Department have undertaken to give the details. If the details are given to the Assembly and if the Assembly passes the figures, then Mr. Jukes's objection is met. Then the excesses or the savings would be as against the figures sanctioned by the Assembly.

Mr. Jukes.—My objection would not be entirely met because it has been held by the Legislative Assembly and ratified by the Government of India as a whole and by this committee that it is not within the competence of this committee to make a *minus* vote.

816. *Chairman.*—But is a *minus* entry under a sub-head a *minus* vote ? I think the question might be further considered. I don't think we can as a committee go into that technically to-day anyhow.

47-miscellaneous. Letter press page 114, para. 161. Have you any remarks ?

Mr. Jukes.—I am afraid I have not. It is a Foreign and Political Department question which I have not investigated but I think the full facts are given in the para. that a payment was made that was not authorised and when it was found that it was unauthorised it was too late to recover it because the officer was dead.

817. *Chairman.*—162. That is a statement of fact. 163. Is recovery still awaited ?

Mr. Jukes.—I believe so, Sir.

818. *Sardar Mutalik.*—Is it likely ?

Mr. Jukes.—Well, there you are asking rather an awkward question. I should say : ultimately, yes.

Chairman.—418 and 419. 419, (d) (1) (3).

819. *Sardar Mutalik.*—How was this extra expenditure incurred ?

Mr. Jukes.—The two heads were combined in the original estimate. It is only the new form of the Appropriation Report which has led to the excess there. The estimate combined the two and there was a big saving on the combined head.

Chairman.—Page 420. 421.

820. *Sardar Mutalik.*—What is this large expenditure on travelling and other expenses—d (5) (2) and d (5) (3) ?

Sir F. Gauntlett.—The whole mass of detail is given at the bottom. It includes, although only 18,000 was voted, thirteen committees which were appointed.

821. *Sardar Mutalik.*—Some of these were foreseen, I think ?

Chairman.—I think you will see there is a saving. Unforeseen charges show saving of 25 lakhs in J, which becomes distributed under particular sub-heads at the end of the year—it is unavoidable.

822. *Mr. N. M. Joshi.*—What is this about the League of Nations committee ?

Chairman.—That presumably is the travelling expenses of the delegates to Geneva in various forms.

823. *Mr. N. M. Joshi.*—Why don't they have a separate heading as is done in the case of the International Labour Conference ?

824. *Chairman.*—Is there a separate heading for the International Labour Conference ?

Mr. N. M. Joshi.—Yes, on page 419.

Mr. Jukes.—I think the sums were not large enough. They lumped the small sums together. The International Labour Conference costs a certain amount of money.

Sir F. Gauntlett.—36,000. This only costs 12,000.

Chairman.—There is an interesting statement in 425, showing the reserves in accordance with the request of last year's or the year before's public accounts committee that this statement should be given.

925. *Dr. Lohokare.*—I should like to know if any of these were regularised ?

Mr. Jukes.—None of them can have been voted yet. The time is now coming to vote. There is a part in the early portion of the statement on page 6 showing the effect upon excess votes of these particular grants. It means that the allotments we reserved will not be required to be voted in two cases out of 6.

Chairman.—Any questions on that statement ?

826. *Mr. Joshi.*—Out of this total, how much was secured by the vote of the Assembly by re-appropriation ?

Mr. Jukes.—There are no figures of that, I think. I don't think that these statistics have actually been collected.

Chairman.—What has happened in a great many cases is that we have sufficient savings. It is only where the savings were insufficient or where a supplementary estimate was not obtained that it is necessary.

Mr. Jukes.—I think I must say generally that in the great majority of cases there were savings.

827. *Chairman.*—Page 432. 433. The general explanation we have already had. This is part of the clearing up with the provinces. Page 435, Refunds. What is the explanation of the excess, Mr. Jukes ?

Mr. Jukes.—It is a combination of a number of unexpected happenings, Sir. The funds really are things which it is impossible to estimate with any accuracy.

Sir F. Gauntlett.—The real point is *g* (1).

Chairman.—Due to omission to ask for a grant—refunds of freight taxes.

Mr. Jukes.—That covers a portion of it.

Chairman.—Yes, but the excess is more than accounted for by that one particular item.

Mr. Kaula.—It is unfortunately due to a defect in the budgeting procedure. It was adjusted in the Railway Board. Instead of their passing it on to this side, they kept it on their own books. And in framing the estimates on the civil side, this thing was overlooked. Now, the Finance Department have taken steps to see that in future if there are any funds of this class they will provide for it in their estimates.

Sir F. Gauntlett.—Why should they not bear their own refunds ?

Mr. Kaula.—Railway freight taxes are general revenue. You remember the freight taxes we had some years ago. These are refunds of those taxes. There are some old disputes going on between railways.

Chairman.—Page 535.

828. *Sardar Mutalik.*—Was the Government of India consulted in connection with the increase of salaries ?

Sir F. Gauntlett.—It goes up automatically under the time-scale.

829. *Chairman.*—Page 539. Have you any special reason for the large increase in the supplementary charges under 17 (8) ?

Mr. Jukes.—It is obviously a thing which it is very hard to estimate.

Chairman.—Page 542.

830. *Dr. Lohokare.*—Item H-6 says ' Progressive decrease due to receipts on account of rent of space, etc., being taken in reduction of expenditure '.

Sir F. Gauntlett.—That was discussed in considerable detail in the Auditor's Report. It gave elaborate figures. Whether they are complete figures I do not remember.

831. *Chairman.*—Page 543—We may draw attention to this as a special case of over estimating.

Chairman.—Grant 64. There is a note on page 190 in the letter press affecting this.

Mr. Jukes.—The chief trouble is that we are at the mercy of Provincial Governments who have a way of changing their minds at the last minute.

832. *Chairman.*—We have, I believe, in this year's estimate very much reduced the figure below what they have estimated they will take ?

A.—Yes.

Mr. Jukes.—Item D-4 on page 492—' Due to payment of Rs. 10,956, on account of cost of land acquired for Imperial Bank of India, Delhi not provided for in the original Budget—

This note is a little bit misleading. It is perfectly correct but it gives a wrong impression. It is quite true that the lands were acquired in connection with the Imperial Bank Building. It was not acquired at the expense of the Imperial Bank. It was acquired by Government. What actually happened was that the Imperial Bank took over the old Alliance Bank Building and they found that there were strips of land all round the foundations which were in private ownership and it was held to be extremely dangerous to have these strips in private ownership. It was proposed that the land should be acquired. Under legal advice the Government of India acquired the land for themselves on the ground that the interests of Government were involved. The arrangement was that Government would pay for it and that the bank would pay rent on the land. Government had a good deal of money in the bank.

833. *Mr. Joshi.*—The land was leased to the Bank ?

A.—Yes.

834. *Mr. Joshi.*—You don't tell us why it was thought desirable that Government should buy the land ?

A.—That was the Advocate General's advice. He was a little doubtful about taking it over for the Bank. If the Government of India took it, they could say it was for a public purpose.

835. *Chairman.*—Government would be justified in selling it to the Bank.

Mr. Jukes.—Yes.

(*Mr. Jukes then withdrew.*)

The Committee adjourned till 11 A.M. on Monday the 2nd August 1926.

**Evidence taken at the eleventh meeting of the Public Accounts Committee
held on Monday, the 2nd August at 11 a.m.**

PRESENT.

The Hon'ble Sir BASIL BLACKETT, *Chairman.*

Mr. N. M. JOSHI,

Maulvi SYED MURTUZA Saheb Bahadur,

Rev. Dr. E. M. MACPHAIL,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH,

Colonel J. D. CRAWFORD,

Dr. S. K. DATTA,

Sardar V. N. MUTALIK,

} *Members.*

Sir FREDERIC GAUNTLETT, the Auditor General,

Mr. G. KAULA, Accountant General, Central Revenues,

Mr. T. K. RAJAGOPALAN, Officer on Special Duty, Finance Department,

} were also present.

Mr. E. W. GRINDAL, Accounts Officer, Central Accounts Office,

Mr. W. ROCHE, Deputy Secretary, Department of Industries and Labour,

Mr. A. BREBNER, Superintending Engineer, Simla, Imperial Circle.

} *Witnesses.*

Mr. J. L. SALE, Chief Engineer, Delhi,

Mr. G. S. BAJPAI, Deputy Secretary, Education Health and Lands, Department.

Mr. G. S. Bajpai.

836. *Mr. Chairman.*—Paragraph 167, page 117.—Some Members of the Committee wanted to ask you generally, Mr. Bajpai, about the position of this fruit farm.

Mr. Bajpai.—The position is this. This farm was started, as this paragraph shows, some time in 1911 on a purely experimental basis. The idea was to introduce better varieties of plant in the country and according to the information which we had from the local authorities the kind of fruit which they produce in Baluchistan has improved almost beyond recognition. In fact two years ago we had a report to say that the price of peaches and other products of this farm and other orchards which had been set up as a result of the experimental working was about a third as much as it used to be compared to the original or indigenous breed ; and I mentioned to the Inchcape Committee that credit was really due to the local authorities for the measure of economy. They had set up a Committee themselves in 1922 which reported that this business should be run on a self-supporting basis and the receipts were not considerable up to a certain point, I think it was, in 1920-21. Then in 1921-22 and 1922-23 according to our information there was frost and also plant disease and

therefore the yield was disappointing ; but as the figures for 1923-24 and 1924-25 show there has been a slight excess of receipts over expenditure. The last sentence of page 167 " This difference does not, however, necessarily represent the real gain or loss in the working of the Farm " indicates that the expense is actually greater than is indicated here, but I have in my possession a statement supplied by the local authority which shows that the normal expenditure is well within Rs. 11,500 a year and we propose now to go to the Standing Finance Committee this Session for their approval to the continuance of the farm on the basis and subject to the understanding that in normal years it should pay its way. If there is a calamity like frost or hail or something of that kind that ought not to be taken into account in determining the fate of the farm.

837. *Sardar Mutalik*.—Is that farm useful in any way ?

Mr. Bajpai.—It is very useful. It has led to improvement almost beyond recognition of the variety of fruit which they produce in Quetta. I am sorry it is not possible for me to supply you with the excellent peaches which they produce now. If the Committee were in session in September or perhaps the end of August, I would undertake to do so.

838. *Mr. N. M. Joshi*.—Do you export fruit abroad from the farm or is it consumed in the country itself ?

Mr. Bajpai.—I understand the majority of it is bought up locally. It does not travel very well.

839. *Sardar V. N. Mutalik*.—Do you think people receive instruction from that farm or is it only for experiment ?

Mr. Bajpai.—It is a demonstration farm and also it maintains nurseries from which plants are sold, peaches, plums and apricots. It serves both purposes.

Mr. Roche.

840. *Chairman*.—You wanted us to take irrigation first, pages 259 to 264, irrigation vote. There is a note which is really an explanation by the Accountant General that in these cases the comparisons are, except I suppose at the end, with reference to modified grants (including re-appropriation sanctioned by competent authorities). It does not apply to the end.

Mr. Kaula.—No, Sir.

841. *Dr. Lohokare*.—Page 259, B-1. No provision has been made for recoveries. It appears in two or three places.

Mr. Roche.—No provision was needed.

842. *Chairman*.—Mr. Kaula, can you add another ?

Mr. Kaula.—There is a rule on the subject quoted at the end of the foot-note. All these accounts are taken together.

843. *Dr. Lohokare*.—Are they shown under receipts or under the grant as a result of deduction ?

Mr. Kaula.—In the case of revenue accounts they are shown as receipts.

844. *Sardar V. N. Mutalik*.—Page 260, Item B-2 1 (1). Why should there be increase in regard to these Extensions? Could you not have foreseen it?

Mr. Roche.—The excess was covered by re-appropriation of Rs. 14,000 and we have asked the local administration for an explanation of the excess which has not reached us yet.

845. *Sardar V. N. Mutalik*.—Under Item B-2 1 (3), there is also a minus entry and there is again some expenditure shown. I really cannot follow these figures. Can you explain?

Sir F. Gauntlett.—It is shown as a deduction on the expenditure side, and if it is so shown in that account it appears in the appropriation account as minus expenditure.

846. *Sardar V. N. Mutalik*.—May I take it that you have only given a remission for these recoveries?

Chairman.—It is a work carried out for District Boards.

Mr. Kaula.—It will be seen that these entries are both shown under canals, the names of which are specified. So far as these canal accounts are concerned, these recoveries have to be shown in their accounts. So far as the major head account is concerned, according to the ordinary rule of classification the recoveries are shown. The Auditor General says that it is not correct. The question of procedure will be looked into.

Chairman.—Yes, you might look into the procedure.

Sir F. Gauntlett.—As I have already explained, I imagine that this work is done for somebody else by officers of this Department and therefore this work is so intimately linked up with the work of the department that it is carried out by the officers of the department. But as this is done for an outside authority, the cost of it is recovered and deducted from the gross expenditure.

847. *Chairman*.—Page 260. Item B-3 (2). Why was this amount budgetted?

Mr. Roche.—We have no information in regard to the transfer of this item to other heads by re-appropriation. We have asked the Local Administration to furnish necessary information but we have not yet had a reply.

848. *Mr. Joshi*.—Apparently it was not an urgent scheme because you have re-appropriated the whole grant to some other project.

Mr. Roche.—As far as we can make out they have re-appropriated this grant to some other work.

849. *Mr. Joshi*.—Why was the grant put in at all in the budget?

Mr. Roche.—We have asked for an explanation from the Local Administration. It has not yet been received.

850. *Dr. Lohokare*.—Is there any such rule that at the time of such re-appropriation the Finance Department has got to be consulted?

Mr. Roche.—I could not say. I think it is in the power of the Chief Commissioner.

851. *Dr. Lohokare.*—Then it means that this is a case of over-budgeting ?

Chairman.—Not Necessarily. It may quite possibly be a scheme which they expected to be able to do during the year but for one reason or other they could not proceed with it. It is a small sum in relation to the whole of the Chief Commissioner's budget.

Sir F. Gauntlett.—It is also to be noted that it comes under the head of "Miscellaneous Expenditure" which is very difficult to forecast.

852. *Dr. Lohokare.*—Page 261. Items C-2 (2) and C-5. In both these cases a supplementary was asked for and yet there is an excess—why was not this excess foreseen at the time of the supplementary budget ?

Sir F. Gauntlett.—The explanation is really given in the foot-note. The splitting up among these five heads in the first year must have been partly guess work.

Chairman.—As a matter of fact, it is not right to say that there was a supplementary grant. The Accountant-General, who has made these accounts, has re-distributed them with reference to modified accounts. As far as I can see there was no supplementary estimate voted by the Assembly. It is called supplementary estimate under the previous arrangement.

853. *Dr. Lohokare.*—May I know whether such an increase in the percentage charges requires explanation ?

Sir F. Gauntlett.—I am afraid you would have to read for about two days a note that occurs in every appropriation report explaining what we do with these establishment charges. It is quite the most difficult part of the accounting work. Every member who has been here before knows how difficult this matter is. What happens is that all the establishment charges are lumped together in the first place and then distributed over all the heads of expenditure roughly according to the total expenditure under each head during the year, and until you know what the total expenditure under each head has been during the year you cannot divide up the establishment expenditure. The only possible way of knowing what the establishment charge in the Public Works Department is likely to be is to bring together all the establishment charges and compare them with all the establishment estimates. That is always done in the case of the provincial estimates. I do not know whether it is done in the Central accounts or not.

Mr. Kaula.—It is not done in the Central accounts.

Sir F. Gauntlett.—These individual comparisons are quite useless.

854. *Dr. Lohokare.*—But individual comparison has been aimed at ?

Sir F. Gauntlett.—That is quite true. You have to take an estimate when you prepare the budget. You have to take an estimate of what the percentage charge will be and you have to make an estimate of what the actual expenditure will be under each head. Any variation of the total establishment charge and any variation of the total work under each major head under which the establishment charges will eventually have to be divided will lead to a variation in the individual establishment charge shown under each individual head.

855. *Dr. Lohokare*.—I am acquainted with the process and I am thankful to the Auditor-General for explaining it again, but what I wanted to know was whether any sanction is required for distributing this percentage ?

Sir F. Gauntlett.—No, because that is done directly under the rules which have been laid down in great detail 5 or 6 years ago.

Chairman.—So long as the Local Government work on behalf of the Government of India we shall continue to be in that position.

856. *Col. Crawford*.—Page 262. Item F. Pensionary Charges. Is there no method of getting closer estimates ? Or is it due to a new form of accounts ?

Mr. Roche.—Our figures do not agree with the figures of the Auditor General. It represents the pensionary charges with which we are scarcely concerned as a department. It is a matter of accounts.

Mr. Kaula.—Irrigation is separated all over India.

857. *Sardar V. N. Mutalik*.—Can you explain this large saving of about 1,78,000 in the total ? Is it because you were not able to carry out all the schemes ? Under the head 'non-voted' there is a small saving but under the head 'voted' there is a large saving which practically represents all expenditure on the schemes.

Mr. Roche.—I do not think these figures exactly represent our estimate of saving. According to our calculation, the saving comes to Rs. 8,100.

858. *Sardar V. N. Mutalik*.—But there is actually a saving of Rs. 1,78,000 ?

Mr. Roche.—That is under reserve.

Chairman.—It is a question of over-estimating works.

859. *Mr. Joshi*.—You have a reserve of Rs. 15,000 which you are not spending. I want to know whether you take the sanction of the Govt. of India for any scheme on which you wish to spend this money ?

Mr. Roche.—I think the sanction of the Govt. of India has got to be obtained.

Mr. Kaula.—In the case of any particular work which is to be financed out of the reserve which is in excess of the powers of the local authorities, the proposal comes up to the Standing Finance Committee for sanction.

Sir F. Gauntlett.—There is no specific rule that the reserve cannot be spent without the sanction of the Govt. of India. The rule is applied to the individual work for which the Local Administration desires to use the money in the reserve. If that work can be sanctioned by the Local Administration, it is so sanctioned and the money is then taken from the reserve to meet that expenditure.

860. *Col. Crawford*.—Page 263. Under the head 'Losses', item 3. What is the nature of the deterioration of the buildings ?

Mr. Roche.—I am afraid I have not got information on this subject.

Mr. Kaula.—The account officers have no information on the subject.

861. *Mr. Joshi*.—On page 263, Note, 1, you refer to some contribution by Government of Rs. 7,89,837. What was this contribution for ?

Roche.—Half the cost of the Bund is paid for by the Municipality and half by Government. That is the arrangement.

862. *Mr. Mutalik*.—Do you share the water also half and half ?

Mr. Roche.—There is no question of shares of water. It is a protection bund.

Chairman.—*Grant No. 35, page 362, Aviation*.—Any questions on this ?

863. *Dr. Lohokare*.—With regard to Note C. Does this contain any entertainment ?

Mr. Roche.—None whatever. It represents the expenses of getting the petrol down and an inspection of the sites.

The witness then withdrew.

Mr. Brebner.—*Was the next witness.*

864. *Chairman*.—There is a question which arose on a resolution on last year's accounts, para. 28 of Finance Department Resolution No. D. 1089-A., dated the 1st June, 1926 :—

“ The Auditor General is requested to issue instructions, as desired by the Committee, that details of sums allotted for the Public Works Department out of the reserve at their disposal should be given in the Appropriation Account in future. The Governor General in Council also accepts the suggestion that allotments from the reserve should not be made except to cover lapses in grants in previous years and that no allotment should be made on account of establishment. The question of improving the procedure for preventing technical excesses over grants caused by the impossibility of estimating the percentage for establishment and tools and plant to be added to the cost of works expenditure is being investigated. ”

I think the question is really in relation to the last sentence. Can you tell us anything as to the result of the investigation of that question ?

Mr. Brebner.—I thought that the question I would have been put mainly referred to the middle part. My recollection was that we did not give the undertaking that we are stated here to have given. As regards the last part, my recollection is that we have impressed upon Local Governments the desirability of taking greater care in reporting figures than they have done in the past. The state of the case at present is that we have made a reference to the Finance Deptt. in regard to the middle part of the para. My recollection is that what we agreed to was that our reserve should be used (i) to meet lapses, (ii) to finance unforeseen original works considered to be emergent, and (iii) to finance establishment and tools and plant charges on (ii).

865. *Chairman*.—The point really was that no allotment should be made on account of establishment. That you accept ?

Mr. Brebner.—Yes.

Chairman.—We now come to the letter press on page 88.

Sir F. Gauntlett.—I have two comments in regard to para. 129. I said I am not prepared to challenge the equity of the proposal provided the revaluation is carried out by an independent expert, and, secondly, that the change in value is very marked and is likely to be permanent.

866. Chairman.—(To Witness).—Can you give us an explanation of this paragraph 129, a, b and c ?

Mr. Brebner.—The first part of 129 (a) refers to a change in procedure for the recovery of rents. Originally we used to bill tenants at the end of the month. We found that that was unsatisfactory and we altered the system and now recover rents through the salary bills. We found that people did not pay up readily, and we were a lot out of pocket.

867. Chairman.—Was it the recommendation of the Committee ?

Mr. Brebner.—The Committee which drafted the new rules actually made the recommendation, but I had previously raised the question myself, because I found on taking over charge that a lot of money was due to us.

The second paragraph refers to a revision of the rules for the assessment and recovery of rents. During 1923 the Government of India felt that the rules were out of date in many respects and appointed a Committee to examine them and draft a new set of rules. The Committee was composed of members of different departments of the Government of India and consisted of Sir Basil Blackett, Sir Atul Chatterjee, Mr. Ley, Mr. Tonkinson, Mr. Brayne, Major Squires and Mr. Bajpai. Of these gentlemen apart of course from the members of council three, namely, Mr. Tonkinson, Major Squires, and Mr. Bajpai were not personally concerned as they were not occupying Government Houses.

Sir F. Gauntlett.—I think I ought to state that practically all difficulties arose from the fact that there is a statutory rule in existence, namely Fundamental Rule 45, which governs the methods of calculation of rental of Government properties which are leased to Government officials. That rule has been deliberately and systematically departed from, both in Delhi and in Simla, because one admits quite fairly that it is impracticable to apply that rule to the conditions of Delhi and Simla. But at the same time audit is placed in an extremely difficult position because it has to apply a rule which it admits to be impracticable to apply and to accept orders which depart from the actual provisions of the rules, pending a re-statement of the rule. The re-statement of this rule has been under active consideration for at least four years and it is not settled yet. The whole of this time Audit has been in this extremely difficult position.

From time to time we have agreed temporarily to rules which depart from the strict provisions of Fundamental Rule 45 on the understanding that Fundamental Rule 45 was being re-drafted, and that the new form would be ready within a reasonable time. The new form is not yet ready. It is only fair, of course, to amplify that statement by calling attention to one portion of Fundamental Rule 45, which if it did not exist, would have made the whole position quite impossible :—

“ A Local Government may, in very special circumstances and for reasons which should be recorded, waive or reduce the amount of rent to be recovered. ”

Now that rule is the only rule which mitigates in any way the action which has been taken during the last four years in Delhi and Simla. Every now and again I have been asked to accept special modifications of the application of the ordinary principles of Fundamental Rule 5, and in view of the fact of the existence of (e), I have had temporarily to accept them; but I do not think that (e) was drafted to cover such a very general application as has been made of it in Delhi and Simla, and in all cases I have accepted on the understanding that there would be a new rule shortly, which new rule is not yet ready.

Chairman.—The fact is there has been a new attempt at a draft of this rule every four months for several years. The Secretary of State is quite aware that the thing is being drafted and the matter is, I think, only irregular in this sense that everybody recognises the existing rule won't work, but no one has been able to devise a water-tight formula for a new rule.

Sir F. Gauntlett.—It is perfectly true that the substantive portion of Fundamental Rule 45 does not contemplate re-valuation. At the same time one has accepted it in view of the fact that clause (e) does permit, in very special circumstances and for reasons to be recorded, a mitigation of the rent which may be charged.

868. *Chairman.*—Mr. Brebner, the Secretary of State has, I believe, been approached on the subject of the revision of the Simla rules?

Mr. Brebner.—I think so. That is covered by the reference made to him in regard to the Lee Commission's proposals.

869. *Chairman.*—These special proposals were sent to him in connection with the Lee Commission's proposals?

Mr. Brebner.—Yes, Sir.

870. *Mr. Joshi.*—May I ask how the Lee Commission's proposals affect the rule regarding rents?

Mr. Brebner.—One objection taken by the Accountant General is that, under our present rules, a tenant only pays for the actual period of occupation, and he holds that rule 45 does not permit of that. The Lee Commission's recommendation made it quite clear that they thought it fair that an officer who moved between Simla and Delhi should only pay rent for the actual period of occupation.

871. *Chairman.*—The second point of the Lee Commission's proposals which affect us is that the Lee Commission proposed to leave out site value altogether, and calculate the rent on the building and not the site.

Mr. Brebner.—There is one other point I should like to mention and that is that in our Public Works Code there is a paragraph—paragraph 335g—which gives one power to revalue property, and I do not know if it has been definitely decided that that paragraph is no longer in existence. There is some difference of opinion on that point.

872. *Chairman.*—The power of revaluation seems to be one which is required by common sense.

Sir F. Gauntlett.—It is not provided in Fundamental Rule 45 that any revaluation which may be made should affect the rental value of the building.

873. *Rev. Dr. Macphail*.—Does the revaluation merely mean amount of rent or does it mean revaluation of capital cost of the house ?

Chairman.—It was valued by an officer with special valuation experience who was out from England in connection with Delhi in the same way as you would revalue a street in London so as to bring these values, which depended on the years in which they had been bought and things of that sort, up to a modern date, so that you might have a proper comparison between rental value of houses of the same class.

Sir F. Gauntlett.—Would it not be pertinent to supplement that remark by stating that the valuer was not asked to make any recommendations in regard to rent ? All he valued was the property with the house as it stood.

874. *Sardar Mutalik*.—In revaluation what was the basis ? Was it only the property, or the situation also ?

Chairman.—Both. That is one of the difficulties, one of the reasons why it does not square with the Lee Commission's recommendations.

Mr. Brebner.—Might I read a paragraph from the Lee Commission's recommendations :—

“(2) Rent shall be charged at a percentage either of capital cost of construction or, in special cases, of the market value. The cost of the site will be excluded in every case.”

That would cover what we have done.

Chairman.—I should like to say that I regarded this improvement in the system of rentals in Simla as a very considerable improvement on previous practice, which was getting quite impossible.

875. *Sardar Mutalik*.—What is the net loss to Government on account of this revaluation ?

876. *Mr. Joshi*.—How was the rent arrived at ?

877. *Chairman*.—I think we took the valuation arrived at by the valuer and charged 6 per cent. on that. Was anything included for depreciation ?

Mr. Brebner.—We added to that 6 per cent. a percentage for maintenance, special repairs and taxes.

878. *Mr. Joshi*.—May I ask why the cost of the site is excluded ?

Mr. Brebner.—That is excluded under the recommendations of the Lee Commission.

Chairman.—It was not excluded under the valuation, though that was one of the recommendations of the Lee Commission. I think one of their reasons was that the differences in the cost of sites may be almost infinite. A site may be land that has no site value or cost nothing originally, or it may be land in the middle of Lahore or Calcutta. It may be land which has to be obtained at a place where officers have to work at a very considerable cost and you cannot arrange the scales equitably between one officer and another if the rent is fixed on that kind of basis.

879. *Rev. Dr. Macphail*.—You want to get rent on the kind of house the man occupies.

Chairman.—That must be the Lee Commission's idea.

Dr. Datta.—I think the government might have taken into account that feeling and have strengthened their case by appointing to the committee a representative non-official Indian or a member of the European commercial community who had some knowledge and appreciation of these problems. I quite agree that the present rule is probably intolerable.

Chairman.—The reason why it was intolerable was because the Finance Department were continually being asked to make exceptions.

880. *Sardar Mutalik.*—I want to know exactly how much the property is valued now.

Mr. Brebner.—I am afraid I cannot give the figures offhand, but I would point out that, whereas previously we charged 3½ per cent. for interest, we now charge 6.

Sir F. Gauntlett.—I may state with regard to 131 that one of the houses which is concerned is Longwood and the Secretary of State, when the question of Longwood was referred to him, said that he hoped the Government of India would make it pay. Well, the obvious answer to the Secretary of State is that in the conditions in which Longwood is let it is quite impossible ever to attempt to make it pay.

881. *Chairman.*—The main difficulty is that the rooms reserved for members of the Legislature are not let out during the interval when the Legislature is not sitting ?

Mr. Brebner.—Yes, Sir—in a portion of the property.

882. *Mr. Joshi.*—All these things were done before members had had any opportunity of seeing the place. Nobody was consulted.

Chairman.—It is a little difficult to consult people whom you have to house before you could consult them !

Mr. Rajagopalan.—Pointed out that in the case of the Delhi quarters a committee of the Legislature had been consulted. Things were done on the advice of members of the Assembly.

Chairman.—132.

Sir F. Gauntlett.—132 is Longwood; I am sorry for having raised the question on 131.

Chairman.—Regarding Longwood, I know we raised the question whether we could not get rid of the rule that quarters are not to be let when members are not occupying them.

883. *Sardar Mutalik.*—How many members stay in Longwood ?

Mr. Brebner.—It varies from year to year. If the leaders of any of the more important parties go to Longwood, we find that their followers want to go there too. If the leaders go elsewhere, Longwood is left partially empty.

884. *Sardar Mutalik.*—What is the largest number you have had.

Mr. Brebner.—We have had the place full.

885. *Chairman.*—How many rooms are there which you keep empty all the year round except when the Assembly and the Council of State are sitting ?

Mr. Brebner.—Speaking entirely from memory, I think there are about 35—no, probably more, about 50, rooms and several cottages. According to the paragraph at the top of page 92, the expression used was “ a reasonable return ”. I take it that different views as to the meaning of “ reasonable ” might be held.

886. **Chairman.**—Is the question of letting these rooms when the Assembly members are not in occupation under consideration ?

Mr. Brebner.—Yes, Sir.

Chairman.—I suppose the Committee would not like to make a recommendation on that. It is rather a matter for a special committee.

887. **Mr. Joshi.**—May I put one question. Couldn't we get a nearer site for members of the Legislative Assembly ?

Mr. Brebner.—Not at a reasonable cost, I am afraid. If I may say so, my department would like this Committee to give an expression of opinion on this point, it would help us.

888. **Chairman.**—Would this Committee like to give an expression of opinion about Longwood—for instance, that the rule prohibiting the letting of quarters when they are not occupied by members should be abrogated ?

Mr. Joshi.—We have no objection. I think that would be quite reasonable.

889. **Chairman.**—There are a good many people here during May and June who might take them. I believe that rule was introduced largely at the request of the Assembly.

Mr. Brebner.—Partly at the request of the Assembly, Sir, and partly at the request of local hotel keepers. They represented very strongly that letting out quarters to members of the Legislature was interfering unfairly with their trade.

Chairman.—Well, the matter has come before this Committee and it is quite a reasonable point ; but I do not want to press the Committee to do something unless they want to.

890. **Mr. Joshi.**—What is the use of keeping these rooms empty ?

Chairman.—Very well, we will make a recommendation. Now we pass on to 133.

891. **Sardar Mutalik.**—What is this depreciation of $1\frac{1}{2}$ per cent. you charge on furniture ?

Mr. Brebner.—As a matter of fact we have no definite figures. The figures at the bottom of the page are approximate. Last year I may say that the charges on furniture in houses under the first three heads amounted really to 2.12 per cent.

892. **Sardar Mutalik.**—Do you think that is a fair value to charge for furniture ?

Mr. Brebner.—What is ?

893. **Sardar Mutalik.**—That rate of 2.12 per cent. Do you expect the furniture to last about 50 years ?

Mr. Brebner.—I am afraid I do not understand your point.

894. *Chairman*.—This 2 per cent. for annual repairs of furniture is a sufficient provision ?

Mr. Brebner.—Our rental rate allows for 4.5 per cent. for special repairs and 1 to $\frac{1}{2}$ per cent. for depreciation, but it is hard to split up the first three charges. It is very difficult to say what is annual repair and what is special repair.

895. *Chairman*.—How much did you recover ?

Mr. Brebner.—It cost us 2.12 per cent. for upkeep as against an allowance of something like $8\frac{1}{2}$ per cent.

896. *Sardar Mutalik*.—Did you receive as rent the amount which you spent on the repairs—the full amount ?

Mr. Brebner.—Yes.

897. *Sardar Mutalik*.—And also something for depreciation ?

Mr. Brebner.—Except in one respect. There again the question of occupation for 7 months comes in.

All the money that was spent on repairs last year on furniture in houses—annual and special repairs—amounted to 2.12 per cent.

898. *Chairman*.—But you get 7 months' rent at the rate of 12 per cent ?

Mr. Brebner.—From some people and 12 months from others roughly speaking we get 12 months' rent from a third. I have the actual figures here and can give them if necessary.

899. *Col Crawford*.—Is there any total loss to Government on the whole thing ?

Mr. Brebner.—I should say it depends on how one looks at it. There is loss in respect of the people who go to Delhi for the winter and who do not pay during that time. Two-thirds of our houses are empty then.

900. *Col Crawford*.—Then you are charging 4 per cent. there. That is a pretty good return on the money and it has only cost you 2.12 per cent. You are getting 10 per cent. therefore for the 12 months instead of 5.

Sir F. Gauntlett.—With regard to that comment I might say that this paragraph is a general paragraph relating both to Simla and Delhi. When the question was raised in Delhi the Chief Commissioner in forwarding his recommendation to Government pointed out that the furniture dealers charge 25 per cent. for the cold weather season alone.

Chairman.—That is about $12\frac{1}{2}$ per cent. annually.

901. *Sardar Mutalik*.—Do you charge 5 per cent. or 7 per cent. ?

Mr. Kaula.—7 per cent.

Sir F. Gauntlett.—The actual charge is 1 per cent. per mensem. If you follow the principle of the furniture dealers you would charge 24 per cent. for the whole year, the whole season, instead of 1 per cent. per mensem.

Mr. Brebner (in reply to Chairman).—I don't know anything about Delhi but in Simla we have reduced the scale in some places and we have increased it in others. We now supply a minimum scale of durable furniture.

Chairman.—The whole problem is one which it is extraordinarily difficult to find your way through. The simplest way of course is to provide unfurnished houses ; but that is almost impossible in all cases.

Sir F. Gauntlett.—I think the question does arise whether furniture should be provided by Government at a rate which leads to a direct loss to Government.

902. *Chairman.*—It is clear that it does lead to direct loss to Government.

Mr. Brebner.—It depends on whether you take it over the whole year or not. If you only consider 7 months then there is a profit undoubtedly ; if you consider the whole year, I should like to work it out. Looked at from one point of view there is a loss ; looked at from another point of view, there is a decided profit and it is an open question whether the profit exceeds the loss. We allow here under these figures 6½ to 7 per cent. for repairs. Whereas last year we just spent about 2½ per cent. so there is a clear profit there of 4 per cent.

Sir F. Gauntlett.—The Accountant General makes the definite statement that the return is inadequate and no return at all on the capital invested in addition to charges for maintenance and depreciation.

A.—That probably is true for the period he is speaking about, but since then we have brought the houses to this fixed scale. We have also taken away all perishable furniture and only supply solid articles: for instance in the past we used to supply carpets in certain houses and all sorts of things that were strictly speaking not essential—like mattresses on beds and so on; we no longer do that, and the result is that we have been able to reduce very considerably our maintenance charges.

903. *Sardar V. N. Mutalik.*—But do you think under your new arrangement you will at least be meeting all the charges, including depreciation on furniture—from this 7 per cent ?

A.—I do; if you only consider the seven months' period.

904. *Rev. Dr. Macphail.*—Does furniture depreciate when it is not being used ?

A.—Probably quicker than when it is being used.

905. *Sardar V. N. Mutalik.*—Do you take into consideration when you fix the pay of officers who serve under the Government of India that they have to move between Simla and Delhi ? Do you give any extra pay on that account ?

A.—I think not: there is an allowance for the cost of moving: but I do not think any one is paid extra.

906. *Sardar V. N. Mutalik.*—I only want to ascertain if the fact that a man has to maintain a double establishment is taken into consideration in fixing his pay.

Chairman.—No, it is not.

907. *Dr. S. K. Datta.*—What is the entire value of the capital in the matter of furniture in Simla ?

A.—We have got about Rs. 2 lakhs worth of furniture in houses for officers—that is, in houses that are furnished at present. Then we have about Rs. 25,000 worth of furniture which we hire out. Under the rules

an officer can take a furnished or unfurnished house as he likes; and this Rs. 25,000 worth of furniture really represents the stock that we have for furnishing houses if called upon to do so.

908. *Rev. Dr. Macphail*.—Does that include furniture for members of the Legislature ?

A.—No.

As regards para. 140, I do not remember seeing this case at all. I understand that the A. G. C. R. has brought the facts to the notice of the local administration. If what he says is correct, then of course the rents must be raised.

Mr. Kaula.—The A. G., United Provinces has brought it to the notice of the local Government.

Mr. Brebner.—Para. 142 refers to the arrangements that are in force for carrying out work in Simla. The A. G. has taken exception to the high cost of establishment. This matter has been considered on several occasions by the Government of India and they are satisfied that no improvement is possible until work at Delhi is completed and the Delhi establishment is able to undertake work in Simla too.

Chairman.—That matter is really awaiting consideration till the move to Delhi is complete.

909. *Mr. Joshi*.—Do you have to keep two establishments for Simla and Delhi ?

A.—Yes.

Chairman.—There is considerable work in Simla during the winter.

910. *Mr. Joshi*.—With reference to para. 143 (1), may I ask the Auditor General, as to who is considered to be a high official ? What is the definition of a high official ?

Mr. Kaula.—Officials higher than Secretaries to Government.

Mr. Brebner.—With your permission, Sir, I should like to reply generally to para. 143 and several of the subsequent paragraphs all of which concern the behaviour of a certain officer in Simla. We discovered that he had carried out all sorts of irregularities. These were investigated very thoroughly by me. I made a report to the Government of India and they considered that the question was such a serious one that they appointed an independent committee to investigate all the charges which were made against this officer. The Committee was composed of a President who was an independent officer, an officer of the P. W. D. and an officer appointed by the Auditor General. They had before them to help them a report which had been made by an officer specially appointed to investigate the case by the Accountant General. They went into everything very carefully and made certain recommendations to the Government of India which were accepted by the Government of India and given effect to.

911. *Mr. Joshi*.—May I ask what those recommendations were ?

A.—With your permission, Sir, I will read the general finding; and I would ask your permission also, Sir, to leave out the names. This is the finding:

“ The Committee have come to the conclusion that Mr. X has shown culpable negligence in the matter of control over measurements, bills and accounts. He has completely disregarded the Code rules on these subjects and gives as his excuse that he relied on his accountant and subordinates and that he had so much outdoor work to do that he was unable to attend to his account work. His action in relying on his accountant and subordinates, if in fact he actually did so, is in the opinion of the Committee absolutely inexcusable. In view of his previous accounts training, with regard to his being unable to find time to look after his accounts work, we consider that he has not proved his case. Some of his transactions, such as those referred to in charge 15 (preparing fictitious bills to regularise transactions) amount to actual dishonesty. But there is no evidence in the whole case to show that Mr. X benefited pecuniarily. His lack of control and actions generally have been such as to have given opportunities for illegal gratification and to suspicion that such may have been taken by some of the persons concerned. Mr. X's previous training was that of an accounts officer and he had had no training of a technical nature such as was required for the duties of the post he was given. His inexperience might, the Committee consider, be taken in extenuation of his misdemeanours in so far as technical matters are concerned. Had Mr. X been in service the Committee would unhesitatingly have recommended his dismissal. Apparently the only arrangement now possible is that his pension should either be withdrawn or reduced under article 351 of the Civil Service Regulations. Such action would, we feel, fall more heavily on Mr. X's family than on himself, especially as the pension is a very small one. In view of the fact that we have been unable to obtain any evidence to the effect that Mr. X has benefited pecuniarily by his actions, the Committee are unable to recommend that his pension should be withdrawn or reduced. They recommend, however, if such action is possible, that steps should be taken to prevent Mr. X being re-employed by Government.”

912. *Chairman.*—Was his pension in respect of service in the P. W. D. or in respect of previous service ?

A.—In respect of previous service with the Army Department.

913. *Q.*—Is it a fact that Mr. X had been dismissed summarily from temporary employment in the military department before he was taken on by the P. W. D. ?

A.—No, Sir; that is hardly correct. What happened was that he was court-martialled for certain offences he was supposed to have committed. I believe he was found guilty and an order was passed that he was never again to hold the position of an officer: he was reduced in grade. At the

time he was taken on by us he was temporarily employed by the Army Department and there was every chance that his employment would terminate at a very early date.

. 144. No comments.

914. *Chairman*—145.

Mr. Brebner.—We did recover a small amount from the contractors. The deposit they lodged was forfeited. It was only a matter of Rs. 400 or so.

915. *Chairman*—146.

Mr. Brebner.—This finishes up with the suggestion that the total stock of furniture should be reduced. I may say that that has been done. As the A. G. is probably aware, we have been holding auctions in Simla selling off furniture that we did not require, so much so on one occasion. I was told that I was spoiling the market. We really have now reduced our stock of furniture to very reasonable limits, but as a result of the year's working, I propose to look into the matter again and see if we cannot get rid of some more.

916. *Sardar Mutalik*.—I hope your reduction will not require re-purchase next year ?

Mr. Brebner.—I don't think so.

.. 147, 148 and 149. No comments.

Chairman.—150.

Mr. Brebner.—The question is under consideration.

917. *Sardar Mutalik*.—It reveals a deplorable state of affairs that you should not have an inventory of all the furniture in the Viceregal estates ?

Mr. Brebner.—The trouble is that it is extremely difficult to control the movements of furniture in the Viceregal estates. The A. G. C. R. last winter deputed an officer to make an inventory of all the furniture. This inventory, my information is, was soon rendered useless, because in the first week's stay of His Excellency, the furniture which was in one room was taken to another, that which was in the godown was removed to some other place and so on; in other words, they entirely refurnished the house in a different way without buying new furniture. While, therefore, it is possible to keep an inventory by totals, it is extremely difficult to do so by individual roofs as the A. G. C. R. would like to see done.

Sir Frederic Gauntlett.—The difficulty in this matter is that there are specific orders of the Government of India that all this furniture is to be verified periodically by an officer of the P. W. D. and of the Accounts Departments, and when they attempt to take it up seriously they find that for the reasons just stated by Mr. Brebner that it is impracticable.

918. *Chairman*.—Is there any loss so far ?

Mr. Brebner.—My view so far as the residences are concerned is that there is a certain amount of gain, as we got furniture which was originally private property.

919. *Sardar Mutalik*.—Are you in a position to say that there is no loss ?

Mr. Brebner.—I think, there is a gain.

Chairman.—The real fact is I think that the rules are a bit too specific to be workable.

151. No comment.

152.

Mr. Brebner.—I don't think any comment is necessary.

920. *Mr. Joshi.*—Why was no report made ?

Mr. Brebner.—The fact is that the furniture grant as it now stands, was fixed in 1896, and it is for that reason out of date and inadequate ; We thought that in a small matter like that it was really undesirable to insist on a reduction *pro tanto*. It amounts to Rs. 5,700.

Chairman.—153.

Mr. Brebner.—These are two houses that we sold, and the case has since been withdrawn.

Sir Frederic Gauntlett.—This paragraph can be regarded as withdrawn.

Chairman.—154.

Mr. Brebner.—This concerns a building that is in the middle of the Indian Clerks' quarters on the south side of the hill. It used to be used by the detachment firing the time gun. The time gun has been done away with, and as the building was no longer of any use to the Army Department, they proposed to sell it. In view of the fact that it was right in the middle of the Clerks' colony, it was represented to me that it was not right that it should pass into other hands, and Government after considering the matter bought it. The question then arose what use this building could be put to. I considered the matter. I had estimates prepared to see how much it would cost to make it suitable for a residence and I found that it was going to cost us about Rs. 9,000. I rejected that idea. I then suggested that it might be used for a school, but again for various reasons it was considered unsuitable as such. It was considered by the clerks as out of the way, and it was also found that it would require a considerable amount to make the building suitable for a school. For some time when it lay empty, we had to spend money on maintaining it in decent condition. Then the Clerks' Association came forward with a request that the building might be placed at their disposal at a nominal rent for a club, and in view of the fact that it was no good for any other purposes, the Government of India agreed. Once we know what the decision of the Government is regarding the move to Delhi, we propose to take up the matter again, and if we think it is desirable to improve it, we shall carry out such alterations as are necessary to make it suitable for a residence, but at present it is quite unsuitable for residence.

921. *Mr. Joshi.*—Have the Government of India power to give this building free to the Clerks' Association instead of giving it on a nominal rent ?

Mr. Brebner.—I think the rent charged is about a rupee a month, it is nothing very great.

If any valuation were to be made of it now, it would be a very low one, because it was a building intended for a military detachment, and so it is unsuitable for any other purpose.

922. *Chairman*.—153 (2).

Sir F. Gauntlett.—Both of these were withdrawn.

923. *Chairman*.—154. That is the one we have been discussing. 155.

Sir F. Gauntlett.—I have a comment on that, Sir. "This is an excellent example of the evil results which may follow the grant of an allotment just before the close of the year. In sanctioning allotment funds late in the month of March the executive authority should carefully consider whether the amount could, within the remaining days of March, be expended economically and with due regard to financial rules." Here the work was sanctioned on the 28th March and funds were allotted for it and the officers in charge immediately proceeded to take steps whereby four thousand was lost altogether, I think.

924. *Chairman*.—This is a 1922 case. There have been considerable improvements since then.

Mr. Brebner.—I hope so, Sir. The actual facts of this case are that we were really employed by the Army Department as agents for carrying out work. I don't think we would have agreed to do the work if we had not been pressed by the Army Department to go on. We represented that it would mean rushing expenditure but in spite of that the Army Department asked us to proceed. The case has been very carefully investigated by the Government of India and they have no doubt whatsoever that certain people were guilty of dishonesty. They took legal advice and were told that they had not a sufficiently good case to take to court. I may mention that all the officers concerned retired years ago; only one of them is drawing a pension and he is an officer whose behaviour was considered by this Committee last year and they decided that it was not desirable to touch his pension.

925. *Chairman*.—I don't know whether there are any questions any member would like to ask Mr. Brebner before he goes on the grant itself. Have you, Mr. Brebner, any special points on that? It is pages 385 to 402.

Mr. Brebner.—Well, Sir, we had a certain amount of difficulty in following some of these figures. To get at the figures given by the A. G. would have involved references to Local Governments in certain cases and I have not made any, partly because the time at our disposal was very short and partly because it did not seem to me that there was anything very serious. I may mention that in many of these cases we actually did come up to the Finance Department to get a grant, although that is not shown. The grant voted by the Legislative Department only is shown.

Chairman.—The comment of the Auditor General on this generally is "The explanations given under this grant show that there are many cases of excess within the grant uncovered by reappropriation, indicating that the control over the expenditure is inadequate and the need for reappropriation in this has been overlooked."

Mr. Brebner.—I don't think there are any serious cases, so far as I am concerned.

926. *Sir F. Gauntlett.*—The difficulty is it spreads over the whole of India almost.

Mr. Brebner.—Taking one item, for instance, item d (1) on page 386, it would appear that there was a very large excess over the grant made, but in that case the orders of the Government of India in the Finance Department were obtained. They realised that the work was one of very great urgency and they agreed to its going on—that is the sanitary installation at Viceregal Lodge.

Sir F. Gauntlett.—There has been a general explanation given to the committee, Mr. Brebner, that if in the foot notes it is not mentioned that there was a failure to obtain a reappropriation, the reappropriation has been obtained.

Mr. Brebner.—Yes, I follow that.

927. *Chairman.*—Another question that arose on this grant as a whole is that there is a very considerable saving on the total, indicating I think a tendency to over-estimate the capacity to spend on the Works. We have been taking that up as a general question.

Mr. Brebner.—Well, Sir, I put it down—(I don't altogether agree, with due respect to the A. G. C. R., with what he says)—largely to two reasons. One is that there is a tendency for departments every year to ask for money for works which they consider are most urgent, instead of asking for money for schemes for which all the formalities are ready. For instance, to take a case we had last year,—the Auditor General pressed very hard to have funds set aside for constructing quarters for his staff at Ranchi. Very great pressure was brought to bear on my department to provide funds. We resisted on the ground that the details were not ready. We have many cases like that. Departments ask for money and sometimes get money for schemes that are not ready. The second reason is that the executive officer who actually has to carry out the work is asked to state what his requirements are likely to be so far ahead that it is very difficult for him to say. That is to say, executive officers are now preparing information to know even what money they want to spend after March next. They are not in a position to show when the work is going to be started. They take it for granted that they will be able to start in April and if there is any delay whatsoever, it inevitably must mean that they cannot spend the full amount that they have asked for.

928. *Mr. Kaula.*—But you have large reserves, Mr. Brebner. Reserves of 8 lakhs of rupees and savings amounting to 20 lakhs.

Mr. Brebner.—Well, my reply to that is that, when we find we do not require the money, we hand it up as soon as we are satisfied that we don't want it.

929. *Sardar Mutalik.*—All the same the fact remains that you have asked for more money than you can spend practically.

930. *Chairman.*—Is there a deduction for probable under-spending in the several works for the current year?

Mr. Brebner.—I think there is, Sir.

Chairman.—I think this is the same general question that the witness has been answering for some time. He has told us that his department always resists pressure to include something the estimate for which is not reasonably complete.

Mr. Brebner.—The reason, I fancy, why there is greater underspending in the voted amounts is that such schemes take longer to get through and therefore there is greater delay in starting the work.

931. *Mr. N. M. Joshi.*—Page 399, note 11, there is mention of certain plots of Government land which have been given without any written lease. It evidently took place in 1917 or 1918.

Mr. Brebner.—The position as to that is that the local Public Works Department came up to us and asked us to regularise this matter. We were not satisfied. We made further inquiries and we found that the local Government's officials acting under instructions which they received from the forest department had let this particular piece of land without entering into a proper lease. The matter was very old, the officials concerned were local Government officials, very low-paid officials, and the Government of India in view of the fact that several years had elapsed thought that nothing could be done. The land-owner died several years ago.

Chairman.—That, as a matter of fact, is a pre-reform case which has very little relevance at present.

932. *Sir F. Gauntlett.*—There is one general point on 43 and that is a point which arose when Mr. Bajpai was here. That is whether the officer who answers before the Committee makes any attempt to keep in touch with expenditure all over India for which he has to answer.

Mr. Brebner.—Well, we have statements submitted at periodical intervals from Local Governments stating what amounts they wish to surrender, if it is a question of surrendering; and what further grants they wish if it is a question of getting more money.

933. *Mr. Joshi.*—Do you watch the expenditure from month to month ?

Mr. Brebner.—No, I don't think we do.

934. *Chairman.*—Is there no arrangement in the Civil Department to watch your total expenditure against the budget ?

Mr. Brebner.—I don't think we get figures in our office. I certainly don't see them. I can find out exactly what the position is and let the committee know but I fancy, even if we do get monthly figures, they are not a very reliable guide. A better guide undoubtedly is the statement which we get from local Governments asking for extra grants or submitting surrender statements.

Chairman.—This is not really a question for Mr. Brebner, who is not in any case the officer responsible.

Sir F. Gauntlett.—There is one point I would like the Committee to consider at leisure, not necessarily to-day. Here again is a new statement of expenditure on important new works. We have had similar statements elsewhere. It runs to about 6 pages. It involves a considerable amount of time and trouble in preparing all the details given and I think we should like some indication as to whether this amount of detail

is considered to be desirable. I would not ask the Committee to consider it at the present moment but at leisure before the report is written.

935. *Chairman*.—Is the minimum 20,000 ?

Mr. Kaula.—20,000 for details. Excessive for unforeseen works.

Chairman.—Is that all your case, Mr. Brebner ? Thank you. Page 401.

Mr. Brebner then withdrew.

Mr. Sale, Chief Engineer, Delhi, assisted by *Mr. T. K. Rajagopalan* and *Mr. Grindal*, Central Accounts Officer, Delhi, was then examined by the Committee.

936. *Chairman*.—There is a question arising on page 394. I think you can possibly assist us. Look at head 18, Losses on stock not adjusted, Depreciation of Stores. What sort of stores are these ?

Mr. Sale.—Consumable stores.

937. *Sardar V. N. Mutalik*.—Does it include tools and plants ?

A.—No Only petty tools like hammers which you use in your work.

938. *Chairman*.—Bricks and lime ?

A.—Yes.

Mr. Kaula.—Some construction works were going on at Kabul. There was a loss in connection with it. That loss had to be adjusted in the accounts. This is merely an accounts adjustment.

939. *Chairman*.—What is the meaning of "the estimate for Rs. 27,000 sanctioned by His Majesty's Minister at Kabul" ?

Mr. Kaula.—Financial sanction is given here at headquarters. He has got power to give technical sanction to estimates for works. He has got the powers of a local Government in regard to these matters.

940. *Mr. Joshi*.—He acts as agent to the Government of India ?

Mr. Kaula.—Yes.

Sir F. Gauntlett.—A special estimate had to be prepared to meet this loss of Rs. 27,000 which was discovered.

941. *Chairman*.—Let us get to the witness. Have you got any explanation to give on this case in para. 100 ?

Mr. Sale.—In 1924 the Audit Officer was asked to look into the accounts for 1923-24. We did not get any reply until March 1926, in which he says that the accounts ought to be looked into by the Central Accounts Office, because in the interim the Delhi experiment had begun to function and our Accounts Officer is the Central Accounts Officer. He looked into the accounts and he gave me a report in May, 1926. I am looking into it now.

Sir F. Gauntlett.—It is stated in this paragraph that the late Deputy Accountant General, Central Revenues, deputed in January 1923 an Auditor for the inspection of the accounts of the Company as required under the contract.

Mr. Sale.—That is 1923. Then there were the accounts for 1923-24 and 1924-25. We asked the Audit Officer to do that. Owing to pressure of work he eventually wrote back to us as explained above.

942. *Chairman*.—The point emerges that these accounts are under inspection with a view to ensuring the interests of Government.

Mr. T. K. Rajagopalan.—The Chief Engineer was under a misapprehension that the Accountant General, Central Revenues, was responsible for this. After about a year or so, he found out that the Central Accounts Office should do it and not the A. G. C. R. The Central Accounts Officer has made an inspection of the figures and they are now before the Chief Engineer, and probably a bill against this particular company will be issued.

943. *Chairman*.—Have you any statement to make on 130 ?

A.—I do not know whether it will be possible to take paragraphs 130, 134 and 135, in which the financial effects of the Delhi residential schemes are commented on, together. What I would like to say is that the scheme for 1922-23 was subjected to scrutiny by the Finance Department and they said that although there may not be loss to Government by this method of interest charges, the proposal was not covered by any rule. Fundamental Rule 45 (c) relates to pooling by Local Governments. In accordance with this, the proposal was placed before the Government of India and the system was accepted by them. Moreover, I think this general system was referred to Sir Frederic and he gave his benediction to it.

Sir F. Gauntlett.—I do not think so. I have already stated to the Committee that while I accepted it tentatively in view of Fundamental Rule 45 (e) it was on the assumption and on the specific understanding that the whole of Fundamental Rule 45 was being redrafted and would be available in a form which would cover what was being done.

944. *Chairman*.—Does anything arise out of this case except the fact that it is a technical irregularity until Fundamental Rule 45 (e) is redrafted ?

Sir F. Gauntlett.—Until the whole of that Fundamental Rule is redrafted.

Mr. Kaula.—And the Supplementary Rules thereunder are issued.

Chairman.—It has already been explained that the redrafting of that Rule is giving enormous difficulties.

945. *Chairman*.—Have you any special explanation on 134 ?

A.—The same sort of explanation as I gave for 130. The Central Government decided not to raise the rents. The point is that the rents of the bungalows had always hitherto been calculated so as to include a charge of 1/12th of the annual rental for repairs. This matter was, on being challenged, again referred to them and they decided that the rent should not be enhanced.

No. (ii) takes us to 1912 or 1913.

Sir F. Gauntlett.—I agree that might have been omitted. It came to light last year and therefore the Accountant General thought he ought to call attention to it. As it took place over ten years ago I think he would have exercised his discretion if he had not mentioned it. This case is 14 years old.

Mr. T. K. Rajagopalan.—And the rules have undergone several changes since then. These rules never existed at the time when this particular expenditure was incurred.

946. *Sardar V. N. Mutalik*.—There is a point under (d). It is said that the rents of these houses were actually intimated on the 9th October. Have you dealt with this case at all ?

A.—Yes. All these rents up to 1924-25 had been accepted by the D. A. G. C. R., that is to say, the gentleman who might be held to have been the Financial Officer of the Chief Engineer before the separation of Accounts and Audit. However, on separation and on the appointment of the Central Accounts Officer, he reopened all these rent questions, challenged them on various grounds and said that they were not in accordance with the rules. The whole matter being a very large one could not be settled in two months. He upset 2 or 3 years' work and we were unable to take the necessary action in time for the New Capital Committee meeting.

Mr. Grindal.—The point really is that whereas the New Capital Committee passed their resolution in September, 1925, that no change should be made in the rents in view of the fact that the houses had already been allotted, the Audit Officer points out in the next paragraph that the rents of these were actually communicated on the 9th October, *i.e.*, some days after the New Capital Committee passed orders. The fact of the matter is that allotments were actually made informally in August. The Chief Engineer sends his Estate Officer up here, every officer of Government is consulted, and the allotments are more or less made informally in, I think, August or September. They have to be. The New Capital Committee were apprised of this apparent inconsistency in their statement and they recognised the fact that the tenants had not been apprised of the increase before they were given the houses, and said that they would be opposed to any increase.

947. *Chairman*.—The Pay and Accounts Office drew attention to certain possible means of raising rents in accordance with the rules. These were considered in September and it was then felt that it was too late to alter the rents for that year as the allotments, although not formally but in fact, had been communicated to the tenants one or two months before. That is the whole story.

Mr. Grindal.—Yes.

Sir F. Gountlett.—The point in audit is that it might have been possible to say, "You are allotted this house; the rent that you will be charged is still under consideration."

948. *Chairman*.—That is not very satisfactory to the tenant. He must know the rent before he decides to accept the allotment.

Mr. T. K. Rajagopalan.—As a matter of fact, early in July, the Estate Officer comes up and consults the wishes of each tenant and it largely depends upon the amount of rent that he is going to be charged whether he elects to go into a Government house or into one of the hotels.

949. *Sardar V. N. Mutalik*.—The new rents will be enforced from 1926-27 ?

A.—Yes. We have been raising the rents every year.

950. *Chairman*.—Para. 135 (a).

Mr. Sale.—The bungalows referred to in 135 (a) are 4 bungalows on the Mall which were constructed in 1920 as a result of the deliberations of the Committee appointed by the Government of India of which Sir Claude Hill was President. The original idea was to build 8 bungalows

but the Finance Member decided that only 4 should be built. It is rather difficult to understand precisely for which officers they were built, but apparently they were built for an Additional District Magistrate, a Judge, a Public Works Officer and an officer of the Deputy Accountant General, Posts and Telegraphs. The loss was caused by the fact that it was not found possible owing to the situation in Delhi to put the Additional District Magistrate there, as the Local Administration considered that he should be near the city. The other loss was due to the fact that the bungalow allotted to the Superintendent of Education was to be a rent free residence.

951. *Sir F. Gauntlett.*—There is the general point. It is a very common means by which loss accrues to Government when houses are allotted to officers whose rent is lower than was contemplated when the houses were built. If they are built for officers of a higher status and are allotted to officers of a lower status, there must be a loss, because only 10 per cent. of the salary of the lower officer can be obtained.

Mr. Sale.—In the future there will be no trouble at all. This refers to old Delhi.

Sir F. Gauntlett.—Para. 136.—There is again the same question with regard to furniture in Delhi as we have had with regard to furniture in Simla.

Sardar V. N. Mutalik.—There appears to be superfluous furniture.

Mr. Sale.—Surplus to scale. I would like to point out that the figure of Rs. 14 lakhs includes a lot of furniture which is not intended for residential purposes, for instance, it includes furniture on which we cannot get any return, furniture in the Legislative Assembly, Council of State. Really the total amount of furniture on which we can expect to get a return is only about Rs. 8½ lakhs.

952. *Sardar V. N. Mutalik.*—Does this figure include all the furniture in the Assembly and Council of State ?

Mr. Sale.—Yes.

953. *Mr. Joshi.*—There is more furniture in Delhi than in Simla. There is only Rs. 2½ lakhs in Simla.

Mr. Sale.—In Delhi we have got residences for 195 officials and 1,300 clerks, a bigger residential scheme than in Simla.

954. *Sir F. Gauntlett.*—Even if Rs. 8 lakhs be accepted in substitution for Rs. 14 lakhs the loss would only be reduced roughly from 2½ to 2¼ lakhs.

Mr. Sale.—As regards the depreciation and renewals, in point of fact the actual depreciation, renewals and replacements do not amount to Rs. 1,47,000. 10½ per cent. is taken as it was given by the Chief Commissioner in 1922. Actually it does not work out to anything like this sum.

955. *Chairman.*—To what do they work out ?

Mr. Sale.—Renewals work out to Rs. 35,000.

Mr. Grindal.—5 per cent., Sir. It is included in the expense on maintenance. A lakh of rupees has been spent not only on ordinary repairs but also on renewals and we have put it like this because the estimates do not show the expenditure on ordinary maintenance and for repairs separately.

956. *Chairman.*—The answer is then that you do not accept these estimates as a true presentation of the actual facts.

Mr. Grindal.—The 10½ per cent. and the lakh of rupees for ordinary maintenance overlaps to a certain extent. We found that out on investigation.

Mr. Sale.—The Auditor's point is that the higher charges of furniture which have been fixed at 15 per cent. per annum do not really cover the actual cost to Government in maintaining the furniture. We have pointed this out to the Government of India that the furniture costs nearer 2 per cent. per mensem to maintain than 1½, but they have decided not to raise the rent.

957. *Sardar V. N. Mutalik.*—Do you charge the different departments for their office furniture ?

Mr. Sale.—No. There is no office furniture unless it is for the Legislative Assembly and the Council of State.

958. *Sardar V. N. Mutalik.*—Do you charge the Legislative Department for it ?

Mr. Sale.—No : we charge them nothing.

959. *Chairman.*—Para. 137.

Mr. Sale.—This item says that no rent had been recovered in the past for supply of hot water to tenants. As a matter of fact rent was recovered on account of hot water, but it was recovered on the 5/12th basis. The trouble in this case is that the estimate for maintaining Metcalfe House was framed in a way which did not make it explicit that there was a hot water installation in it. Consequently only charges for the running expenses of Metcalfe House were recovered from the tenants on the *pro rata* basis, that is to say 5/12th of the cost of maintenance of Metcalfe House was recovered from the tenants. It is only when the central accounts office was formed that it was pointed out that the whole annual cost should be recovered from the tenants during their period of occupation. I do not think that local and executive officers can be blamed for making this mistake when it had been accepted by audit for two years previously.

960. *Chairman.*—This is another case resulting from the scrutiny by the Pay and Accounts Officer.

Mr. Rajagopalan.—On behalf of the New Capital Committee, I may explain that we tried to recover as much as possible but we were threatened with legal proceedings if we pressed our claim.

961. *Chairman.*—The matter has been put right, for the future.

Mr. Sale.—Yes.

962. *Chairman.*—Para. 138.

Mr. Sale.—We have taken action to reduce excessive consumption.

963. *Chairman.*—The point that really arises in this paragraph is why action was not taken earlier.

Mr. Sale.—Because it was not pointed out.

Mr. Rajagopalan.—We had no detailed scrutiny of estimates and contracts as we have introduced in our Pay and Accounts Office. It is all a question of staff.

964. *Chairman.*—Most of these have been brought to notice by the new system of audit. The question still arises whether there was any fault.

Mr. Rajagopalan.—The fault was a very general one. The D. A. G. C. R. had a very small staff.

965. *Chairman.*—I am not referring to the audit side, but to the executive side. Was there negligence on the part of the executive that led to this ?

Mr. Grindal.—Alipore House was supplied with current, water and other services from four different sources; one man was supplying water, one Executive Engineer was supplying light, another Executive Engineer was supplying hot water service, and the fourth was maintaining the garden. A supposition was made, that the cost of water should not be more than Rs. 1-8-0 per room and the cost of light Rs. 2 per light point and on this basis the rents were worked out, not only for Alipore House but for the whole of Delhi. For this year we have brought all the charges into one estimate. We found, for instance, the electric lighting was Rs. 2,500 and the tenants were paying Rs. 1,000. It was all a question of nobody's business.

Chairman.—The new arrangement of having a Pay and Accounts Officer had some useful results.

966. *Sir F. Gauntlett.*—There is one other comment that it is not the duty of audit to fix the rents; it is the duty of the executive.

Chairman.—That is the great advantage of having a Pay and Accounts Officer, who is a financial adviser to the executive.

Sir F. Gauntlett.—It is the duty of audit to find out if there is any omission to recover the rent; it is not the duty of audit to fix the rent.

Chairman.—This is really an improvement. Accounting separated from audit helps the executive.

967. *Chairman.*—Para. 139.

Mr. Sale.—This is merely an instance in which we have taken action. The quarters having proved unpopular, the executive took action to enhance the return to Government by leasing them or by what you might call farming out a certain number of quarters, for instance to the Y. W. C. A. so that they should ensure a larger return than they got under the rules of the previous year. As a matter of fact, of course, it was not according to statutory rules, but the Government of India had powers as far as I can see. It was under the spirit of the rules that they did it, and they secured by so doing a greater return in rent.

968. *Chairman.*—This again is a case where it has proved impossible to work under Rule 45.

Mr. Rajagopalan.—To a certain extent, Sir. But as regards the question of auctioning, there are a number of lady clerks; there is only one institution to take care of them. We have to provide houses for our lady clerks and we adopted the most practical method of doing so.

Chairman.—We will take up Grant No. 62 after lunch.

The Committee then adjourned for lunch.

Evidence taken at the twelfth meeting of the Public Accounts Committee held on Monday, the 2nd August 1926 at 3 p.m.

PRESENT :

The Hon'ble Sir BASIL BLACKETT, *Chairman*.

Mr. N. M. JOSHI,

Maulvi Syed MURTAZA Saheb Bahadur,

Rev. Dr. E. M. MACPHAIL,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH,

Colonel J. D. CRAWFORD,

Dr. S. K. DATTA,

Sardar V. N. MUTALIK,

Sir FREDERIC GAUNTLETT, the Auditor General,

Mr. KAULA, Accountant General, Central Revenues,

Mr. T. K. RAJAGOPALAN, Officer, on Special Duty, Finance Department,

Mr. E. W. GRINDAL, Accounts Officer, Central Accounts Office,

Mr. J. L. SALE, Chief Engineer, Delhi.

Mr. J. S. PITKEATHLEY, Chief Controller of Stores.

Mr. A. G. CLOW, Deputy Secretary, Department of Industries and Labour,

Mr. S. LALL, Under Secretary, Department of Industries and Labour,

Members.

were also present.

Witnesses.

969. *Chairman*.—Page 136. There is a great deal of letter press here to deal with. Have you got notes on each para ?

Mr. Rajagopalan.—I propose that paragraphs 194 to 200 be omitted for the present, because they are to be the subject of a departmental enquiry by Mr. Roche. The terms of reference for this enquiry will be practically on the lines proposed by the Auditor General.

970. *Chairman*.—No. 201. Have you a statement to make under this, Mr. Sale ?

Mr. Sale.—The accounts of the stoneyard have been under the notice of the local administration for some time. An officer was put on special duty for four months to try and go into the accounts from the beginning to locate the wastage in stone. Owing to the fact that we bring on our books stone in the rough and it is issued to the buildings in the form of dressed stone, owing to the way the books are kept, an accumulated balance is shown due to the wastage and it is to locate where this wastage takes place that we put this officer on special duty. The result of his verification was communicated to the New Capital Committee in a report signed by the Central Accounts Officer, in which he located this wastage as far as possible. Of course the fact that we have been working at what you might term a loss has been known to us since 1924, and we have provided for it accordingly in all our estimates, but the New Capital Committee are not entirely satisfied that the wastage which has been worked out at 42 per

cent. in the operation of converting stone in the rough to stone dressed and issued to the buildings is what it should be, and at present another enquiry is being started by the Central Accounts officer in order to see if this wastage of 42 per cent. can be justified.

971. *Sir Frederic Gauntlett*.—When you say that the stone comes in the rough, do you mean just as it is from the quarry ?

Mr. Sale.—Absolutely as it is in the quarry and in any shape that it comes from the quarry. It is not rough shaped first of all. We have all the machines in Delhi. The only machines they have in Dholpur are cranes and channelers. The stones arrive in rhomboids, they are not cubes even. The shape depends entirely on the faults in the geological strata of the stone.

972. *Chairman*.—This does not look like an accounts question, but an organisation one. You just bring the stone in and cut it out.

Sir Frederic Gauntlett.—I think the point in audit is that if there is a wastage of 42 per cent. it would be very difficult to explain that as due merely to loss in cutting.

973. *Rev. Dr. Macphail*.—Are there statistics in connection with other works ?

Mr. Sale.—Unfortunately not in India. This is unique. But I do not think we have written home because the wastage depends entirely on the nature of the stone and the geological strata. What we do know is that we are turning out the stuff departmentally below what we could get it in the open market from anyone.

974. *Sardar Mutalik*.—May I know what stone this is ?

Mr. Sale.—Red and buff sandstone which comes in large blocks from Dholpur. They are rough shaped. The lengths, breadths and depths are not uniform. You have to take the averages.

975. *Sardar Mutalik*.—It comes in large shapes. I suppose ?

Mr. Sale.—Yes. Two sides are parallel but the four sides may be pyramoidal perhaps.

976. *Sardar Mutalik*.—How do you account for this 42 per cent. ? Have you got accounts ?

Mr. Sale.—Yes.

977. *Sardar Mutalik*.—How do you enter the first entry of your receipts ?

Mr. Sale.—We bring on the books the stone in the rough actually as it is measured off the trucks. The measurements are made in the quarry and are verified. They are average measurements to the nearest inch, and they are verified again in the stone yard. The stone is put through various processes and it turns out at the other end a dressed stone with a very much smaller cubic content. We figure that—it means a wastage of 42 per cent.

978. *Chairman*.—Do you use that wastage for other purposes ?

Mr. Sale.—Yes, for stone ballast.

979. *Sir Frederic Gauntlett*.—I presume the amount issued as stone ballast has been taken into account in the record of the stones ?

Mr. Sale.—Yes.

980. *Chairman*.—Then this wastage of 42 per cent. must be somewhere ?

Mr. Sale.—Yes, it exists.

981. *Chairman.*—Your position is that you enquired into this and so far with no particular result ?

Mr. Sale.—We fixed this percentage of wastage at 42.

982. *Sir Frederic Gauntlett.*—Is that the actual wastage or what you think is the wastage that ought to occur ?

Mr. Sale.—We have the total amount of rough stone and the total amount of dressed stone, and the 42 per cent. represents the difference between the one and the other.

983. *Chairman.*—That would not be an accounts question.

Mr. Kaula.—It would be if we could agree that that 42 per cent. is correct. Nobody knows whether that figure is correct or not.

Chairman.—The position is that this matter has been brought to notice and is being enquired into.

Sir Frederic Gauntlett.—The matter is an accounts question in respect of the comments of the Chief Engineer. He admitted or stated that the balance in the stone register was entirely fictitious, no wastage or inadequate wastage only being allowed for, and he said that it must be fictitious because there is no room in the stone yard for the balance that was said to have existed.

Mr. Sale.—The trouble is that our P. W. Accounts are not suited to commercial transactions of this sort.

Sir Frederic Gauntlett.—Sir Hugh Keeling strongly resisted the adoption of the ordinary system of public works accounts.

Chairman.—That is not an answer to the question. Mr. Sale deprecates the fact that they have not hitherto had a system of accountancy more suited to commercial transactions of this sort.

984. *Sardar Mutalik.*—Have you got sufficient check to see that the stones are not miscarried ?

Mr. Sale.—Yes. It is very difficult in our opinion to mislay a stone weighing several tons. There is no block that weighs under half a ton.

985. *Sardar Mutalik.*—Have you any check to see if a dressed stone is not miscarried ?

Mr. Sale.—Every stone is numbered and is destined for a certain place in the buildings. We have got central registers and working drawing shewing the number and position of each stone allotted to each building and challans for every stone that is issued.

986. *Chairman.*—You admit that you have failed to have any normal account which is reliable but have you any reason to suppose that there has been a loss ?

Mr. Sale.—We have no reason at present to suppose the stone is not going where it is intended.

Sardar Mutalik.—You said you numbered every stone that came in. Supposing there is no number placed on any stone which is taken away ; have you any check for that ?

Mr. Sale.—Every stone that comes in has a number on it.

987. *Sardar Mutalik.*—Supposing there is collusion and it is intended in the very beginning to place a stone in a particular place and take it away without numbering it, have you any check on that ?

Mr. Sale.—If you are going to move a stone like that and it is going anywhere in Delhi, knowing we are the only people who import these large blocks of stone if we met them at night in a cart even in the city we could trace where the stone came from.

988. *Sardar Mutalik.*—Have you any machinery to trace it ?

Chairman.—You need machinery to carry it away more than to trace it, it seems to me. What is the waste on this stone ?

Sir F. Gauntlett.—The main possibility is of consistent over-payment in the first place ; that is the measurements paid for as coming in being considerably greater than they really are.

Mr. Grindal.—May I say with regard to that, that the first check I have made now is that I have a special staff placed at my disposal and I am making an independent check of all the receipts of stone, and also a special check to check this very point which Sir Frederic Gauntlett has raised.

989. *Chairman.*—Has anything come to light ?

Mr. Grindal.—I will know about it in a week's time.

Mr. Sale.—There is the man at the quarry and the man at the railway who loads the stone and the man who receives it. They might all three be in collusion, but it is not very likely. They might all increase the measurements.

Chairman.—It is most desirable this should be followed up, but I don't think we can gain anything by further questions now.

990. *Col. Crawford.*—You say you must do this work departmentally. Have you any figures to show it is an advantage ?

Mr. Sale.—We called for tenders for the supply of this particular quality of stone from the open market all over India and the result was that the rates given were 30 per cent. over what it was costing us.

991. *Dr. Lohokare.*—Including the loss ?

Mr. Sale.—Including the loss.

992. *Chairman.*—Anything about 201 (c) ?

Mr. Sale.—This was owing to the wastage factor of the stones. The stone is actually costing us more than what it was issued to the building for, but all provision for this was made in the estimate and when I said I called for this tender, I did not put in the issue rates, but I allowed for this loss and we have now increased the rates to make the recoveries cover the outlay.

993. *Chairman.*—The loss is then purely a book-keeping loss ? The building has cost more than you have booked and there is a loss on the cost of manufacture ?

Mr. Sale.—The buildings on the original stone manufacture rates appear to be costing less than they actually do ; so we have this adverse balance of 2 lakhs.

994. *Dr. Lohokare*.—On what amount is this total loss on working ?

Mr. Sale.—It represents about 24 per cent. of the total value of the stone issued. The total cost of the operations which we have done in the stone yard will be 1½ crores when we have finished.

995. *Dr. Lohokare*.—Up to this last date ?

Mr. Sale.—No, up to that date we must have spent a crore and 18 lakhs.

996. *Chairman*.—(d).

Mr. Sale.—This is again is the stone yard. These contracts are nearly all for dressing stone. The man who has the quarrying contract has got a monopoly in the Dholpur State. Tenders were not called for the dressing contract, because it is necessary that the contractor who fixes the stone should also do the dressing. If you had one contract for the dressing and another for the fixing it would lead to continual friction between the two. As to the fixation of rates, that was done by the Chief Engineer after very careful test of the actual daily labour charges in actually dressing the stone.

997. *Chairman*.—Your answer to the last paragraph of 201 is that the actual loss would increase if rates were invited by tender.

Mr. Sale.—I suggested it would cost us more.

998. *Sir F. Gauntlett*.—If you state it is inevitable that the same contractor should dress the stone and then erect it, were two contracts given out for the two works or were they combined ?

Mr. Sale.—They are not combined because the executives are different.

999. *Mr. Joshi*.—Can you make out one contract as these two operations are to be done by one contractor ?

Mr. Sale.—We have tried to do that and it has given us a lot of trouble. We have done it in the Government House for the marble. We gave one through rate for the turning out of the stone, but it has not proved a success at all. It is possible, but it does not conduce to expeditious work.

1000. *Mr. Joshi*.—I have not understood the difference between giving two contracts to the same man and one contract.

Mr. Sale.—It is due to the fact that if you give one contract you must have one disbursing officer, and as a matter of fact we must have two executives. The man who makes the stone must be responsible for the stone till it leaves the yard for the building. When it gets to the building there is another executive. So if you have one contract, you have two portions of it covered by two different executives and it is very probable there will be friction.

1001. *Chairman*.—In regard to the next case, there seem to be two general questions, why the New Capital Committee decided the contract should not be terminated in spite of that fact that there had been a breach of contract, and the other the disciplinary action taken.

Mr. Sale.—In the first place I should explain that the rule which is complained of here is paragraph 293 of the Code, which enjoins on all executives to see that the materials which, according to their stipulations and contracts they are getting are actually debited to their accounts at the

first possible occasion. This case was the Legislative building, which is a very large work and has been in progress since 1922. The practice in this case was to verify the issues of material to the contractor according to his stipulated agreements periodically and this verification had been performed in March 1924. In August 1924 it was found that the contractor had been paid for work involving 300 tons of cement which had not been debited to his account. The Executive replied "Noted; this will be put right;" and the Sub-Divisional Officer explained that the accounts had been checked up to March 1924 and they would again be checked in March 1925, but that a concurrent check was impossible owing to the magnitude of the work and the number of measurement books involved. In this connection I would point out that it is not correct to say the contractors had thus made a big profit of several thousands of rupees with a corresponding loss to Government as the work was in progress. The payments were all made on account and the Executive Engineer explained that he kept the contractor in hand to a sufficient extent, so as to be able to recover from him any extra sum in the event of the following verification of his accounts proving that such recovery was necessary. In point of fact a debit of Rs. 30,900 was actually recovered from the contractor in March 1925.

1002. *Chairman*.—Your point is the debit would have been recovered anyhow?

Mr. Sale.—Yes.

1003. *Chairman*.—As to this next point, for what was this officer reprimanded?

Mr. Sale.—He was reprimanded for allowing the contractor to bring on to the works cement which was exactly the same as the cement being issued to Government and for not knowing. He said he did not know that the contractor was purchasing his own cement and he was reprimanded.

1004. *Sir F. Gauntlett*.—How do you think it would have been discovered eventually if it had not been discovered at his time?

Mr. Sale.—It would have been discovered when he next went through the contractor's accounts. That is to say, what he has to do is to see the total issues of cement and to compare it to the total amount of cement work done.

1005. *Sir F. Gauntlett*.—You mean he did not take the trouble to make that comparison at the time but that he would have done it eventually.

Mr. Sale (in reply to Mr. Kaula).—The rule No. 313, which has been quoted says that it should be recovered from the first possible bill. Well what I submit is that the spirit of the rule was maintained and that the Sub-Divisional Officer was seeing that recoveries for the materials were being made in accordance with his agreement, but that it was not done every month; the contractor was bound under his agreement to get payment monthly, and what we said was that owing to the magnitude of the work it is impossible to exercise this check every month.

1006. *Chairman*.—(b) is the same thing?

Mr. Sale.—(b) is the same thing. (c) is a quite different case. The Mining Engineer in 1922 placed a contract for us, but owing to the fact that several of the works which we contemplated never came off—for instance, the Prince of Wales came out in 1921 and laid the foundation of

a Kitchener College but this college does not seem likely to transpire ; there were also other buildings mooted ; owing to these facts the order placed for coal appeared to be in excess of immediate requirements, consequently the deliveries were deferred and some coal which came in 1922-23 was actually delivered in 1923-24. The rate at which they were paid for was challenged by the Auditor and a recovery was made. The firm, have accepted this recovery, I understand under protest, but the final account has not yet been settled and it seems to me rather doubtful whether legally if they delivered coal in 1923-24, although it may have been coal that was to be delivered in 1922-23, they are not actually entitled to the rate for 1923-24. As I say, this case has not been settled.

In the case of (d), there are two items here but the most important of Rs. 7,000 refers to certain panelling in an Honourable Member's bungalow which had been let out in a lump sum contract. After the lump sum contract was accepted it was decided by the Superintending Engineer to treat the work of panelling as an omission and to entrust the work to the Government Wood Workshop, the reason being that very much better work was being turned out there. Consequently this invoice of nearly Rs. 7,000, which was for timber panelling, should not have been recovered from the contractor. It was struck out, wasn't it ?

Mr. Grindal.—The Divisional Officer said this work had been executed by the Divisional Workshop. When we got this the Central Accounts Office entered into correspondence with the Divisional Office on the subject.

1007. *Chairman.*—I do not know whether the Committee wish to go through each one of these items in detail. I have been doing so, so far, but I don't think it necessary. A good purpose has been served by bringing them to light and we appreciate the work of the Audit Office but much time is being spent on minor cases and we want to get on. (e), (f), (g). At the end of (g) on page 162—has this matter been set right and are the right forms now in use ?

Mr. Grindal.—We are in correspondence on the subject, Sir.

1008. *Chairman.*—(h) and (i) are closed cases. (j) Have orders issued on (j) Mr. Sale ?

Mr. Sale.—No, this case is not closed. I telephoned down and find the bill has not been paid yet.

Mr. Kaula.—The Audit people think this is rather a serious case.

Mr. Sale.—The bill was submitted by the Executive Engineer and after he submitted it for audit he asked for it back again, because it had come to his notice that certain items which he put in it were doubtful, the point being whether they were covered by separate payments by the contract. He consequently reduced certain items and then re-submitted the bill to audit. The original bill that is to say, not the measurements but the covering abstract of the bill which is a yellow form, had several corrections in it and therefore he submitted a fresh one. That is a very common practice and occurs every day and he returned the bill with a fresh list of objections to the Executive Engineer and put in the remark at the bottom that the bill should be submitted to the Accounts Officer for payment. That bill, I discover, has not yet been resubmitted. It has been pending about 18

months. And the contractor is still waiting for his money. The contractor apparently disputes the final measurement I think.

1009. *Chairman*.—Is this a dispute between the contractor and the Engineer ?

Mr. Sale.—Yes.

Mr. Rajagopalan.—I can say on behalf of the New Capital Committee that when the papers come up, the Committee will themselves enquire into the case.

1010. *Chairman*.—*Prima facie* it looks as if there may have been some collusion to start with. I do not say there was but it does not look quite nice as a case.

Sir F. Gauntlett.—Especially the delay of 18 months.

1011. *Mr. Joshi*.—Is it a common practice to put in a fresh bill ?

Mr. Sale.—Not common, but if the clerk in copying out the bill makes a lot of corrections there is nothing to prevent him tearing up the form and putting in a fresh one, provided the original record of measurements is not tampered with in any way.

1012. *Sardar Mutalik*.—Do you attach the first bill form ?

Mr. Sale.—Yes, the yellow form, the final bill abstract form.

1013. *Chairman*.—Any questions on 203 ? Do you agree that the money was lost through insufficient consideration in the first instance on the part of the Public Works Department ?

Mr. Sale.—No. This of course is the design of the lampposts. It was entrusted to Sir Edwin Lutyens which I may say he did free, he did not charge anything. Well the specimen was made and the work was started—the Iron Company had started making moulds and cores. When the first sample was seen it was thought that the standard of the lamppost and a few other things were extremely slender, and Sir Edwin Lutyens wanted to change the design. He is a very eminent architect and we have to listen to anything he has to say. Owing to the fact that we got a very low tender for the making of these lampposts and we could make the alteration for this sum of Rs. 22,000 within the provision it was decided to meet his wishes, specially as in strengthening the lampposts we reduced the risk of breakage in transit from Calcutta. They were being made by a Calcutta firm.

1014. *Mr. Joshi*.—You changed the design after consultation with the architect ?

Mr. Sale.—Yes.

1015. *Mr. Joshi*.—Could not you have consulted him before ?

Mr. Sale.—No, they like to see the things made—the thing in the solid is rather different from the thing in a plan.

1016. *Sir F. Gauntlett*.—Surely it is rather an elaborate amount of expenditure—Rs. 22,272—in order to produce one specimen of a lamppost ?

Mr. Sale.—But that represents the cost of the whole order which included over 2,000 lampposts. That comes to about Rs. 150 each.

1017. *Sir F. Gauntlett*.—The order was really started and then you scrapped the whole design ?

Mr. Rajagopalan.—Yes. Sir Edwin Lutyens comes only once every winter and he came the next winter and saw the work and was not satisfied and gave very good reasons. The New Capital Committee consulted the Consulting Engineer, who said in the circumstances this could be admitted as proper.

1018. *Sir F. Gauntlett*.—Can the money be recovered from the architect who prepared the original design ?

A.—Hardly as he gave his services free.

1019. *Chairman*.—Paragraph 204. There are several instances in which the New Capital Committee do not seem to be very speedy in coming to conclusions. When was this first brought before the Committee ?

A.—The reference of August 1924 is just coming before them. The reason for the delay seems to be that the papers were lost in the Chief Engineer's office. We have had to move our office several times ; we are hurried from pillar to post and from post to pillar. Now we are in the Secretariat and next cold weather we shall be somewhere else and several tons of files are moved about.

1020. *Chairman*.—What I would like to know is whether there has been any purposeful delay in the matter.

Sir F. Gauntlett.—Mr. Sale seems to think this is a very small matter. But on this matter a Sub-Divisional Officer has had his services dispensed with ; and another divisional officer has not been given the reward which he was said to have deserved in connection with some other work and he was also deprived of promotion to higher rank and also reverted to his own province. The question is whether in the case of other officers also it was not desirable to take disciplinary action. I hardly think after all this that it is a small matter.

A.—I would like to explain that the period for which censure was given represents the majority of the period of construction. The further period in respect of which further disciplinary action may be required is three months, namely, the 1st April 1920 to the 1st July 1920 and it seems to me that nothing very serious can go wrong in three months.

1021. *Chairman*.—Para. 205.

A.—With regard to paragraph 205 (a), I cannot say that it is the practice in the Delhi Public Works to execute works by piece work as far as possible. We do certainly execute by piece work when the contract includes incalculable elements. This refers to the Secretariat building which has been in progress since 1914, costing Rs. 1½ crores.

1022. *Sardar V. N. Mutalik*.—Is it your practice also to increase the rates and give retrospective effect to the increase ?

A.—It was done in this case ; it is not the practice ; this was done after very careful consideration in the case of the Secretariat building.

1023. *Chairman*.—Whose sanction would be needed for varying the contract ?

A.—The parties who make the contract are empowered to make alterations—that is the legal definition.

1024. *Q*.—I was speaking with reference to Government work : Supposing the Chief Engineer has authority to make this contract ; has he authority to vary it without consulting the New Capital Committee ?

A.—That depends entirely on the financial considerations involved, if it is within his powers : he has got certain powers and within those powers he can vary a contract.

1025. Q.—In a case of this sort would he have authority to vary without obtaining authority from the Finance Member of the Capital Committee ?

A.—Not in an important matter like this.

1026. *Sardar V. N. Mutalik.*—What are his powers ?

A.—Full powers to work within the sanctioned estimates. The sum involved is only a lakh and sixty thousand odd which is about one per cent. of the estimate. It is all met out of the estimated provision or rather the revised estimated provision.

Mr. Rajagopalan.—Now of course every contract made is scrutinised by the Accounts Officer who if he feels doubtful submits it to the Finance Member of the Committee who in turn submits it to the Committee. Every contract now has to go through the Accounts Officer.

1027. *Mr. Joshi.*—Who form this New Capital Committee ?

A.—The Member in charge of the Industries Department is the President of the Committee. The Secretary in the same dept., a representative of the Finance Department, the Chief Engineer, Delhi, the Consulting Engineer to Government, and the Chief Commissioner, are the members.

1028. *Dr. Lohokare.*—With regard to (d) what is the result now ?

A.—This pertains really to the Deputy Commissioner, Delhi. What happened is that from the municipal sullage water certain fields are irrigated. In this particular area I understand that owing to interference with the irrigation channels there was a certain remission made on account of abyana or water charges.

1029. *Dr. Lohokare.*—Was there any action taken against the persons concerned for drafting the contract ?

Mr. Rajagopalan.—The Chief Commissioner has now explained the case quite clearly. The lands were put to auction with the promise of the sullage water and they fetched Rs. 50,000 against about Rs. 25,000 in the previous year. Owing to the urgent erection of a cemetery, the channel had to be diverted and the ryots carried out the diversion at their own expense. The concession was quite justified in the circumstances. This was in fact a complicated Revenue case, in which the officers concerned fully safeguarded the interests of Government.

1030. *Sardar V. N. Mutalik.*—I wanted to have an explanation about paragraph 206.

A.—The facts of this case are that the specifications were drawn up and attached to the contract after it had been accepted. They were not in the notice calling for tenders. In attaching these specifications the Executive Engineer was adding a refinement in the procedure that was then in force ; but unfortunately he was not very wise in the specifications which

he added and which he apparently got from this book. The specifications envisaged the use of materials that had not been ground, whereas in Delhi of course all surki and ash is passed through a disintegrator before it is issued. So from our point of view it is not a matter of grinding the mortar but it is merely a question of mixing the mortar. The raw materials are reduced to the adequate degree of fineness by being passed through machines. However, he made undoubtedly a mistake and he explains that he altered the figure four hours to three-quarters of an hour. I am unable now to substantiate the facts. The practice in Delhi is to mix the mortar for a period certainly less than an hour and probably less than half an hour.

1031. *Chairman*.—Do you agree with the statement at the bottom of page 168, that the Contractor was thus allowed a concession amounting to about Rs. 2,800 over his tender ?

A.—No ; that is what we are contesting. He certainly would have been allowed a concession if the figure of 4 hours was correct, if it was the practice to grind mortar in a bullock mill for four hours ; but as a point of fact it was not, and our contention is that it was only necessary from our point of view and that it is only the practice to mix the mortar in a bullock mill for about $\frac{3}{4}$ of a hour, in which case mortar made from electric mixers is actually more expensive. If it was mixed for four hours, there certainly would have been a concession.

With regard to paragraph 207, in building the railway embankment at Delhi the work was started by the P. W. D. sometime back in 1918 ; before it was quite finished it was handed over to the railway at the end of 1921. The railway had to complete the embankment and then came the question of two things, first of all from their point of view of finding out the amount of work to be done, and secondly in framing a revised estimate, owing to the cost having gone up.

Mr. Sale.—The way they did this was that the Executive Engineer of Railways wrote to the Executive Engineer who was a successor of the man who executed the work suggesting that cross sections should be taken of the work. Cross sections were taken and the amounts were calculated from the contents of these cross sections. From the amounts so calculated, the Executive Engineer, Railways, framed his estimate of the work to be done. The result was an immediate excess on the estimate, because the amount that had been paid for the earth work by the P. W. D. exceeded the amount paid by calculations of the cross sections. Our contention is that calculations from the cross sections to obtain the amount of work that was done are of no value, because they do not give correct results.

Sir Frederic Gaunlett.—Might I suggest, Sir, that this is a complicated and technical engineering problem which two Government Departments are faced with, and the ultimate result will be nil, so far as the final revenues of the Government are concerned.

Mr. Rajagopalan.—The New Capital Committee consulted the Consulting Engineer, and he was perfectly satisfied that everything was all right.

1032. *Chairman*.—210.

Mr. Rajagopalan.—The rent rules are in the melting pot, and we are trying to work them out with advantage to the Government as well as fairness to the tenants.

Sir Frederic Gauntlett.—I imagine the main point in this para. is the desirability of allotting houses to people falling within the proper class.

Mr. Sale.—The statutory rule says that the accommodation must be appropriate to the status of the occupier, and the only way of calculating the status is pay, and it is not altogether very satisfactory.

1033. *Mr. Joshi.*—There might be a little difference in the rate of interest in regard to bungalows for gazetted officers and quarters for non-gazetted staff. Why not pool together the two rates ?

Mr. Sale.—The bungalows cost more for maintenance and repairs. The rule is that rent must be calculated so as to include a rate of interest plus the allowance for maintenance and repairs. If you put up the rate for maintenance and repairs for non-gazetted officers, you put up their rents.

Chairman.—The whole question of rents is under consideration now.

Mr. Kaula.—Can the 8 per cent. rule be justified ?

Mr. Rajagopalan.—The 8 per cent. is for the building only. For special services we charge a full rent. There is not much difference between the 10 per cent. and the 8 per cent. after the 1st of April 1924, as we charge full rent for all the special services. As a matter of fact, we are making provisional rules for this, because we have no hope of getting the fundamental rules sanctioned. We have to adopt some working rule for the coming season.

1034. *Chairman.*—211. Is this question of motor car allowances settled ?

Mr. Rajagopalan.—It has been constantly under examination, and we have reduced some allowances, and from the 1st of April next we shall be reducing the rate of allowances. We find that we have not done on the whole badly. If this conveyance allowance did not exist, these people would have made money in T. A. What we lose on the one hand we gain on the other. As the New Capital is getting near completion, we shall constantly keep in mind the question of reducing the allowances.

212 and 213.—No comments.

1035. *Chairman.*—214. Here there is a definite charge of misrepresentation of facts in accounts. What have you to say on that ?

Mr. Sale.—214 (b). The officer concerned has left the service, and he was punished, not only in connection with this matter, but also in connection with several other items.

(c) The officer was inexperienced in the public works system of accounts.

1036. *Sir Frederic Gauntlett.*—Does a man require great experience in public works accounts to mark a man present when he is actually absent ?

Mr. Sale.—I was dealing with (c) not (a).

1037. *Chairman.*—Misrepresentation of facts in accounts is a very serious offence. Is it a common practice in Delhi ?

Mr. Sale as regards (a).—Now that the Central Accounts office has been formed, we have got a cashier, and I think that has a very salutary effect on this sort of irregularity. The cashier cross-examines every man who comes up to him.

1038. *Chairman.*—215 (c). There is a suggestion that you can't take the punishment to be adequate in view of habitual neglect of rule.

Mr. Sale.—Well, the point is this, it was considered but disciplinary action was not greater because the second point came to notice before the first one had been driven in. In fact, the second lot of irregularities was noticed by the Audit officer before the first lot was communicated to the sub-divisional officer. He is also a specialist.

Sir F. Gauntlett.—There were six different cases which did happen.

Mr. Grindal.—He has been removed from charge.

1039. **Chairman.**—Do you want to take Mr. Sale generally on para. 24 ? This is really a summary of the cases we have been dealing with. All the most important factors, rent of residential buildings, contracts, purchase of stores, satisfactory maintenance of records, misrepresentation of facts, supplying of furniture to high officials, etc. Have you anything special to say on this ?

Mr. Sale.—No, I have nothing particular.

Mr. Rajagopalan.—Of course most of these points are already known to the Committee. Rents of residential buildings—we are taking action. Contracts—we have arranged for a proper scrutiny of every contract. Purchase of stores, we have arranged for duplicate accounts to be maintained by the accounts officer in order to prevent any possibility of manipulation in the future.

Sir F. Gauntlett.—There is also the enquiry which will go into these questions.

Mr. Rajagopalan.—Satisfactory maintenance of records—that is a New Capital matter essentially and depends on the Chief Engineer, though the Accounts officer will also help with a check on the records. Misrepresentation of facts—that is essentially a fact which the Chief Engineer will have to bear in mind. Supply of furniture to high officials. This is a Simla matter.

Chairman.—Appropriation Accounts. Page 573, Grant 62—Delhi Capital Outlay. Any questions ?

1040. **Sir F. Gauntlett.**—574. 575. Here again there are these marked decreases under Works.

Mr. Sale.—These marked decreases under Works are covered by the head " Probable saving." We operated on a minus reserve. As a matter of fact, being a Project, we have always treated the grant as a whole just as we have done in Dehra Dun, which is another project. That is merely one entry, one grant. We did not work it under all these various heads.

1041. **Chairman.**—It is interesting to see with reference to that, that working on a minus reserve enabled us to get a more close estimate of the net expenditure, within rather less than 5 lakhs on a total of 143 lakhs.

Mr. Sale.—Experience has shown we want about 25 per cent.

Mr. Grindal.—Our experience of 13 years in Delhi is that we want a minus reserve of about 25 per cent. of the grant : that is, just what you have here.

Sir F. Gauntlett.—I trust the Committee will realise what Mr. Grindal says that the result of 13 years' experience is 25 per cent.

Chairman.—I think that is all we have for you, Mr. Sale. Thank you.

The witness then withdrew.

1042. **Chairman.**—Indian Stores Department, letter press pages 84—87. Accounts pages 369—377. Para. 119.

Sir F. Gauntlett.—Perhaps we might take up the general question of the losses and gains.

1043. *Mr. Joshi.*—Has the Stores Department sufficient work to do at present ?

Mr. Pitkeathly.—In some respects we could do more.

1044. *Sir F. Gauntlett.*—Is it paying its way ?

Mr. Pitkeathly.—No, it is not paying its way as this statement shows. But I think in considering this we have to keep in mind the fact that we are a young department, we have only just started.

1045. *Dr. Lohokare.*—Is it likely that it will develop ?

Mr. Pitkeathly.—Well, I think there are many indications that our financial position will be improved. For instance the report just issued shows that in 1923-24 our revenue was Rs. 5,69,000, while in 1925-26 it rose to Rs. 11,09,000.

Sir F. Gauntlett.—Over doubled in two years.

1046. *Sardar Mutalik.*—And your expenditure ?

Mr. Pitkeathly.—The expenditure went up from Rs. 9,22,000 to Rs. 14,41,000. But in the latter figure there was a sum of 2 lakhs provided for capital works at Jamshedpur. The net result is that our revenue last year increased by 3 lakhs while our expenditure only increased by 2 lakhs.

1047. *Sardar Mutalik.*—So you gained one lakh.

Mr. Pitkeathly.—Yes. Another fact which must be kept in mind is that no definite orders have been issued to other Departments to utilise the Department. Their support is entirely voluntary. There is no obligation either on the part of the central departments or the provincial governments to use us.

1048. *Sardar Mutalik.*—Is there any prejudice in the minds of the provincial governments or other departments to use you ?

Chairman.—I would suggest that we have got the Stores Administration Report printed and published. We do not really want to duplicate it here.

Mr. Pitkeathly.—I will show you the figures. The total amount of business we got from provisional governments in 1923-24 was over 21 lakhs, roughly 22 lakhs ; in 1924-25 57 lakhs, and during the year we have just completed it has gone up to 72 lakhs. So provincial governments are gradually using us more and more.

Chairman.—Any question on para. 120 ?

1049. *Sardar Mutalik.*—With regard to the Alipore Test House ?

Mr. Pitkeathly.—I admit that in this case the profit and loss account shows a substantial loss but one thing I would like you to keep in your minds and that is this that I know of no testing organization in any country in the world of a nature such as the Alipore Test House which pays its way. The Alipore Test House approximates to the National Physical Laboratory in England, which is maintained as a national institution. It is helped by the industries, and receives large endowments. The purpose of the National Physical Laboratory is to encourage the industries of Great Britain. We in India look upon the Alipore Test House in the same light. As an instance of the difficulty we have in making the Test House pay, I may mention that two years ago, in 1924-25, we installed a large testing machine costing roughly half a lakh of rupees. The need for the machine arose from the development of our engineering industry.

Some of our specifications laid down that certain items of rolling stock should be submitted to a certain test. Up to this we had no machine for the purpose of carrying out tests. Now I as a buyer and the Railway Board as the user would rightly say that so long as we cannot test whether an article is up to our requirements, we cannot safely buy the articles in India. The reply of Industrial India would undoubtedly be that it is the duty of Government to instal a machine for this purpose. The average number of tests made by this machine during a year may not exceed 40 or 50. Obviously a machine costing Rs. 50,000 which is utilized to that small extent cannot possibly pay for itself, but at the same time such a machine must be installed in the interests of the industries of the country. The point I wish to make is that the Test House cannot be viewed purely from a strictly commercial standpoint.

1050. *Sardar Mutalik*.—Do you expect in the near future that this Test House will pay ?

Mr. Pitkeathly.—I have examined the whole case very critically about two months ago. The only way the Test House can pay is by increasing the work that comes to us. The figures of revenue earned during the past four years are these : in 1922-23 our revenue earned was Rs. 51,500 while in 1925-26 it went up to Rs. 1,09,755. There is every indication that the losses in the Test House will be reduced, but I am very doubtful whether as an institution it will be a profitable concern.

Sir F. Gauntlett.—I have just received a memorandum from my audit officer who points out in connection with 124 that the Army has just agreed to pay you some Rs. 20,000 per annum in respect of tests done in the Alipore Test House and that will reduce the losses.

1051. *Chairman*.—That won't reduce the cost to the Government of India. Have you anything to say on 122 ?

Mr. Pitkeathly.—This is a case of interpreting the stores rules. I may say that I am unable to accept the audit department's views in this matter as put forward here but the matter is still under consideration and if necessary a reference will be made to the Government of India.

1052. *Chairman*.—What is the complaint of the Audit Department—that Indian Stores are purchased without comparison first of the sets of prices ?

Mr. Pitkeathly.—Yes.

1053. *Chairman*.—Any failure to compare would, if it meant anything, mean more purchases in India.

Mr. Pitkeathly.—The difficulty is this, Sir. In comparing prices between purchases made in India and purchases made in England the only accurate method is to call for tenders in both countries. If we adopted that practice in every single case we should never get through our business. Rule 8 definitely provides that where the English price is not available, the purchase shall be made in India on the condition that the price is reasonable. We carry on our business under that rule where we cannot obtain prices from England. We have tried getting copies of the contracts of the D. G. Stores in England but these things, by the time they come out to us, are two or three months old. Now they are not safe guides to consider our current purchases. For instance, you may have an industrial situation in England which may sky prices or there may be a drop in the

market. The only safe way is to call for simultaneous tenders. It is obviously impossible to call for these for every single item we handle.

1054. *Chairman*.—123 is a question that is going to the Secretary of State.

1055. *Sir F. Gauntlett*.—Para. 125, Rush of purchases towards the close of the year. Can you tell me what the position is now ?

A.—This is a matter, Sir, that is not entirely in my hands. I am an agent of a principal. I have got to comply with the indentors' demands if it is physically possible to do so. As soon as the Audit Office pointed out to us that this was objectionable the action we took was to communicate with the various indenting officers expressing the pious hope that they will take steps to improve matters. We have done that on every single occasion. There is a letter now under issue to the various indenting officers, again trying to persuade them to send indents in good time. I may say that as far as the Stores Department is concerned, the principle we work on in connection with these year end purchases is this. We make the purchases if the purchases can be made without loss of economy. That is to say, we will not agree to make purchases at the end of the year if we have got to pay higher prices. That is as far as we can go.

Sir F. Gauntlett.—My position with regard to this matter is briefly this. All the work that we do for the Indian Stores Department at present is pre-audit. Consequently, every payment made at the end of the year has to be accepted by the Audit Officer as correct before he makes the payment. If during the last two months of the year he has thrown upon him an amount of work 3 or 4 times as much as comes in during an ordinary month, then, although he employs temporary staff during that period, he is physically incapable of applying the accurate tests that ought to be applied before the money is paid. I told the Chief Controller that unless this rush could be stopped, I should have to stop pre-audit because I could not take the responsibility of one of my officers guaranteeing the checking of the accuracy of every account before he paid the money if he had to work under those conditions. He has now sent in a note to me saying that there has been a marked improvement during 1925-26 as a result of the action taken. With that for the moment I am content.

1056. *Dr. Datta*.—May I ask a general question ? When payment is made for stores for a Provincial Government how is the payment made ?

A.—Through the exchange account.

1057. *Sir F. Gauntlett*.—You pay first and then recover it afterwards ?

A.—Yes.

1058. *Dr. Datta*.—Then the Government of India does not lose interest ?

Chairman.—No, because all the accounts are pooled at present. We have got money in hand all the time at present.

The Chairman then thanked the witness and the witness withdrew.

Mr. A. G. Clow and Mr. S. Lall were then called and examined.

1059. *Chairman*.—Before we get on to the next question will you

answer this ? We were dealing with the High Commissioner's accounts and our attention was drawn to the fact that there was a charge of 2 per cent. levied for work done. Do you think that it is sufficient to cover the cost ?

Mr. Lall.—Last year 2 per cent. was not sufficient to cover the cost incurred.

1060. *Chairman.*—Is the question of raising it under consideration ?

A.—The question was taken up in 1922. In that year the 2 per cent. charges were very nearly sufficient to cover the cost and so it was decided not to take any action. Last year the purchases made by the London Stores Department decreased considerably for various reasons and that is why the 2 per cent. charges did not cover the actual cost incurred.

1061. *Q.*—In view of the fact that the Government of India are working for Local Governments in this matter that involves, I suppose, a final charge to the Government of India for work done for the Local Governments.

A.—Yes.

1062. *Mr. Joshi.*—If the work is reduced don't you think of reducing the staff also ?

Mr. Lall.—We have been taking up the question of reducing the staff. Our difficulty in the matter is that the year 1924-25 was a particularly bad year for the Stores Department. The purchases were very low. Next year the purchases are likely to increase because two Railways are now State-owned, viz., the G. I. P. and the E. I. R. and their purchases are roughly 3½ millions.

1063. *Mr. Joshi.*—Do you expect that the purchases would be increased ?

A.—There will probably be an increase. Also there is a tendency to buy more Stores in India through the Indian Stores Department.

1064. *Chairman.*—The question of principle is whether we ought to go on charging only 2 per cent. for work for some one other than the Government of India when it is actually costing us more than 2 per cent.

Sir F. Gauntlett.—You admit that in 1924-25 the 2 per cent. did not cover the cost.

Mr. Lall.—No.

1065. *Sir F. Gauntlett.*—Have you any idea what the figure is for 1925-26 or what the estimated figure is for 1926-27 and whether the 2 per cent. is likely to cover the cost during these years ?

Mr. Lall.—I have not got the figures.

Chairman.—I think we might recommend that the question might be taken up. It is a question between the Central Government and the Local Governments.

1066. *Chairman.*—Para. 158. Have you got any general statement to make on that ?

Mr. Clow.—This was a notoriously bad contract. I can only say that this Appropriation Report is wisdom after the event. The contract was made on not less than three occasions. It was made originally and renewed

twice, on each occasion after consulting financial and legal experts, and I presume the audit authorities also got a copy of the contract on the original occasion, and there were no objections taken to the contract until now. None of us doubts that it was a bad contract in many ways.

1067. *Sardar V. N. Mutalik.*—You cannot expect the Audit Officer to be expert in legal affairs ?

Mr. Clow.—No, but the criticisms they have made now would have been helpful if they had been made, say a year or two after the contract had been made, because there were two renewals.

1068. *Chairman.*—It was closed in 1923 ?

A.—We have had disputes about the contract going on for some years. The contractors are no longer doing any work for us.

1069. *Mr. Joshi.*—Have you improved the machinery ?

A.—I hope so. I think we shall have no contracts of this size. We are trying as far as possible to concentrate work in our own presses and give as little on contract as possible.

1070. *Sardar V. N. Mutalik.*—Was this contract seen by the Solicitor to the Government of India ?

A.—It was seen by a Government Solicitor on each occasion.

1071. *Q.*—And it was approved by him ?

A.—I am certain it was.

1072. *Chairman.*—This seems to be an old case. It was closed 3 years ago. Have you any statement to make on para. 159 ?

A.—The facts here are not entirely accurate. The contract was entered into for three years. There was no extension. What happened was that tenders were called for one year. After the tenders were considered, the contractor to whom the contract was to be given pointed out that he could give slightly more favourable terms if he was given a three years' contract. He said he could erect a saw mill and obtain other materials from England. The Controller agreed to enter into a three years' contract, the understanding being that he would get a 5 per cent. discount on the bill.

1073. *Chairman.*—This is a case in which the discretion of the executive officer was used.

Mr. Clow.—I think wisely.

1074. *Sir F. Gauntlett.*—In illustration of the difficulties of audit in a matter like this, I may say I have received a communication sent to me by the Deputy Controller of Stationery in which he says that owing to the circumstances the contract was extended to three years.

Mr. Clow.—I think there is an ambiguity as to the expression "extension." There was an extension on the original project. It was extended in one sense, not in another.

1075. *Chairman.*—Para. 160.

Mr. Clow.—I think this was undoubtedly incorrect procedure on the part of the Manager. What actually happened was that the work was done mostly in the preceding year and the contractors were expected to finish the work by the end of the year and the cheque was drawn. They then discovered that there were defects in the construction of stationery racks and the work was not completed. Payment was actually withheld until the following year had begun.

1076. *Chairman.*—Could not the cheque have been cancelled ?

Mr. Clow.—I think it would have been more correct if it had been.

1077. *Chairman.*—Page 417. There is a very large saving over the whole grant.

Mr. Clow.—Perhaps I could explain that to the Committee. It is a rather difficult grant to deal with, because we are responsible for keeping within the gross grant and the net one. Whatever the savings under the gross, we cannot surrender any savings if that would involve an excess on the net grant. I will deal with the position of the net grant. You will see that surrenders to the amount of 2½ lakhs were made. That does not accord with the information supplied to me. According to our figures, Rs. 4,99,000 was surrendered and if that is correct it brings the net grant down to Rs. 43,39,000. The Committee will find on the preceding page 416, that Rs. 7,73,000 was wrongly debited against this grant. That means that the deductions are Rs. 41,56,000, not the sum shown in the book ; and that brings the net expenditure to Rs. 40,62,000 ; so that the net expenditure is Rs. 40,62,000 against a net grant of Rs. 43,39,000, which means a saving of Rs. 2,75,000 roughly. That is not very large. But here again we have another difficulty. We find it very difficult to find out where we stand in respect of this grant at any time of the year. During the preceding year for example the audit authorities warned us that we were exceeding the grant more than once and the revised estimate suggested that we were Rs. 5,72,000 out and that we should have a supplementary grant. When the final figures were compiled, they showed a surplus balance of Rs. 1,46,000 which is a difference of about Rs. 7 lakhs in spite of the fact that we had to meet a rather unexpected payment of Rs. 2 lakhs. It is very difficult indeed for us to see how much we are in a position to surrender before the year actually closes.

1078. *Chairman.*—The main explanation this year is the double payment for Posts and Telegraphs. We have had that question before us and we were not, I think, fully satisfied as to how it happened. Have you anything to add ?

Mr. Clow.—I am not entirely familiar with it. What, I think, happened was that the Forms Press and the stationery office each debited the amount against the Post and Telegraph Department, but how the debit was accepted I do not know.

1079. *Chairman.*—Page 408.

Sir F. Gauntlett.—I should like to make one general statement on Mr. Clow's remarks. I do not think that this is one of the heads for which the ultimate responsibility for watching expenditure falls on the audit department. It is true that we maintain figures, but I think the ordinary system of control contemplates that each press shall maintain its own accounts.

Mr. Clow.—I agree certainly. Responsibility of course does not even fall entirely on this department. If you look up the schedule showing officers responsible it is distributed over a considerable number of officers.

1080. *Chairman.*—I gathered from your previous answer that you do watch progress.

Mr. Clow.—We do try to watch the progress. One of the difficulties is that a large number of charges are adjusted, particularly with Local Governments, after the year is closed. It is not possible to tell where we are. Another difficulty is that officers in charge of the different branches seem to differ strikingly from the audit office as to the amount of expenditure they have incurred under the different heads.

Mr. Rajagopalan.—As regards Pay and Account Officers, we are trying to reconcile the figures. The main trouble is as regards adjustments, but we are trying to straighten it out with the Controller of Stationery. Unfortunately we have not brought the whole grant under Pay and Account Officers. We are responsible for a few presses, while the accounts of others are maintained by the A. G. C. R. We are working hand in hand with the Controller of Stationery to secure better expenditure control. The main difficulty is adjustments.

1081. *Mr. N. M. Joshi.*—Even in regard to this grant, there are several officers responsible for watching expenditure. Would it not be better to split up this grant to two or three different accounts ?

Mr. Clow.—It is all one head. You will find, for example, that the Resident in Mysore is responsible for expenditure on the presses in Mysore ; but the Controller is responsible for practically the bulk of it.

1082. *Mr. N. M. Joshi.*—Page 412, M. 7. Under this item there was an expenditure of Rs. 75,000.

Mr. Clow.—That was dealt with a short time ago. This year we asked all the officers to put up statements and the statements did not agree in the least with the statements as shown by the audit officers. For example in the Delhi press the audit people show Rs. 628 in respect of plant and machinery ; the officer in charge of the press shows Rs. 79,000. I think that is due to the amount being put under a different head from that which the administrative officers expect to spend it under. It is due to the audit authority taking a different view of the proper head to which to credit certain items of expenditure.

Mr. Kaula.—Budgets were framed under the old heads and new system of sub-heads has been introduced in the Appropriation Report.

1083. *Col. Crawford.*—Page 417. There is a general question. Is there any account kept of the stocks in hand at the end of the year ?

Mr. Clow.—There is a stock taking. It is actually taken by audit officers once a year.

Mr. Kaula.—May I invite attention to page 110 of the report, page 157. It is intended hereafter to have a store account, but at present we have no regular store account.

1084. *Mr. Joshi.*—Do you intend to have commercialised accounts also for these departments ?

Sir F. Gauntlett.—A semi-commercial account was introduced for presses about two or three years ago after a very elaborate discussion and also after a meeting at which all the Superintendents of the various presses met the authorities in Delhi and I was present at the meeting. The accounts were put on a semi-commercial basis. It was not what we should regard as a completely commercial basis, but we took it as far as we deemed practicable in the present conditions in India. To get a completely commercial account you may have to introduce a very elaborate system. The costing system for printing in England is one of the most elaborate of the costing systems. They do attempt to work out the cost of each individual job. We have not made any serious attempt to do that here yet in India, because we regard it as impracticable ; but there has been very considerable improvement in the form of the accounts of the individual presses within the last few years.

Mr. Clow.—May I add that it is a department in which there is a lot of work done for which we are not paid at all. You cannot treat it as a commercial organisation.

1085. *Sardar V. N. Mutalik.*—Page 309. Geological Survey : There appears to be a large saving.

Mr. Clow.—I am afraid the head of the department did not realise that he was also expected to report savings under non-voted and he sent up only a report of savings under the voted heads. It was due mainly to an unusual number of officers being on leave.

1086. *Sardar V. N. Mutalik.*—Do you think that your staff is so big that you can afford to see so many officers on leave.

Mr. Clow.—We are just getting level. Leave was withheld from a number of officers during the war. We have had an unusual number of officers on leave in the last two or three years. We also had several vacancies and we did not fill up all these vacancies in one year, because that would create a block in promotion.

1087. *Mr. Joshi.*—There is an excess under H in page 309.

Mr. Rajagopalan.—If you look at G you will find that it is fully covered by savings.

Mr. Clow.—Page 317. There is a remark under E about over-budgeting. I do not think that is entirely accurate. The fact was that in the absence of Inspectors on leave we had to postpone some rather costly examination.

1088. *Sardar V. N. Mutalik.*—Page 365. Internal Emigration. What is this Internal Emigration ?

Mr. Clow.—That is mainly expenditure in Assam in connection with the supervision of emigration to the tea districts.

1089. *Mr. Joshi.*—Why is this department singled out for reserve ?

Mr. Clow.—The reserve is intended entirely for epidemics such as cholera or plague. As a rule, it is not spent. It is a reserve placed at

the disposal of the Public Commissioner or whoever the corresponding officer is in Assam.

1090. *Chairman*.—Grant 22—Meteorology : Page 307 : Is there any special reason under the head H. 4 ?

Mr. Lall.—This amount is required for the Agra Meteorological Laboratory.

1091. *Chairman*.—It also includes the construction of an engine house at Agra.

Sir F. Gauntlett.—I think Mr. Kaula and myself must take the responsibility for that. We hardly contemplated in connection with meteorology that there would be expenditure on works and we did not think it was worth while introducing a separate sub-head for expenditure which might occur in one year and might never occur again.

1092. *Col. Crawford*.—None of the public benefit by these services.

1093. *Rev. Dr. Macphail*.—I think we used to get weather reports.

Chairman.—Page 318. Other Scientific Departments.

1094. *Rev. Dr. Macphail*.—Why was there a supplementary grant ?

Mr. Lall.—The arrangement was that the Government would pay the Institute the maximum of Rs. 1,50,000 provided their income was over 3 lakhs.

1095. *Chairman*.—Grant No. 59—Expenditure in England under the control of the High Commissioner. I suppose you can tell us nothing about F on page 541.

Mr. Lall.—No, Sir. We do not know anything about it.

Chairman.—Grant 34. Industries.

1096. *Dr. Lohokare*.—Page 360 B-Drug Manufacture. Why was it postponed ?

Mr. Clow.—It relates to quinine and is the concern of the Education Department.

1097. *Dr. Lohokare*.—Why was there a saving in the Industries grant ?

Mr. Clow.—It is explained at the bottom. As a matter of fact, we are stopping these scholarships when we open the school of mines.

1098. *Chairman*.—Page 283. Account XI. There is a saving of Rs. 13,000 under Contingencies.

Sir F. Gauntlett.—It came under Hill Journey Allowances. I think the general explanation given by Mr. Jukes is satisfactory.

Chairman thanked Messrs. Clow and Lall, who then withdrew.

The Committee then adjourned till 11 A.M. on Tuesday, the 3rd August 1926.

Evidence taken at the thirteenth meeting of the Public Accounts Committee, held on Tuesday, the 3rd August 1926, at 11 a.m.

PRESENT :

The Hon'ble Sir BASIL BLACKETT, *Chairman.*

Mr. N. M. JOSHI,

Maulvi Syed MURTAZA Saheb Bahadur,

Rev. Dr. E. M. MACPHAIL,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH,

Colonel J. D. CRAWFORD,

Dr. S. K. DATTA,

Sardar V. N. MUTALIK,

Sir FREDERIC GAUNTLETT, the Auditor General,

Mr. G. KAULA, Accountant General, Central Revenues,

Mr. G. M. YOUNG, Joint Secretary, Home Department,

Mr. J. D. PENNY, Deputy Secretary, Commerce Department,

Mr. H. SHANKAR RAU, Assistant Secretary, Finance Department,

Members.

were also present.

Witnesses.

Mr. Penny, Offg. Deputy Secretary, Commerce Department, was examined by the Committee.

1099. *Chairman.*—Grant 15. Letter press page 70. I think paragraph 98 refers to a case which Mr. Penny will deal with.

Mr. Penny.—The facts are all down here, Sir. The Assistant Secretary was going on leave just at the end of March—actually he gave over charge on 28th March—and when he was relieved there was a shortage of Rs. 350 in the office imprest which the relieving officer did not bring to notice at the time because the officer who was going on leave promised to repay it on the 1st April. The amount was not repaid on the 1st April, and after a few days the relieving officer brought it to the notice of the Secretary and steps were taken to recover the amount. Ultimately it was cut from the officer's leave salary by the High Commissioner in London. I gather that the point now is, why no action was taken against the relieving officer for not bringing it to the notice of the Secretary at once. That is an irregularity and the only excuse is that the Assistant Secretary was an officer drawing Rs. 1,000 and there was no reason to suppose that he would not be able to refund this Rs. 350. Indeed he did make arrangements with a firm in Simla who let him down and did not make good the money at the right time.

1100. *Chairman.*—But the serious point is that he should have ever used the money at all.

Mr. Penny.—Yes, he has been reduced for that.

1101. *Chairman.*—Is it a common practice ?

Mr. Penny.—No. When he was questioned by the Department he took the line that it was not uncommon but of course the Department could not accept that.

1102. *Chairman.*—What check was there of the use he was making of the permanent imprest. Could he have been in debt to this imprest for a long period ?

Mr. Penny.—He was for a long time, and it was only brought to light at the time.

1103. *Chairman.*—Is there no monthly check over these accounts ?

Mr. Penny.—No, at that time he had a free hand. Now the Secretary looks into the matter periodically.

Sir Frederic Gauntlett.—The position in the Accounts Office is this. Every year every officer in charge to whom imprest has been issued has to send a certificate that that imprest is in his possession ; but it is only done annually.

1104. *Chairman.*—What size imprest was it ?

Mr. Penny.—Rs. 650.

1105. *Chairman.*—And his salary was Rs. 1,000 ?

Mr. Penny.—Yes.

1106. *Sardar Mutalik.*—Do you expect the man to keep an account of the imprest ?

Mr. Penny.—There is a man who keeps the accounts.

1107. *Sardar Mutalik.*—In this particular case was this amount entered in the account ?

Mr. Penny.—Yes, the Accountant held the receipt. I should explain that this was running on for some months. He had been taking small amounts from the imprest, which was quite irregular. The Accountant knew how much was outstanding against him. He had all the details.

1108. *Chairman.*—Can he take this money and put it into his bank ? He does not keep it in a chest ?

Mr. Penny.—He has a cash chest. The Accountant keeps that.

1109. *Chairman.*—Ought not the money to have been in the cash chest at the time ?

Mr. Penny.—Yes, but the money is being constantly paid out.

1110. *Chairman.*—But he had money which he had not spent ?

Mr. Penny.—Actually he misappropriated it temporarily.

1111. *Mr. Joshi.*—Why was no action taken in the case of the relieving officer ?

Mr. Penny.—He did not do anything out of kindness of heart. It was to be repaid in three days and therefore he did not report it at once. It was an irregularity but the Department felt that he was not much to blame.

1112. *Rev. Dr. Macphail.*—You said that the man had made arrangements to pay it on the 1st April, but that it was not done ?

Mr. Penny.—Yes.

1113. *Mr. Kaula.*—Seeing that this officer had this sum continuously with him, may it not be that the amount of permanent imprest was too large ?

Mr. Penny.—I don't think so. For the move from Delhi to Simla you want considerable funds.

1114. *Mr. Kaula.*—Don't they on those occasions draw special advances in addition to this permanent imprest ?

Mr. Penny.—Yes.

1115. *Rev. Dr. Macphail.*—Is the money supposed to be drawn from the cash chest only when payments are made, and the vouchers put in immediately, or does he make payments first and put in vouchers afterwards ?

Mr. Penny.—I am afraid I do not follow ?

1116. *Rev. Dr. Macphail.*—Does the man draw out a large sum of money and pay for certain things and give his own vouchers when paying out ?

Mr. Penny.—Yes.

Sir Frederic Gauntlett.—This is the imprest for ordinary petty contingent expenditure. The officer makes for Government small purchases and the money is sent either at the time of buying or when the bill is presented. The receipted bill is kept by the Accountant as equivalent to the money that has been paid out. The money may have to be sent to the shop in order to get the stamped receipt, but the issue of money for payment and the obtaining of the receipt are practically simultaneous.

1117. *Chairman* (to Sir Frederic Gauntlett).—Are you satisfied with the way that the imprest works generally ?

Sir Frederic Gauntlett.—We very seldom have a case of this sort against a responsible officer.

1118. *Dr. Datta.*—Is he the only officer who operates on the account ?

Mr. Penny.—The Assistant Secretary or Registrar is generally responsible. We have no Registrar in the Commerce Dept.

1119. *Chairman.*—Any more questions on this ?

We will now proceed to Account No. IX, page 281. Have you any special explanation as to the considerable excess under the head "Contingencies" ?

Mr. Penny.—This was on account of the "Dufferin" which was debited to this head, "Contingencies" and the funds were re-appropriated from the other heads.

1120. *Chairman.*—Was it provided for in the Budget ?

Mr. Penny.—No, the expenditure was not foreseen at the time when the budget was drawn up.

1121. *Chairman.*—On the other hand you have considerable savings under other heads which seem to point to over-budgeting.

Mr. Penny.—There was some over-budgeting, but I see that Rs. 15,000 were surrendered. One reason why the savings seem to be excessive is that Rs. 12,000 were drawn in the last month of the year for payment of advances at the time of moving to Simla, and it was believed that this

amount would have been debited to the accounts of that year, whereas while the bills were drawn in April the accounts were to be adjusted in the next financial year.

1122. *Chairman*.—What was the charge for ?

Mr. Penny.—The “ Dufferin ” was to be used as an ordinary training ship at the time that it was going to be disposed of, and it was a question of the cost of the maintenance until it was to be used for the purposes for which it was intended.

1123. *Chairman*.—I suppose the Accountant General was consulted at the time ?

Mr. Kaula.—Yes. It was, however, only a temporary measure.

1124. *Mr. Lohokare*.—Did it not require the consent of the Assembly ?

Chairman.—The Finance Dept. agreed and consulted the A. G. with regard to the head to be charged. We would, however, want a statement from Mr. Kaula of the circumstances under which it came to be charged to this grant, and on the question of this being a new service.

(Mr. Kaula promised to submit the statement in question.)

Sir Frederic Gauntlett.—I trust the Committee will press home this question of very carefully scrutinising expenditure to discover new services.

1125. *Chairman*.—Grant No. 20, page 295. The letterpress on page 75 is the only thing on this subject. The matter, I understand, is under consideration ?

Mr. Penny.—Yes, the report of the Accountant General, Burma, has been received and is now being considered.

1126. *Mr. Joshi*.—From whom are these receipts received ?

Mr. Penny.—The receipts are received from the vessels passing these Lightboats.

Sir F. Gauntlett.—I think I might add that this question is being gone into with extreme thoroughness.

1127. *Dr. Lohokare*.—Page 295, A, 1, (2), there is an excess. I should like to know if there is any new item.

Mr. Penny.—There is nothing new, it all comes under repairs.

1128. *Dr. Lohokare*.—Can you give us the details of it ?

Mr. Penny.—No.

1129. *Sardar Mulalik*.—Have you had any new buildings on which you spent the amount ?

Mr. Penny.—I am afraid I cannot tell you.

Chairman.—If you read the note on page 299, you will get some information. It is for re-conditioning of the “ Fraser.”

1130. *Col. Crawford*.—Note at the bottom of page 297, about not drawing house allowance for the year.

Mr. Penny.—I forget exactly how that stood. I do not know whether we allowed it or not.

Sir F. Gauntlett.—I can only surmise that when the budget was prepared it was presumed the surveyors would be permitted to draw house allowance, and eventually no sanction was definitely given in that year.

1131. *Sardar Mutalik.*—As a general note I would point out that you have got savings under almost every item. Don't you think it is a question of over-budgeting on every question ?

Mr. Penny.—That is a question which has been taken up. We are rather in the hands of the Local Govt. in the matter. In the year 1924-25 the Local Govt. had not got the thing properly under control. In 1924-25 the Local Govt. issued orders instructing their disbursing officers to send in monthly progress reports, and next year it will probably be better.

1132. *Dr. Lohokare.*—On page 299, E, 2 (5), there is an excess over the supplementary estimate. Why was not that included in the supplementary ?

Mr. Penny.—That is also in connection with the "Fraser." Until they got her into dock, they did not know what it would cost.

Chairman.—It may have been that they did not intend to repair her and then it was decided she had to be repaired.

1133. *Col. Crawford.*—F. You have not used your grant, but you admit having used Customs duties to the extent of Rs. 9,000 in Burma and included it under E (1) contingencies. Is there any special reason for that ?

Mr. Kaula.—Except that the whole of this account was prepared some months after the budget was presented. There is a difference between the structure of the budget and the accounts as prepared. Next year the Customs duties will be shown under their proper heading.

Mr. Penny.—Yes.

Chairman.—Col. Crawford has raised a very important point. It is very important, wherever possible, that expenditure should be accounted for under the head under which it is budgeted for.

Sir F. Gauntlett.—I have suggested it should be the other way round, that the budget should be prepared under the heads under which the expenditure will be recorded.

1134. *Col. Crawford.*—We only budgeted for Rs. 7,000, but in Burma alone they spent Rs. 9,000.

Chairman.—I expect that is the main place where they spend it.

1135. *Col. Crawford.*—There were several deductions under this head ; do you know what they were ?

Mr. Penny.—I do not know what those deductions are, but the idea is to make the fund self-supporting.

1136. *Chairman.*—Mr. Kaula, do you know what that refers to ?

Mr. Kaula.—It is in connection with Marine Survey. At the top of page 298 some details are given. D-5. Apparently the Marine Survey Department does some work for the Local Government.

Chairman (in reply to Mr. Mutalik).—The recoveries are shown as revenue—miscellaneous revenue ; but the recovery from the Local Government is really recovery of expenditure incurred by this Department on

behalf of the Local Government. That is the difference between the two kinds of receipts.

1137. *Col. Crawford.*—I understand the whole thing has been put on a commercial footing ?

Chairman.—Yes.

1138. *Dr. Lohokare.*—Was the excess on the Kemendine sanctioned by the Finance Committee ?

Chairman.—I am almost certain it was.

1139. *Dr. Lohokare.*—The first Rs. 65,000 was sanctioned but the Rs. 25,000 ?

Sir F. Gauntlett.—Mr. Kaula has repeatedly stated that if an amount has not been covered by re-appropriation the fact would be stated in a footnote.

Mr. Penny.—The excess was covered by re-appropriation but whether it was put before the Finance Committee I don't know.

1140. *Col. Crawford.*—Are all re-appropriations put before the Standing Finance Committee ?

Chairman.—Not all. It depends on whether it is a new item, a new service or expenditure on additional staff. If the department wants additional staff that goes before the Finance Committee. If it is a question of reconditioning a vessel that goes to the Committee. But if it is what one might call a normal excess over the estimates, a comparatively small sum with reference to the total, that does not go before the Finance Committee.

1141. *Col. Crawford.*—It is only where it is new expenditure that you go to the Finance Committee for sanction ?

Chairman.—Yes.

Sir F. Gauntlett.—This question of the powers of re-appropriation is so constantly coming up that I think we might have on the table a copy of the book of powers of Departments of the Government of India.

Chairman.—We might perhaps bring the book on the table for the next meeting.

Mr. Kaula.—I have also taken a note that the date of a supplementary should be given in one place for the whole Grant and not against each item.

Chairman.—Grant No. 36.

1142. *Col. Crawford.*—What publications are issued by this Department ?

Mr. Penny.—The Trade Journal.

1143. *Col. Crawford.*—Does the revenue from that work come to this Department or to Stationery and Printing ?

Mr. Penny.—I am afraid I don't know. I will look into that.

1144. *Sardar Mutalik.*—Do you realise any fees with regard to the supply of information ?

Mr. Penny.—Yes, it is sold.

1145. *Sardar Mutalik.*—Does it practically cover the expenses of the Department ?

Mr. Penny.—I am afraid I cannot say off hand.

Sir F. Gauntlett.—I do not think the Commercial Intelligence Department is expected to pay its way.

Chairman.—No receipts are shown in the estimates under this head.

Sir F. Gauntlett.—They would come under Miscellaneous Receipts.

1146. *Col. Crawford.*—There is no provision in the Budget for the Trade Journal at all ?

Mr. Penny.—Not in this Grant but I presume it comes under Central Publications.

Sir F. Gauntlett.—I imagine it would appear as part of the general expenditure of the Stationery and Printing Department.

1147. *Mutalik.*—Why should it go there ?

Chairman.—You might give us a statement as to that, Mr. Penny—where provision for the Trade Journal is made—both receipts and expenditure. They did go into the question of receipts. There are a lot of advertisements.

Grant No. 39. Here we have an excess vote due entirely to the old question of money having been allocated out of the Finance Department Reserve instead of a supplementary being asked for.

1148. *Mr. Joshi.*—Do you get sufficient money from receipts under this head ?

Mr. Kaula.—There is a note at the foot of the page.

1149. *Sardar Mutalik.*—So this Department makes some profit ?

Mr. Penny.—A slight profit.

Sir F. Gauntlett.—There is no provision here for all pensionary liabilities which would wipe out that profit straightaway.

1150. *Chairman.*—It just about pays its way then. I suppose all we can do is to recommend this, explaining that the fact that it was covered out of reserve does not make a supplementary unnecessary.

Members.—Yes.

Chairman.—Perhaps it was at that time regarded as sufficient, and it is the view of the Legislative Department that it was. Of course it has become very doubtful what is the use of the Finance Department reserve if it cannot be used. Of course it does give you theoretical power to authorise expenditure.

Sardar Mutalik.—It has to be used when necessary no doubt, the only thing is you must go to the Assembly.

1151. *Chairman.*—The High Commissioner's Motor Car. In the account of the High Commissioner—paragraph 6, sub-head 10—there is reference to a motor car used at the Wembley Exhibition. The question we want to ask is why the High Commissioner did not take over the second motor car for his own use.

Mr. Penny.—It was not fit for taking to public functions and other places where he would have to go in an official capacity. It was a very

ordinary car and it was decided that it was not good enough for his purposes.

1152. *Mr. Mutalik.*—How many cars are provided for the High Commissioner ?

Mr. Penny.—Only one.

1153. *Chairman.*—It is a new arrangement that he has one at all ?

Mr. Penny.—Yes.

1154. *Chairman.*—It was agreed to by the Standing Finance Committee.

Mr. Penny.—Yes.

The witness then withdrew.

Mr. G. Mackworth Young called in and examined.

1155. *Chairman.*—*Q.*—The Committee wish to ask you some questions in regard to para. 4 of the Auditor General's letter of the 9th July 1926 on the Audit and Appropriation Accounts of the Central Government (Civil). The Auditor General draws attention to a case in which he asked some time ago, that the Secretary of State should be addressed by the Government of India on a certain matter and the Government of India have not agreed to address him. Can you give us a statement on the subject ?

A.—The question is one of the interpretation of the words " whole profit or advantage " in section 85 (3) of the Government of India Act. The sub-section runs :—

" The remuneration payable to a person under this section shall commence on his taking upon himself the execution of his office, and shall be the whole profit or advantage which he shall enjoy from his office during his continuance therein."

These words first appear exactly in that form in the Government of India Act of 1833 since when they have governed the salaries of the Governor General, the Lieutenant Governors and members of the executive councils. As far as the Governor General himself and his council are concerned, they are merely a re-enactment of words which first occur in the East India Company's Act of 1773, when the Governor General in Council was first established, though the words are not the same there—the words there are " the salaries shall be in lieu of all other fees of office, perquisites, emoluments and advantages. . ."—the word " advantage " which is in dispute stands on the statute book since 1773 and during the last one hundred and fifty years there has been no difficulty experienced in interpreting it ; the words themselves are quite clear. No particular case arose demanding an interpretation till 1920 when the Auditor General, as he states in his review, raised this with reference to the rent of the houses of members of the Governor General's Council. The point was referred to the Secretary of State in a despatch and the Secretary of State replied. He said " I am advised that the objection of the Auditor General that it confers an advantage on the occupiers of these residences to which they are not entitled is probably not well founded so far as it rests on a reference to section 85.(3) of the Government of India Act, 1915. I am in agreement with the substance of his objection, viz., that it is important to secure an adequate amount of rent from members of the Executive Council and other high officials who may be provided with accommodation." It is quite clear that the Secretary of State ruled that this concession such as it is enjoyed by Honourable Members of the Council in Delhi and Simla

is not an advantage within the meaning of the Act, as he was advised, of 1915, or of the Acts which preceded it. The Auditor General then demanded an interpretation of these words from the Secretary of State. That was about five years ago. He repeated it again and said he wanted an authoritative and clear and definite expression of opinion as to what constitutes and what does not constitute "whole profit or advantage" enjoyed by the officials concerned. The Home Deptt. felt some difficulty about this and wanted a definite case on which to refer this to the Secretary of State. The Auditor General, however, objected to our doing this and said that he wanted merely an interpretation of the words in their general sense and not in their application to any particular thing. We had always felt in the Home Deptt. for the last five years that we cannot do that because you cannot interpret words except in their application to something. You can paraphrase them, but that is about all you can do ; and if we had to make a reference to the Secretary of State the first thing he would say to us would be either to ask us to look the meaning up in the dictionary or he would ask us " what is your difficulty ? " We have no difficulty to put up before him. The only concrete case that has arisen has been decided by the Secretary of State ; so all we can say is that we confess we do not know the meaning of the words whole profit and advantage. The Secretary of State has on several occasions recently expressed impatience on being asked to obtain a ruling from his legal advisers or from the law officers of the Crown on points which the Government of India or the Auditor General or the Government's legal advisers here are in a very much better position to determine than he or his law officers.

1156. *Chairman.*—Have you obtained legal opinion in India on this point ?

A.—Yes ; we consulted the Legislative Department.

1157. *Q.*—An opinion from the Law Member ?

A.—Yes ; Sir George Lowndes gave an opinion some time ago when this question was raised.

1158. *Q.*—What was the effect of his opinion ?

A.—His opinion was of course with reference to the Members of Council—the rent question which the Secretary of State has since decided. It was not an opinion on the general interpretation which the Auditor General is now asking for.

1159. *Q.*—My point was have you asked the Legislative Department here to give a view as to the general interpretation of this clause ?

A.—Yes ; I think so ; that was some time before my time ; I think we had their agreement that we could not get a general interpretation.

1160. *Q.*—My point is really answered if the Legislative Department agreed with your view ?

A.—They do agree that we cannot get an interpretation except with reference to a particular case and that we cannot ask the Secretary of State for one and that he would certainly not be prepared to give us one ; and if he did by any chance obtain from the law officers of the Crown or from his legal advisers a sort of general ruling it might be found when a particular case arose extremely inconvenient, because it would have been delivered without any knowledge of local conditions.

1161. *Q.*—In view of your statement that no concrete case has arisen, I understand your position is that the Government of India are not willing to write a despatch to the Secretary of State asking this general question, but they are willing to write a despatch to the Secretary of State putting a particular case and asking for a general line in connection with that case ?

A.—Yes, asking for a definite interpretation. All we want is a definite case as a peg on which to hang the general ruling.

1162. *Q.*—In view of your statement that no such case has arisen have you read para. 5 of this letter ?

A.—Yes.

1163. *Q.*—Does it not arise on that ?

A.—It might ; I do not know.

1164. *Q.*—What was the position as regards this ?

A.—I am afraid I do not know that ; it is in the P. W. D. it has been with them a long time ; I telephoned to them some time back and they have just admitted they have got it. Our point was that the Auditor General did not give us a concrete case ; there may be cases, but we asked for them ; he said ' no ' ; he wanted it made on the general question ; that we find great difficulty in doing.

1165. *Chairman.*—Perhaps the Auditor General would like to make a statement.

Sir Frederic Gauntlett.—I doubt whether there is any relevance in the statement made by Mr. Mackworth Young that the word ' advantage ' has been in the Act since 1773. The facts remain that audit has progressed in thoroughness and in efficiency, we hope, since 1773. Ever since I became Comptroller and Auditor General this section 85 (3) of the Act has caused me considerable concern because I am and have been well aware of the fact that there are numerous cases in India which go clean contrary to this section and I have been endeavouring to get these cases referred to the Secretary of State. The first case in which I succeeded in getting a reference made was the case which is now under discussion in para. 4 ; and I was well aware at that time of the fact that a list was being compiled of other cases which might fall within the mischief of this section. I was intensely anxious to obtain from the Secretary of State some idea of how he conceived the section ought to be interpreted. I would draw special attention to the point that under that section the only person who can permit these profits or advantages is the Secretary of State. Consequently the only person who can give a final interpretation of that clause is the Secretary of State himself. It is utterly irrelevant to make any reference to opinions held in India, because the Secretary of State is the only sanctioning authority. The case of the rents of Members' houses was sent home in 1920. I conceived it fell within the mischief of this section. The Secretary of State in reply said " I am advised that probably it is ill-founded "—(he was not quite certain of the fact but probably it was ill-founded)—Well, naturally I wanted to know what were the arguments which had been placed before him which led him to the view that that case did not fall within the mischief of this particular section and I should have had an interpretation of the section in its reference to that particular case if I could have obtained from the

Secretary of State the line of argument which he had accepted as applicable to that case. It is perfectly true that I had asked at the time for more than a specific statement of the arguments which he had accepted in that particular case, because I was well aware that there were numerous cases which were still waiting for me to decide whether there were profits or advantages, and those cases are still with me. The Home Department has a list,—I forget how many there are,—the Home Deptt. has a list of about 7 or 8 cases. I submit that it is a little difficult to say that I have not been pressing these cases, and that I am not prepared to put up any individual case. There is another individual case which I have been pressing for six years, and it has not yet left the Government of India. There are eight more to come, and when they will get Home I do not know.

1166. *Chairman*.—From what you say now, I understand that you have yourself separated the question of individual cases from the general question. The Government of India expressed their willingness at once to go to the Secretary of State on any individual case.

Sir Frederic Gauntlett.—There is the electric light case which is an individual case.

1167. *Chairman*.—Will you be satisfied to go to the Secretary of State on that case ?

Sir Frederic Gauntlett.—If the Government of India will guarantee to send it Home within a month.

1168. *Mr. Macworth Young*.—In June 1926, the Auditor General said :—“ I regret also that the Government of India has combined with the file dealing with this interpretation an elaborate duty of preparing a complete list of those cases which might possibly be regarded as a profit or advantage. Much of the delay in dealing with this request of mine has been due partly to the preparation of the detailed list. . . . ” We have all along been willing to submit those cases, but the Auditor General objected to our doing so.

Sir Frederic Gauntlett.—What I have objected to is your hanging up this particular request of mine while you are bringing together facts with regard to all the other numerous cases in which I consider there are ‘ profits ’ or ‘ advantages.’

1169. *Chairman*.—On this particular case the Government of India have stated that they are not prepared to go to the Secretary of State and ask for a general interpretation of this clause, because the obvious answer is that the question will have to be decided according to the particular circumstances of each case. They are not prepared to ask for general interpretation of the section.

Sir Frederic Gauntlett.—I should like to point out that the last para. of my request remained uncomplished with from September 1921 to January 1923 when I temporarily withdrew it. The need for the reference arose again before September 1923 and that has also remained uncomplished with up to this date.

1170. *Chairman*.—The Government of India, I gather, not only have said that they have not complied with it but they are not prepared to comply with it.

Sir Frederic Gauntlett.—I feel it is only fair to state that that argument was raised for the first time two months ago. It has remained with the Government of India all this time, and for the first time, only two months ago, it has been definitely stated that they are not prepared to comply with this request.

May I call attention to the statement that I made at the beginning of my explanation, that the only authority to interpret this section is the Secretary of State. Opinions held in India, however valuable they may be, are, to my mind, irrelevant. It is perfectly true that the Secretary of State has on occasions refused to make a reference to the Law Officers of the Crown. I perfectly remember one case in which he refused to make such a reference, and he refused it because it was a question of the exercise of a discretion vested in the Governor, and he said that as the statute gives absolute power to the Governor to exercise his discretion he could not go to the Law Officer of the Crown to ask whether their discretion was exercised wisely. That is not a question for the Law officer to decide. My submission is that if I make this request and the Secretary of State refuses to grant it, I suffer the rebuff and not the Government of India.

1171. *Chairman.*—That, I think, puts the Auditor General in a position to dictate to the Government of India what despatches they should send and what not.

Sir Frederic Gauntlett.—That is the real question, whether I ought to have adequate access to the Secretary of State except through the Government of India which can refuse to make a request on my behalf.

1172. *Mr. Joshi.*—Is not the Auditor General responsible directly to the Secretary of State ?

Sir Frederic Gauntlett.—I am responsible directly to the Secretary of State, but I cannot communicate with the Secretary of State except through this forwarding letter, and that is why it appears now. I can only send a letter of this character once a year.

1173. *Mr. Macworth Young.*—It is not correct to say that the only authority competent to interpret this section is the Secretary of State. The first authority competent to interpret this section is the Auditor General. The Government of India are competent to interpret it with the aid of their legal advisers, and if there is any insuperable difference of opinion, then and then only is there any necessity to refer the matter to the Secretary of State. What the Secretary of State is competent to do is to sanction.

Sir Frederic Gauntlett.—My submission is that the authority competent to sanction must be the authority which has the final right of interpretation. He must have the right of final interpretation.

1174. *Chairman.*—In any individual case that seems to be perfectly clear.

Sir Frederic Gauntlett.—I am perfectly prepared on the old 1920 case to ask the Secretary of State what were the reasons which underlay that decision

1175. *Chairman.*—What I wanted to suggest was that you should go up with the new case and ask for a ruling as to whether this is or is not a profit or advantage within the meaning of the section, and also to ask that in deciding any individual case and informing the Government of India of his decision, he should explain his reasons for the decision in that case.

Sir Frederic Gauntlett.—I am quite prepared to admit the difficulty of the Secretary of State giving a general pronouncement apart from facts. But I do maintain that it will be of great value to me if I could obtain from him a statement of the reasons which led him to believe that, in the case of Members' houses, that was not a profit or advantage within the meaning of the section.

1176. *Chairman.*—That question can no doubt be asked in connection with the new case, and also for an explanation of the reasons.

Sir Frederic Gauntlett.—I have already pointed out that there is a concrete case with the Government of India, and they have kept it for six years.

Chairman.—We seem to know nothing about that case.

1177. *Mr. Macworth Young.*—If the Auditor General asks us to refer this case to the Secretary of State, we shall gladly do so.

Sir Frederic Gauntlett.—I have been asking for it for six years.

1178. *Chairman.*—The Government of India are prepared to go Home, so far as I understand on the general question. They know nothing about this particular case.

Mr. Macworth Young.—Over a year ago the Government of India prepared a despatch with an annexure containing concrete cases, and the Auditor General objected to its going forward.

1179. *Chairman.*—The Auditor General wanted that to be sent Home in a particular form, and then Government were not willing that it should be sent in that form. In order to arrive at a conclusion on this matter, I think that the Government of India would agree to go Home with the least possible delay with the case mentioned in No. 5, and at the same time draw the Secretary of State's attention to the comments which the Auditor General has already made in this letter. I think the position really is that we offered to go to the Secretary of State on this particular case in a particular form, and that the Auditor General objected to our going up to him with that case in the form suggested by us.

Sir Frederic Gauntlett.—What I did say was that I did not wish the delay which was insuperable from attaching my request to a despatch dealing with individual cases. The matter had been under discussion for over 5 years, and I deemed that I was entitled to ask that a reference should go Home at once as I did not want to run the risk of any delay which I knew to be inevitable from a discussion of the cases of this character as instanced from para. 5.

1180. *Chairman.*—It was not I think so stated at the time.

Sir Frederic Gauntlett.—What I asked for originally was the guidance of the Secretary of State in interpreting the phrase 'profit or advantage.' I had formed certain conclusions in my own mind, and those conclusions were upset when the Secretary of State made that criticism upon my original objection. Naturally I wanted to know if his views did not agree with mine. I have been attempting to obtain these five years, and I have failed, and I cannot get the letter through.

1181. *Sardar Mutalik.*—May I know what objection you have in referring particular cases ?

Sir Frederic Gauntlett.—I have no objection to referring particular cases, but I have got a particular objection to holding back the reference

for which I ask so as to append it to a despatch dealing with a particular case.

1182. *Sardar Mutalik*.—In this particular case you wanted that rents should be recovered from executive officers ?

Sir Frederic Gauntlett.—The moment that reply came back, I at once went to the Government of India, and explained my difficulties to them. I said that the Secretary of State evidently does not think on the same lines as I do.

1183. *Chairman*.—In order to arrive at conclusions I think,—I can speak for my department,—we have no objection to make arrangements with the least possible delay to refer the case, I may say this particular case, if it is preferred, to the Secretary of State with a request for a decision in regard to that particular case together with such general guidance on the case as a whole as the Auditor General desires.

Mr. M. Young.—We don't know if the Secretary of State had any reasons. He may say "I was advised".

1184. *Chairman*.—At least he will say that the advice was given to him.

Mr. M. Young.—A legal interpretation given to him.

1185. *Sir F. Gauntlett*.—I do wish you could see Mr. Mackworth Young's attitude. Even now he is trying to prevent my getting any statement or trying to suggest that there may be difficulties.

Chairman.—I think the answer is that guidance could not be given except in reference to a particular case.

Sir F. Gauntlett.—But there were facts in that particular case.

1186. *Chairman*.—We have got to raise also the question what is the position of the Public Accounts Committee in this matter.

I think probably the easiest way would be to take note that a resolution has been or could be arrived at on the following lines. There is also the general question of direct access to the Secretary of State, which is quite a separate question. Have you anything to say on that ?

Mr. M. Young.—I don't think my department are very much concerned with it.

1187. *Chairman*.—That is a matter which would have to go to the Government of India, I think.

I think the decision should be that this Committee recommend that this question be considered by the Government of India ; the question of direct access to the Secretary of State. It is an extraordinarily difficult constitutional question. I had the same question at home with the Auditor General.

1188. *Mr. Joshi*.—If the Auditor General is responsible to the Secretary of State, he must have access to him.

Chairman.—You don't know what the Secretary of State's attitude may be. The position at home was that the Treasury insisted that they were the channel of communication. Of course, we have not got quite the same position. But you can see that it is a difficult question on which there is a lot to be said on both sides.

1189. *Sardar Mutalik*.—In this case the Government of India becomes a party and the Auditor General becomes a party.

Chairman.—You cannot have the Auditor General writing on every question under the sun. Once you try to define the cases in which he may write direct to the Secretary of State, you will find extraordinary difficulty in doing it.

1190. *Dr. Lohokare.*—Is there any provision, that where the Auditor General and the Government of India differ, the matter must be referred to the Secretary of State ?

Chairman.—In a particular case it has got to go to the Secretary of State, that is, if it is a case where the decision of the Government of India is not final. If it is a question of the interpretation of a statute, and a particular case arises, the case has got to be referred to the Secretary of State. There is no question of refusing to refer a particular case. It is a question whether a general question must be put by the Government of India because the Auditor General wants to ask it.

Sir F. Gauntlett.—If a particular case arises under any of the Audit Resolutions, which says the sanction of the Secretary of State is necessary to such and such forms of expenditure, the Government of India must make a reference if I say it is necessary. But that is a different matter from this on which I want to obtain guidance from the Secretary of State.

1191. *Mr. Datta.*—What is the authority of the Secretary of State to interpret statutes ? I believe I could go to the High Court and get a ruling.

Chairman.—The Secretary of State presumably will get legal advice unless he has discretion. But in this case I think he has got to interpret the statute like anybody else. He has not got discretion.

Sir F. Gauntlett.—He has no discretion. Only he is the sanctioning authority.

1192. *Mr. Joshi.*—Suppose the High Court decides the case.

Chairman.—If he has legal advice, normally you would accept that as an interpretation of that particular case. Of course, if any Member of Council or Governor were aggrieved, he could in theory take it to the High Court. I don't know whether a private citizen has the right to take it to the High Court.

Sir F. Gauntlett.—I don't mean by my suggestion to rule out the reference to the High Court. I was only working within the Statutes.

1193. *Dr. Datta.*—You are covered the moment the Secretary of State gives an interpretation. But the private citizen still exercises his right.

1194. *Dr. Lohokare.*—That right has been left untouched by this ?

Chairman.—Oh yes, there is nothing to take that away. Also an official private citizen is at liberty to address the Secretary of State.

I think that concludes this case, Sir Frederic. Is there anything else we have got to ask Mr. Mackworth Young ? Thank you.

The Committee then adjourned till Wednesday the 4th August.

Evidence taken at the fourteenth meeting of the Public Accounts Committee held on Wednesday, the 4th August 1926 at 11 a. m.

PRESENT.

The Hon'ble Sir BASIL BLACKETT, <i>Chairman</i> ,	}	<i>Members.</i>
Mr. N. M. JOSHI,		
Maulvi Syed MUETAZA Sahab Bahadur,		
Rev. Dr. E. M. MACPHAIL,		
Dr. K. G. LOHOKARE,		
Sardar GULAB SINGH,		
Colonel J. D. CRAWFORD,		
Dr. S. K. DATTA,		
Sardar V. N. MUTALIK,	}	<i>were also present.</i>
Sir FREDERIC GAUNTLETT, the Auditor General,		
Mr. M. K. MITRA, Accountant General, Railways.		
Mr. A. A. L. PARSONS, Financial Commissioner, Railways,	}	<i>Witnesses.</i>
Mr. A. M. HAYMAN, Director of Finance, Railways.		

Mr. A. A. L. Parsons, assisted by Mr. A. M. Hayman was examined.

1195. *Chairman*.—Let us first take the Finance Department's Resolution on last year's Report of the Public Accounts Committee. Paragraphs 32 and 33 of the Resolution refer to last year's Report. Can you make any statement as to what is being done in these matters ?

Mr. Parsons.—With regard to paragraph 32 of the Resolution, we are trying to get the same officer, Mr. Heseltine, to go into first of all the East Indian Railway, as he has done on the G. I. P. Railway to see what savings can be made, and what unnecessary correspondence still takes place although we have got the divisional system. We have ascertained that Mr. Heseltine is prepared to come out each winter. Our present proposal is that, after he has done with the East Indian Railway, he should take up the same job on the North Western Railway and deal with possible reductions in staff and savings in establishment. The Report of the Public Accounts Committee in paragraph 62 deals more with general economy including economies in staff which Mr. Heseltine will try to do and also they have suggested that we should examine whether we could not get similar economies on other Railways like those which have already been obtained on the G. I. P. I should explain what the Railway Board does in this matter. It is not so much a question of saying whether we can get exactly the same thing on other Railways as on the G. I. P. It is a question of what each Railway does. If one Railway does a thing which results in more efficiency or more economy, we see if it cannot be applied to other Railways. The Railway Board goes through the statistics of movements and in fact everything which affects our financial position and if we find, for instance, that one Railway is doing particularly well in

keeping down coal, we find out what measures are taken to produce those results and we suggest to other Railways the adoption of similar measures.

1196. *Chairman*.—Paragraph 64—question of stores.

Mr. Parsons.—The question here is whether we should alter our rules and if so in what way. We have discussed this matter with the Auditor General. As a matter of fact the file is with me at the moment. It is one of the points on which I have not had sufficient experience and I have asked Sir Frederic Gauntlett to let me discuss the matter with an officer of his who knows more about the business. The point really is what exactly the system for the valuation of stores should be. Should we have a price list kept up-to-date as prices alter or should we price our stores on the average issue system, that is to say, take our stores and issue them on the average price. I have not yet had myself sufficient experience to go into it. I want to discuss it with Mr. Campbell before coming to any conclusion which method should be adopted.

Sir F. Gauntlett.—On that point I should like to make one comment, and that is that from my point of view it is much more important that the Railway Board should follow one definite system than that it should choose one out of 3 or 4 alternative systems. It is quite impossible for me to certify the accuracy of the annual profits on which the contribution to the general revenues is based unless there is a very definite and permanent set of rules regarding the method of valuation of stores and unless that system is followed quite consistently.

Mr. A. M. Hayman.—There is only one difficulty in following what the Auditor General has said, and that is, that while we may prescribe definite rules for our State-worked Railways, we cannot in this matter prescribe definite rules for the company-worked Railways. They claim the right that as this is a matter of procedure, they should be allowed to adopt any one of two or three systems.

1197. *Dr. Lohokare*.—Can't you come to any agreement with the company-worked Railways ?

Mr. Hayman.—We can prescribe rules for our State-worked Railways and we can only commend them for adoption to the company-worked Railways.

Sir F. Gauntlett.—As a matter of fact, this question was raised in a very acute form about two or three years ago and it was then found that the custom which then existed on Company Railways was a system which could be accepted, and which had caused no trouble during the years of the war when the system which had obtained on Railways had resulted in something like chaos.

Mr. Parsons.—I agree. I am myself inclined to favour the company system because, except when prices are fluctuating tremendously, it is much more automatic. That is my provisional opinion. I agree with Sir Frederic Gauntlett that we should have one single system which everybody understands.

1198. *Chairman*.—The position, then, is that you are trying to work out a system but you have not come to any final decision yet.

Mr. Parsons.—I have not had time to go into it myself.

Sir F. Gauntlett.—Mr. Campbell, Director of Commercial Audit, is on tour now. That is one of the difficulties.

1199. *Dr. Lohokare.*—When do you expect to come to a definite decision? This has been outstanding for the last 2 years.

Mr. Parsons.—I expect to come to my own conclusions, which I hope will be adopted, some time in September. I think Mr. Campbell will be back soon.

Sir F. Gauntlett.—He is due back almost immediately.

Mr. Parsons.—I will take up the point while the Assembly is going on.

1200. *Sir F. Gauntlett.*—There ought to be no reason why a decision should not be come to in time for next year's Council?

A.—No.

1201. *Chairman.*—The next point that we marked to take up is in the Home Auditor's report on the Secretary of State's accounts, paragraph 10. Here he refers to the taking over of the E. I. R. by the Govt. of India and mentions that a small staff is still kept by the Railway to manage the Debenture Stock. Can you tell us anything about it?

Mr. Parsons.—I was not aware that this question would come up.

Mr. Hayman.—We will have to keep a small staff for the purpose cited previously in that paragraph. They still maintain a staff in connection with the management of the annuity payments. We have no papers regarding this matter. This is the first time I have seen this Report. Probably the Secretary of State has arranged that the small staff which is kept up for the annuity payments should also do the routine work in connection with payment of interest, etc., on debenture stock. He says here that it is for mutual convenience and mutual economy. The other staff is kept up for the management of the annuity payments.

1202. *Chairman.*—We have purchased the Railway by means of an annuity the payment of which has not yet ceased.

Mr. Hayman.—Yes.

1203. *Mr. Joshi.*—Who controls that staff?

Mr. Hayman.—The staff of the old Board of Directors of the Company.

1204. *Mr. Joshi.*—Who controls the staff?

A.—I suppose the Secretary of some other working company is managing it for some small remuneration. Probably the Secretary of some other Company supervises the work of the clerks.

1205. *Sardar V. N. Mutalik.*—What is meant by saying that this appears for the first time in the Report?

Mr. Hayman.—They thought it necessary, I think, to put this into the Report because it is an unusual arrangement. Ordinarily, after we take over the E. I. Ry. we should have all the work in connection with the management of the Debenture Stock. But we should probably have to employ an establishment which would cost us very much more than asking the E. I. Ry., who are managing the annuities, to take over this little additional work which they were previously doing and with which they are quite conversant.

1206. *Dr. Datta.*—I suppose that in time that staff will be extinguished.

Mr. Hayman.—We will watch the system. This is the first time it has come to our notice. We would, as an ordinary procedure, ask the London Commissioner for a report on this and we will satisfy ourselves that this is to our economy. If not, we shall ask for altered arrangements.

1207. *Chairman.*—The Railway Board will look into the question ?

Mr. Hayman.—Yes.

1208. *Chairman.*—There is a small point arising on pages 71 and 72 of the Central Government's Civil Appropriation Report, paragraph 99, on the question of the leave of a certain officer whose contract seems to have been obscure as to the leave to which he was entitled. Can you tell us anything about this case ? The point made by the Accountant General is that if the terms of the original contract had been more clearly worded, further claim on Government in respect of leave might have been avoided.

Mr. Parsons.—That is not, I think, quite accurate, because the officer in question was definitely given to understand that he would get the leave which he has got. There is no doubt that it would have been much more satisfactory if when he was originally appointed, a definite contract had been made with him including his leave and other terms. We are seeing now in the Railway Board that if officers of this type, who have not had any previous Government service, are taken over into our service, his terms of leave, etc., are definitely included in the initial contract. The particular officer in question would no doubt have got the leave which he did get, because, he was given, I think, chiefly verbally, to understand at the time when his service were being engaged, that he would get leave equivalent to leave under the Fundamental Rules.

1209. *Sir F. Gauntlett.*—Is it correct to state, I believe, that this point was not set out in any correspondence between him and Government and that his statement as to the terms of the verbal discussion was accepted ?

Mr. Parsons.—Quite so. He made a note of his verbal discussion at the time and it was not challenged by the officer of Government with whom he had the discussion.

1210. *Sir F. Gauntlett.*—Was that note seen by Government ?

Mr. Parsons.—It was seen by the Honourable Member of Council.

1211. *Mr. Joshi.*—Have you not got any fixed form of contracts to be made with this type of officers ?

Mr. Parsons.—There is a model form, but it would not necessarily apply in all cases. The officer in question here—would you mind if I mention the name of the officer ?

Chairman.—No.

Mr. Parsons.—It is Sir Clement Hindley. When you are taking a person in the position of a Member of the Railway Board, you really have to make terms with the man you want to get when you are not taking him from Government service.

1212. *Mr. Joshi.*—If there are additional conditions, you can put them in.

Chairman.—I think you agree that the terms might have been originally a little clearer.

Mr. Parsons.—I thought I was making that point. I think they ought to have been definitely included before Sir Clement Hindley's services were taken.

1213. *Chairman.*—I think, now, that it would be convenient if we began with page 35 of the Audit Report. Para. 113 sets out what has been done in regard to the previous Public Accounts Committee's report: (i) is simply a question of the percentage of objections. (ii) says: "In paragraph 3 the Committee commented on the increase in compensation payments. Here too there has been considerable improvement." Have you anything to add as regards the figures?

Mr. Parsons.—The improvement, I am glad to say, continues. I think that in this year the percentage of amounts paid in compensation to the gross earnings was on the E. I. Ry. 2.70. The last figure on the E. I. Ry. has come down to just under 1 per cent. of the gross earnings instead of $2\frac{1}{2}$ or $2\frac{3}{4}$. I consider 1 per cent. as still too high and we are still pressing on the E. I. Ry. and on every other Administration to pay great attention to it.

1214. *Sardar V. N. Mutalik.*—Can you say if there were a lesser number of claims last year?

Mr. Hayman.—Yes.

Mr. Parsons.—They are going down. The figures are on the whole satisfactory on every railway except the East Indian. On the East Indian, conditions are very much better than they were. They are still in my opinion not quite satisfactory.

1215. *Sardar Mutalik.*—That railway is the greatest sinner in this respect.

Mr. Parsons.—The latest percentage on the East Indian Railway is .95. There is no doubt improvement.

1216. *Chairman.*—There is considerable improvement but still leaving room?

Mr. Parsons.—Yes. You must expect the East Indian to be always the worst. It depends rather on the nature of the traffic and the number of junctions that it has to pass through rather invites this sort of loss.

1217. *Sardar Mutalik.*—What is in your opinion the average percentage of losses?

Mr. Parsons.—I am afraid I have not worked it out.

Chairman.—There is a good deal about it on page 10 of this report, para. 37. You get there percentages for all the Government railways. The payments on the East Indian are rather more than the other railways.

Mr. Parsons.—If the Committee would like, I can give figures for the last quarter comparing all the railways. North Western Railway in 1924-25 was .6 it is now .23. The Oudh and Rohilkhand no longer exists. The Eastern Bengal was .15 and is now .42, the B. B. and C. I. was .8 and is now .24, the East Indian is .95, the G. I. P. .2 is now .16 the Madras and Southern Mahratta Railway was .2 and is now .17.

1218. *Sardar Mutalik.*—Have you taken any special precautions on the East Indian Railway?

Mr. Parsons.—We have taken very special measures.

1219. *Chairman*.—Can you give the total figure for the East Indian Railway, which gives you .95 ?

Mr. Parsons.—It is a quarterly figure. These figures are made out quarterly.

1220. *Mr. Joshi*.—Have you found out the reason for this loss on the East Indian Railway ?

Mr. Parsons.—It is partly the nature of the traffic which lends itself to thieving of rather valuable goods. It is partly due to the fact that the traffic passes through a large number of junctions and marshalling yards where the goods lie for long periods and therefore it is easy to steal. I could give the Committee the special reasons operating on the East Indian. We have walled in our yards now. We have strengthened our watch and ward staff, and we have taken special precautions in areas where the thieving was particularly bad.

1221. *Sardar Mutalik*.—These things obtain on all the railways. Are there any special circumstances peculiar to the East Indian ?

Mr. Parsons.—One is the nature of the traffic. Lot of valuable goods travel over the line.

1222. *Chairman*.—Has it been reported to you that at Moghul Sarai there are contractors with bullock carts for carrying away stolen goods ?

Mr. Hayman.—We have heard about it. We have made arrangements for lighting the yards.

1223. *Chairman*.—Moghul Sarai is one of the worst places in this respect ?

Mr. Hayman.—I would like to say that there are two or three points at which we have to tranship goods. Mokameh Ghat gives us lot of trouble during the rainy season. Conditions then lend themselves to stuff being stolen or portions of goods being damaged.

1224. *Chairman*.—Is there any special reason why Moghul Sarai has acquired such a bad name.

Sir F. Gauntlett.—Moghul Sarai extends over three or four miles of area, in an absolutely open tract of country.

Mr. Hayman.—We are bringing Moghul Sarai under better control. As Sir Frederic says it extends over a vast area. We are lighting the yards and bringing them under better control.

Chairman.—The figures have improved but there is still room for improvement.

1225. *Rev. Dr. Macphail*.—To what kinds of goods do the thieves pay special attention ?

A.—Piece goods, grain and food stuffs.

Mr. Hayman.—Lot of coal is dropped on the way.

Mr. Parson.—Coal is stolen on all railways.

1226. *Chairman*.—Page 35. Para. 3. That is the question of audit of company railways. Mr. Mitra, have you anything to say ?

Mr. Mitra.—We expect a report by the end of August from the Government Examiners.

1227. *Sardar Mutalik.*—Is it still under consideration ?

Mr. Mitra.—No, it is working but the result of the working will be intimated to us by the end of August.

1228. *Chairman.*—You have introduced new methods and the results have not yet been reported ?

A.—Yes.

1229. *Chairman.*—36, para. 4. Necessary steps have been taken by the Railway Board, etc. Have you got anything to say ?

Mr. Parsons.—I think not.

Chairman.—I think this is under-spending on capital expenditure.

1230. *Chairman.*—6 of the report. Can you tell us something about this ?

Mr. Parsons.—We have issued orders to railway administrations to consider the advisability of making payments in local treasuries as far as possible. We have just received certain recommendations from them. We got some yesterday and I received one this morning. On the East Indian I know they do pay into Government treasuries and the Imperial Bank, whenever it is convenient. On the North Western Railway also they have a system but I cannot give you full information because I got a report only at half past ten this morning.

1231. *Mr. Joshi.*—You have made arrangements to send the money to the nearest treasury ?

Mr. Parsons.—Wherever convenient. Sometimes the treasury is ten or twelve miles by road and I should expect to lose more if I sent it by road. In those cases it is advisable to send it down the line. I cannot give you definite information. There are practical difficulties in the way of a universal system.

1232. *Mr. Mutalik.*—Have you introduced the system of paying by cheques ?

Mr. Hayman.—We pay our staff by cash, otherwise, we pay by cheque.

1233. *Chairman.*—What is the position about travelling without tickets ?

Mr. Parsons.—We are experimenting in as many ways as we can to prevent it. Sir F. Gauntlett has kindly lent us an officer who is now making experiments on the East Indian Railway. To stop this fraudulent travelling, we are trying the experiment by which we place members of the railway staff in each coach to check the tickets. In the B. B. and C. I. we are trying various measures. We are adopting every measure which shows the least chance of checking this habit. My own view is that this is bound to go on until the people are made to realise that it does not pay them to travel without tickets.

1234. *Sir F. Gauntlett.*—Do you think that the penalties now imposed on those found travelling without tickets is adequate ?

Mr. Parsons.—No.

Chairman.—We might now take up the Audit Report and the Auditor General's covering letter which will enable us to avoid dealing with other cases in this report. Para. 2. Question of receipts.

1235. *Chairman*.—There is a general decision that the Public Accounts Committee is entitled to raise questions as regards receipts as well as expenditure. That is settled already.

The first paragraph that the Auditor General has anything special to say on is paragraph 10 about the process of revision of the form of statistics compiled by Railways. There is no suggestion for further action in regard to the introduction of machines.

Sir F. Gauntlett.—There has been a very important development.

1236. *Chairman*.—Can you tell us something about clearing houses ?

Mr. Parsons.—Mr. Scott whom I mentioned just recently who helped as has more or less in his spare time devised a system of using the machines by which we expect to be able to establish a clearing house at any rate for State railways, and I have little doubt that company-managed railways would also adopt the same system, without waiting for the simplification of our rates. I actually went through, with the Standing Finance Committee for Railways, an experiment by Mr. Scott and he certainly convinced us that he will be able to prove his point. We expect to have a final report from him at the end of this month or the beginning of next month. If we establish clearing houses we can simplify tremendously the business of apportioning receipts between individual railways. We shall effect a very large economy without having to wait for the settlement. Simplification of rates over various railways is a very complicated question.

1237. *Sir F. Gauntlett*.—Is it correct to state that this officer devised a method of using his machine which the representatives themselves never realised before ?

Mr. Parsons.—Certainly that was what the representative of the machine in Calcutta told me. In fact the question arose whether Mr. Scott could not patent the method of using the machine.

1238. *Sir F. Gauntlett*.—I ought to say that the services of this gentleman have been extraordinarily valuable to Government throughout the whole question of the development of the use of these machines. I believe the Railway Board would support me.

Mr. Parsons.—The Railway Board will certainly support you very strongly.

1239. *Chairman*.—Are these machines such as can be introduced in other Government departments ?

Sir F. Gauntlett.—They want an enormous mass of work to feed them. The way they eat up work is simply amazing.

Mr. Parsons.—You really want one machine for a whole station for ordinary civil work. They are expensive machines to begin with, £5,000 apiece, and though you can make arrangements by which you can hire machines and when the machines are worn out you get improved ones, I very much doubt myself whether the tabulation in any other office, except the railway accounts office, will make it worth while introducing it.

1240. *Chairman*.—Para. 19 refers to the preparation of rate registers. The Committee would like to know the progress made.

Mr. Parsons.—On the North Western Railway the preparation of these registers has been deferred till such time as the revised tariffs and junction rates lists embodying the changes consequent on the adoption of uniform schedule rates has been published by the North Western, Jodhpur and Bikaner State Railways.

Mr. Hayman.—The bulk of the traffic on the E. I. R. and the G. I. P. is interchanged between the North Western and Jodhpur and Bikaner State Railways and these two railways, the Jodhpur and Bikaner State, have held out against falling into line and so the North Western Railway cannot introduce simplified rates.

Mr. Parsons.—The G. I. P. Railway is mainly concerned with the B. B. and C. I. and N. G. S. Railways. Rates between the G. I. P. and the B. B. and C. I. have been introduced and the preparation of registers for through booking with the N. G. S. Railway is in hand. As regards the East Indian Railway, the introduction of station to station rate register in conjunction with the E. B. S. Railway will be given effect to as soon as certain revised schedule recommended by the I. R. C. A. has been adopted on the Eastern Bengal Railway. In the meantime definite progress has been made in introducing rate registers in local booking; the E. B. S. Railway are considering the adoption of the revised schedules.

1241. *Chairman.*—Can you tell us generally what a rate register is ?

Mr. Parsons.—I understand (Mr. Hayman will have to correct me if I am wrong) it is a book in which you give the rate per maund per mile for various classes of traffic from one station to another.

Mr. Hayman.—If you have the stations put up, you know the mileage and then you quote your rate per maund per mile for a minimum number of articles. You classify the different commodities into a minimum number of classes and you quote the rate per maund per mile from station to station. The information is supplied to the stations.

1242. *Chairman.*—It is a ready reckoner.

Mr. Hayman.—It is a ready reckoner which we only want to compile after we have simplified the rates and get the rates down to as few items as possible.

Mr. Parsons.—As I understand if you want to book a consignment from Calcutta to Peshawar, the clerk will have to work out exactly how much it would be for the E. I. R. for that commodity and how much for the N. W. R. and then distribute the rates in that proportion. If we can get the rates simplified, the clerk will have only to look up one book.

1243. *Rev. Dr. Macphail.*—What about having a uniform rate on each railway ?

Mr. Hayman.—We aim at uniformity as far as possible. It would not always pay us to do so. We manipulate our jute rates on the E. B. R. with reference to what the public are willing to pay. We must always keep in mind what the traffic will bear. Broadly speaking the ready reckoner will tell us the exact cost from one station to another. There is a special rate for special traffic.

1244. *Chairman.*—You agree with the Auditor General that the acceleration of the preparation of rate registers is a matter of great importance and you are accelerating it.

Mr. Hayman.—We agree and want to add that it is a very difficult question, Sir. We have been at it for many years.

1245. *Dr. Lohokare.*—Why not refer that question to the Railway Rates Advisory Committee ?

Mr. Parsons.—That is not within the scope of their duties.

Mr. Hayman.—They have to deal with preferential rates, claims on behalf of the public that a particular commodity is being unfairly treated. That is their primary duty.

1246. *Col. Crawford.*—Previous to the introduction of the new simplification of rates, will there be considerable loss ?

Mr. Hayman.—No.

1247. *Sardar V. N. Mutalik.*—The best solution will be uniform rates.

Mr. Parsons.—I do not think you can have uniform rates. For example you cannot have the same rate for the Ghat section as for the other sections.

1248. *Dr. Datta.*—I believe the railways make calculations as to the maximum that can be got out of people. That has been my experience in regard to tickets.

Mr. Hayman.—I do not think we accept that. On the other hand, we go out of our way to refund over charges. Immediately our audit office audits the accounts of a station, copies of statements of overcharges are posted at the starting and destination stations, so that the consignee or consignor can claim refund.

Mr. Parsons.—If we overcharge, the public will certainly be able to get the money from the railway ; if we undercharge, I doubt whether the railways will be able to get the undercharge from the public.

1249. *Chairman.*—Paragraphs 26 and 28. The A. G. raises the question of stores balances.

Sir F. Gauntlett.—I should like to make a general statement, Sir, on these paragraphs. Considerable flood of light has been thrown on this apparently drastic reduction of stores by the report of the Workshop Committee, of which Sir Vincent Raven was the Chairman. He has called attention to the fact that some workshops are heavily encumbered with stores which have been turned out of the store yards into the workshops. If in fact you treat as stores everything up to the date that it is actually used or put into the line or brought into active service, I doubt whether these figures of reduction would, be regarded as accurate. It is evident that materials have been turned out of the store yards into workshops and I believe in some cases stores have been kept within the store yard but allocated to particular works and omitted from these balances.

Mr. Parsons.—This has been raised by the A. G. on his remarks on the Appropriation Report.

Mr. Parsons.—I don't know the extent to which Sir Frederic Gauntlett thinks this has occurred. But our reduction of stores balances has been from 22 to 14 crores.

Sir Frederic Gauntlett.—I have not the slightest idea. I only read the report some three months ago.

Mr. Parsons.—Quite apart from this, I should suggest that there has been very considerable reduction of stores balances ; as I have said, something like 8 courses, and if we assume that a crore accounted for in this way the reduction in stores balances has even so been highly satisfactory.

Sir Frederic Gauntlett.—I have no reason whatever to suggest that your information is not correct ; only that this point having been brought to light, I thought it necessary to mention it.

1250. *Mr. Joshi.*—Has the Railway Board considered this matter ?

Mr. Parsons.—The stores required by the railway fall under two classes, one the stores which are required for general purposes and the others which are required for special works. We distinctly prescribe in our rules that stores are not to be indented for for special works unless such works are sanctioned by a competent authority. We also insist upon a railway administration carrying on all sanctioned works expeditiously. It follows, therefore, that stores obtained for special works should be sent direct to the site of the works, so that they can be put into use without delay. Our rules prescribe that stores sent to the site of works should be shown separately as materials on site ; that a monthly report of all material at site shall be submitted by the officer in charge of the works to the Executive Engineer's office, and verification of materials shall be made at least once a year. The rules also prescribe that a report of the result of this verification should be sent to the Executive Engineer's office and to the Chief Auditor. The point I wish to make is that I think it highly probable that in certain cases, in their desire to reduce stores balance, some officers may to a certain extent have done what Sir Frederic Gauntlett suggests, namely, put out their stores at site of works before they were actually needed. If so, I regret that we have not had a report from the audit authorities, who have to deal with these verifications, to that effect. That is an initial point. I don't wish in any way to minimise the seriousness of the position, if stores are sent out to site of works before they are required. For one thing they deteriorate ; it also upsets our view of what we are holding, whether we have a reasonable balance of stores or not. But it seems to me that the rules are sufficiently comprehensive and do not call for amendment. That there has been failure to observe these rules I do not wish to deny, and the way to secure better results is not by introducing new rules but by taking disciplinary action against those who fail to observe the rules. This is the first evidence we have had that the fault complained of has been committed, and of course we shall take up the point. It seems to me that actually our existing procedure is such that this point should have been brought to our notice before. I suppose that when we were insisting on a reduction of stores balances our subordinate officers in their zeal transferred material irregularly from stock. We are examining these criticisms of the Raven Committee separately and will take action on them. I should mention that there has always been a tendency, so far as workshop people are concerned, for them to draw stores in advance of requirements to meet their undertaking expeditiously. That I don't think is objectionable. In the case of coach work, supposing that they are expected to get in their material for body work at a particular date ; they will get in the material for the under frames a little later, so that

they may be able to get on with the work of complete construction immediately the underframed arrive.

1251. *Mr. Joshi.*—Was there any maximum fixed by the Incheape Committee for stores ?

Mr. Parsons.—Not to my recollection. I hope not, because it must be remembered that it depends upon the operations we are conducting. We have a very large capital programme in hand, and our stores balance will tend to increase accordingly.

1252. *Chairman.*—Can you figure down to just what you hope to work ? Would you regard 17 crores given as the figure on the 31st March 1926 as still too high ?

Mr. Parsons.—Our figure on the 31st March of this year was 14½ crores. It rose by about 40 lakhs in April this year, because we got out a good deal of stuff from England which had not actually been put into line. It has again fallen to 14 crores. I could not give a definite figure ; it would depend on the work we have in hand.

1253. *Chairman.*—Generally, do you hope to get down to a lower figure ?

Mr. Parsons.—I think we have assumed in this year's budget that we shall have a further ½ crores drop.

1254. *Chairman.*—That suggests that you are satisfied that 14 crores is near your minimum ?

Mr. Hayman.—Mr. Sim came to the conclusion that 14 crores was a reasonable figure. I may mention that at the time the Incheape Committee dealt with the question they paid more attention to balances at pre-war times. Since that time the railways have advanced and rates have gone up. Taking that into consideration Mr. Sim thought that if we worked on 14 crores we would not do badly. We have fixed the balances for each railway, taking the circumstances of each railway into consideration ; its distance from the market and the amount of stores it requires, and we have allowed them different balances. Totalling them up the aggregate comes to a little more than 14 crores. The railways are given orders to work to these averages.

1255. *Chairman.*—The pre-war figure was 13 crores and you are spending a great deal more capital than you were then ?

Mr. Parsons.—Not only capital but we also have to keep a certain amount of what we call general stores for the revenue working expenses, so we have to allow an additional amount above capital requirements.

1256. *Chairman.*—Your general conclusion is that 14 crores would be a fair minimum ?

Mr. Parsons.—I would not necessarily support that, as I can quite conceive circumstances in which we could get it well below 14 crores ; for instance if there was a real development of industries in this country and we were able to purchase our stores here. The stuff takes 9 months to come out and accordingly we have to hold larger balances than we would otherwise.

1257. *Mr. Lohokare.*—Your aim then must be to purchase your stores locally ?

Mr. Parsons.—If we can get the stuff here. The reduction in present circumstances is very satisfactory. It must not necessarily be assumed, however, that we shall always keep our balances to the figure of 14 crores, because the character of the work which we must undertake in particular years may be such that we may have to order out large quantities of stuff a longer time ahead ; but equally we may in certain years get well below 14 crores. I do not suggest that 14 crores is a sort of standard figure.

Mr. Lohokare.—You have a sort of standard figure for general work and for special work a special figure.

1258. *Colonel Crawford.*—You have a calculation of stores at site made monthly under your rules ?

Mr. Parsons.—The verification is made once a year. A monthly report of all materials at site is submitted to the Executive Engineer's office, and verification is made once a year, which is sent to the Chief Auditor as well as to the Executive Engineer.

1259. *Colonel Crawford.*—I would like to know whether the 31st March for the purpose of recording stores balances is a good date to choose.

Mr. Parsons.—I would like to say that the 31st March is not a very good date to choose. The 31st August would be better.

1260. *Colonel Crawford.*—Would it not have to tally with the date on which you check your store balances ?

Mr. Parsons.—Not necessarily. I know what my figures are on the first of the month. At present a lot of stuff comes out at the end of the year ; whether we can change it so that it can come out more regularly is a different matter. I am not at all sure that at any rate for the northern railways a date like the 1st October would not be more suitable, and different dates for different railways.

1261. *Mr. Joshi.*—Does your department make the fullest use of the Indian Stores Department for such stores as can be purchased in India ?

Mr. Parsons.—The fullest use that we consider desirable.

1262. *Mr. Joshi.*—We find a complaint of the Stores Department that they do not get sufficient work.

Mr.—Hayman.—They get a list of all the articles we required and any reference we get from them is carefully considered.

1263. *Mr. Joshi.*—What proportion do you get through the Indian Stores Department ?

Mr. Parsons.—I have not the figures.

1264. *Sardar Mutalik.*—Do you place your orders in the open market, or purchase through your London agents ?

Mr. Hayman.—We follow the Stores purchase rules. There are only certain classes of things we get from England. If it is an article we have to purchase in India, we call for tenders.

1265. *Sardar Mutalik.*—Do you call for tenders from other markets also ?

Mr. Parsons.—Sometimes. I am afraid it is impossible to make a general statement. We purchase an enormous amount of material. Some we purchase out here ; some we cannot obtain out here and obtain from

England, some we purchase in the cheapest satisfactory market abroad. We follow and are bound by the stores purchase rules of the Government of India.

1266. *Chairman*.—When you speak of tenders being called for in England that means tenders being called for in England or other countries than England ?

Mr. Parsons.—I should use the word abroad where I said England.

1267. *Dr. Datta*.—What is your chief objection to purchasing from the Stores Department ?

Mr. Parsons.—It costs us more. We have our own purchasing organisation which is a very much larger organisation than that of the Indian Stores Department.

1268. *Mr. Joshi*.—Do they (the Indian Stores Department) admit that their cost will be more ?

Mr. Hayman.—It is not for them ; it is for the purchaser to consider whether he is getting an article cheaper from one source or another.

1269. *Dr. Lohokare*.—Do you call for these tenders in rupee form ?

Mr. Hayman.—All tenders called for in India are in rupees.

1270. *Dr. Lohokare*.—And the tenders issued in England ?

Mr. Parsons.—Hitherto our English tenders have been for quotations in sterling f. o. b. and in rupees c. i. f.

1271. *Col. Crawford*.—I understand you have a stores purchasing department of your own ?

Mr. Parsons.—Each individual railway has one.

1272. *Col. Crawford*.—You have not centralised it ?

Mr. Hayman.—No.

Mr. Parsons.—The position is that we have centralised certain of the very large purchases such as locomotives and wagons, which are dealt with by the Railway Board direct, and coal I think by our Chief Mining Engineer. The others are generally not centralised.

1273. *Chairman*.—Are you not in that case competing with the Indian Stores Department, supposing you are calling for coal and they are calling for coal at the same time ?

Mr. Parsons.—I am not sure whether the Indian Stores Department deal with coal at all. If so, I am sure they do it through our Chief Mining Engineer.

1274. *Chairman*.—They purchased coal for Sukkur.

Mr. Parsons.—On that particular occasion they asked that the whole thing should be handed over to the Chief Mining Engineer.

1275. *Chairman*.—Whether it is you or the Stores Department that is purchasing, the Chief Mining Engineer does co-operate ?

Mr. Parsons.—I think that is so.

1276. *Sardar Mutalik*.—Have you got separate stores purchasing departments for the different railways worked by the State ?

Mr. Parsons.—We have a stores department for each railway.

1277. *Sardar Mutalik.*—Don't you think it would be better if you had one establishment for the whole ?

Mr. Parsons.—No.

1278. *Dr. Lohokare.*—Are they co-ordinating, though they are not centralised ?

Mr. Parsons.—I should not like to express an opinion on that straight off.

1279. *Dr. Lohokare.*—Would you like to take up the suggestion for the consideration of the Railway Board ?

Mr. Hayman.—It has been considered on many occasions and the Railway Board, while the old Public Works Department came to the decision that it would not be more economical.

Mr. Parsons.—I do not think I would like to consider it quite soon ; I do not think it is a very urgent question.

1280. *Col. Crawford.*—What sort of a check have you got over the general purchases ? I am left with the impression that all is not as well as it might be in the stores purchasing departments of the railway themselves. Have you any check over tenders, etc. ? I am thinking of the position of a man who sells a good deal of stuff to the railways, and I understand he finds it very hard to get his particular goods tested by the railways owing to the difficulty of the individuals not being prepared to give him a fair chance. That is what I am told, and I wondered whether there is anything like that, and whether there is any check over the whole of their transactions.

Mr. Parsons.—In that particular case it means the gentleman you are speaking of is possibly up against the conservatism of an Executive Engineer who has used for some time a particular article, or class of material, and wishes to adhere to it. We have no particular check, though we would investigate any case which was reported to us.

1281. *Chairman.*—You do not at headquarters check the purchases of individual railways as a general rule to see whether one railway is doing better than another ?

Mr. Parsons.—No.

1282. *Sir F. Gauntlett.*—For instance both the East Indian and the Eastern Bengal Railways are purchasing in the open market. Would there not be a possibility of checking the prices paid by them for articles at the same time ?

Mr. Hayman.—Your Audit Department might do that. The Agent of a railway calls for the tenders and states a specification for the article he requires and all the tenders are dealt with by a committee of officers consisting of a representative of the Agent, if the Agent does not go himself, the Chief Storekeeper, and a representative of the department that has to use the stores, and usually the lowest tender is accepted, unless the representative of the department says he cannot use an article supplied by that firm, in which case the lowest satisfactory tender is accepted. I know the East Indian Railway works on that principle and the Eastern Bengal Railway too.

1283. *Chairman*.—The point Col. Crawford is asking is, does it come to you ?

Mr. Parsons.—No, it does not come to us.

1284. *Mr. Joshi*.—Supposing two railways ask for tenders and they get different rates, there must be some machinery in the Railway Board to see that at least in the same market they do not pay different rates ?

Mr. Parsons.—There is no such machinery, and I am not sure I should welcome its establishment.

Mr. Mitra.—We in audit take up such points if we think it worth while, and if there is a big difference, we compare rates of one railway with another, and if we are not satisfied we put that in the audit report.

1285. *Chairman*.—The answer is that it is only through audit that any co-ordination or comparison is effected. Could you develop your objections to the introduction of such a system ?

Mr. Parsons.—I think I said I was not sure I would welcome the introduction. I am at the moment quite undecided in the matter. I see very great dangers in the particular cases which have come to my notice in the short time I have been at the Railway Board in a complete combination of orders for all railways. It means very likely that only one firm doing a particular type of business will get the order in a particular year, and I do not think in the long run it is an advantage to Indian railways that business of this nature should be in the hands of one firm, the other firms going smash because they have got no orders.

1286. *Chairman*.—You mean a monopoly of orders means a monopoly of supply ?

Mr. Parsons.—I have not come prepared to deal with this subject.

1287. *Col. Crawford*.—I am not suggesting that the Railway Board should undertake any check ; I mean does not each railway have a check ?

Mr. Parsons.—Mr. Hayman has explained the procedure.

1288. *Chairman*.—We might put something non-committal in the report as to a desire for its examination.

Para 39.—This para seems to indicate failure on the part of the proper officers to pay proper attention to the railways.

Mr. Parsons.—I agree with the Auditor General's remark.

1289. *Chairman*.—It has not been sold ?

Mr. Parsons.—Not as far as I am aware.

1290. *Chairman*.—What about the question of disciplinary action ?

Mr. Parsons.—The only thing I can say here is I do not object to their having bought this machine. It was bought as an experiment and we cannot expect all experiments to be successful. It was bought from the Madras Corporation and the Railway, instead of sending one of their own men to examine it, accepted the certificate of the Madras Corporation Engineer. I think myself the Railway should have sent one of their own men down. But I do not think it is a matter for strong disciplinary action. I would be averse to that because I do not want to prevent our officers experimenting with machinery.

1291. *Chairman*.—Para. 40.

Mr. Parsons.—We have already taken action on the Auditor-General's suggestion.

Sir F. Gauntlett.—The Accountant General confirms that.

1292. *Chairman*.—This is really another case of the form of contract.

Mr. Hayman.—We have a particular form of contract prescribed for all railway administrations but this case has brought to light that it is defective in certain respects and we have issued general orders to prevent any similar occurrence in the future.

1293. *Chairman*.—The Committee have had their attention drawn to a good many cases where a slipshod method of drawing up contracts has been the cause of trouble. You have specified forms of contracts for all the more important cases ?

Mr. Hayman.—Yes, Sir.

1294. *Mr. Joshi*.—Do you consult the legal advisers in the matter of these contracts ?

Mr. Parsons.—In any contract we make we consult the Solicitor General. I should certainly myself in any case of importance.

1295. *Mr. Joshi*.—You are quite certain that in this case the legal advisers were consulted ?

Mr. Parsons.—In drawing up the particular form ?

1296. *Mr. Joshi*.—Supposing you made this contract which is a big contract. Did you consult the legal advisers ?

Mr. Parsons.—Well the Agent of the Eastern Bengal State Railway would have drawn up the contract and he has attached to his administration his own legal advisers whom he must have consulted.

1297. *Chairman*.—Generally speaking, are you satisfied that the railways are properly organised for obtaining legal advice ?

Mr. Parsons.—We do not have our own legal advisers on all railways. On some railways we use the legal advisers of Government. I am not quite sure whether that is satisfactory.

1298. *Dr. Datta*.—Could you give us a general idea of how actually contracts are entered into, what precautions are taken. I mean to say, in this case it was presumed that he had consulted his legal advisers ?

Mr. Parsons.—In this particular case we have a standard form of contract for constructing sidings and that form was probably used.

Sir F. Gauntlett.—Mr. Mitra who has had lengthy experience of this work suggests there might be a general recommendation that railway authorities before placing contracts should be more careful to obtain legal opinion. He says he very often finds contracts fail from the lack of technical precision.

1299. *Chairman*.—What do you say to that, Mr. Parsons ?

Mr. Parsons.—I should welcome the suggestion.

1300. *Mr. Joshi*.—They have their own Audit departments who are also consulted ?

Sir F. Gauntlett.—I don't think the Audit department is more competent than any other department to draw up a legal document.

1301. *Mr. Joshi.*—Each railway has got its own accounts department ?

Chairman.—That is really for financial advice. I think the first thing a sensible accounts officer would do would be to get legal advice.

Mr. Parsons.—That is the first thing any sensible Agent should do. That is why I welcome the suggestion.

1302. *Chairman.*—Could you tell us exactly what happens in drawing up a contract ?

Mr. Hayman.—Let me take as an illustration, the construction of this siding. The Engineer in Chief would have correspondence with the contractor to whom he is going to give the work and set down the conditions in a document which would not be a legal document. The next thing done would be to see whether the Railway Board have prescribed any model form of contract for that particular class of work. If a model form of contract has been prescribed and if there are no conditions with the contractor—that is, outside the contract form—the contract form would be adopted. If there are any new conditions then the usual course is either to consult the legal assistant which some railways have attached to their organisations or to go up to the Government Solicitor or Legal Remembrancer. The legal officer concerned draws up a new contract based on the terms of the model contract to provide for the exceptions and also as there are usually clauses concerning payment the financial assistant to the Agent has to be consulted.

1303. *Dr. Datta.*—The financial provisions are protected by special reference to a financial expert and the legal provisions are put into a legal form by the Solicitor ?

Mr. Hayman.—Yes, that is the usual procedure.

1304. *Chairman.*—Supposing the model form is accepted, is it possible to insert words in a certain model form which may make it slipshod ?

Mr. Hayman.—I think they may do that sometimes.

1305. *Chairman.*—Without having discussed the matter, because it is a model form they might think it unnecessary to consult the legal adviser and they might even think it unnecessary to consult the financial adviser ?

Mr. Parsons.—That is conceivable. You may decide to use a model form and yet the particular contract there entered may be such that the model form is not entirely applicable.

1306. *Chairman.*—There is a possible loophole when they use a model form without getting formal advice from their technical advisers ?

Mr. Parsons.—Yes, there is that danger.

1307. *Chairman.*—It does seem to me desirable that our recommendation should be something to the effect that on looking into the whole question we think the importance of taking legal and financial advice in every case should be recognised even where a model form is used. Our recommendation should always be in a general form so as to leave ourselves a loophole.

Paragraph 41. Excessive charge for rolling stock. Have you any statement to make, Mr. Parsons ?

Mr. Parsons.—No I have no statement. We have to keep a very careful eye on some of these railways whenever they see some chance of using their surplus profit and spot it first.

1308. *Chairman.*—Paragraphs 44-90.

Sir F. Gauntlett.—There is a general comment by the Auditor General on these financial irregularities. The substance is contained in the last 7 lines of the first paragraph.

1309. *Chairman.*—Would you like to make any general statement Mr. Parsons ?

Mr. Parsons.—No, I do not think so. Where these frauds are discovered the Auditor General agrees that we take sufficient disciplinary action. No two people would agree about the heinousness of any particular case but as a rule we are in general agreement as to the action to be taken.

1310. *Chairman.*—Paras. 44-90 are all particular cases of irregularities or frauds.

Sir F. Gauntlett.—Those are only my general comments. There are other cases to which I call attention.

1311. *Chairman.*—Case 47 is the next one,—Loss on stone ballast on the North-Western Railway. The Auditor General's comment is mainly with reference to the responsibility of the Executive Engineer. Have you anything to say, Mr. Parsons ?

Mr. Parsons.—The case did not come to the Railway Board and the man at fault was apparently a subordinate who is now no longer in the service. We therefore did not consider it necessary to call for an explanation from the Agent within whose powers it was to deal with the matter.

1312. *Sir F. Gauntlett.*—Does not that raise the general question that if I do select a case and mention it, the Railway Board should not be prepared to offer any suggestion in respect of it ?

Chairman.—Mr. Parsons has stated that the individual concerned is no longer in the service.

Sir F. Gauntlett.—That refers only to one. There are three individuals concerned.

Mr. Parsons.—Two executive engineers, I think.

1313. *Chairman.*—What steps have you taken to investigate this case.

Mr. Hayman.—We have not investigated it. The Railway Board decided that this was a matter within the powers of the Agent. We therefore did not want to interfere in this particular case.

1314. *Chairman.*—Will the Agent's attention be drawn to this paragraph in the Auditor General's report ?

Mr. Hayman.—If I remember rightly, it has been drawn. A copy of this paragraph in the report—para. 47—and a copy of the Auditor General's criticism have been sent to the Agent.

1315. *Mr. Joshi.*—Is the Agent expected to send a reply ? How is the Auditor General to know what has been done ?

Sir F. Gauntlett.—May I say, not the Auditor General but the Public Accounts Committee.

Mr. Joshi.—The Committee also.

Sir F. Gauntlett.—Not also.

1316. *Chairman.*—I think it is the Public Accounts Committee. If we are to examine these accounts with any kind of sense of proportion we must be guided by the Auditor General as to the cases we should take up. It is I think desirable that when the Auditor General specially mentions a case the Department concerned should wherever possible put itself in the position of answering questions on it. That is I think the broad rule that one would like to lay down.

Mr. Hayman.—We always work up to that. This is one case in the last 3 or 4 years where we decided to leave the matter to the discretion of the Agent.

1317. *Chairman.*—Have you any particular reasons for doing so ?

Mr. Hayman.—Mr. Sim thought the amount involved was not very large, and having regard to the concluding portion of the Auditor General's remarks he did not think it profitable to start a correspondence with the Agent of the Railway.

1318. *Chairman.*—Para. 48. Have you any comment to make on this ?

Mr. Parsons.—In this particular case the money was actually handed over originally, I think, by the auctioneer to the Agent of the Railway or to the Controller of Stores and was then handed back to the auctioneer for repayment to the firm.

1319. *Sir F. Gauntlett.*—And then the auctioneer failed ?

A. Yes ; he would not pay because of the trouble between the two firms.

Mr. Hayman.—What we might have done is to have taken a bigger security deposit from the auctioneer himself so as to protect ourselves against loss if he failed to carry out his part of the contract.

1320. *Chairman.*—I think Mr. Hayman's suggestion is good ; it is really a question of deposit.

Para. 50 (a) : Irregularities in workshop expenditure, G. I. P. Railway :

Mr. Parsons.—The officers responsible have been censured. The charges due to defective work had already been recovered from the contractors.

Sir F. Gauntlett.—The point raised is the liability of the officers whose inspection was not so frequent or strict.

A.—They have been censured.

1321. *Chairman.*—It is a fact that a loss of Rs. 36,000 resulted in this case ?

A.—We have recovered the charges due to bad work from the contractors.

1322. *Sardar V. N. Mutalik.*—But what was the actual loss ?

A.—We have not got the figures.

1323. *Chairman*.—But where does the loss come in if you have recovered the money ?

Mr. Hayman.—We recovered the loss according to certain provisions in the agreement : it may happen that the amount recovered may be more than Rs. 36,000 or less : thereafter we prepared an estimate to rectify these defects.

1324. *Chairman*.—The Auditor General remarks, with reference to para. 50 (c) “ The debit of charges on unsanctioned works to ‘ ordinary revenue ’ is extremely irregular and deserves serious notice.”

A.—The officers have been censured and warned against repetition.

1325. *Mr. Joshi*.—With regard to para. 51, may I ask whether these railway workshops are allowed to take up non-railway work ?

A.—A very small proportion of their total work ; it depends on the work they have in hand ; if they were not full up they would be prepared to take up work of a certain class for other departments. During the war time we did a lot for other departments.

Mr. Hayman.—Explained the point further and said that under the present system they recovered the actual cost of any outside work and not the estimated cost and that this sort of case was not likely to recur.

1326. *Chairman*.—Para. 53. Can you give us any further explanation of this ?

A.—The work was originally suggested in 1915, I think : I went through the whole case, and as far as I can see neither at that time nor in 1919 when it was sanctioned, was any reference made to the Agent to the Governor General to ask whether the Civil Department would take up or bear its cost of the work. When it had already been constructed, they asked the Agent to the Governor General to pay the money, and he took to his mind, the very reasonable view, first of all that though the work was desirable he had not got the money and that if he had the money there were other educational works on which he preferred to spend it and therefore he was not prepared to pay : I really have nothing further to say on the case. The case came eventually to the Government of India ; but we found we had no claim on the Agent to the Governor General ; we had no case : it was in my opinion unbusinesslike of a particular railway not to have got the sanction of the civil department which had to pay before starting the work. But it is quite an exceptional case and is not likely to recur. Normally cases of this kind come through the Foreign and Political Department.

1327. *Chairman*.—The Auditor General says on paragraph 55. “ The Public Accounts Committee may like to consider whether the disciplinary action taken in this case is adequate.”

A.—We made inquiry from the Agent who reported that a censure such as was recorded in the service of the Accountant was regarded by a senior officer of long service as severe punishment for the irregularity and calculated to be a serious blot on their record. The circumstances were not considered to warrant dismissal, and censure was recorded in its place. The accounts clerk primarily responsible was reduced by Rs. 10 for six months and warned that he would render himself liable to dismissal in any future case like that : it was in fact half a month's pay for him and this

was recorded in his service book : he was a man of some service ; but it was not found that the manipulation of records was fraudulent though it was serious. In view of the Agent's explanation it is not proposed to inflict any severe punishment. If I may add a few more general remarks on a case of this kind, I would say that unless there is reason to believe that an Agent's disciplinary action is grossly inadequate I think it generally inadvisable to interfere with the action which he has taken : it certainly weakens his position with the staff. With regard to the actual action taken in this case, I should, if I was giving my personal opinion and I had to deal with the case under comment, have taken perhaps stronger action than the Agent did. But I was thinking that in cases of this kind there is really nothing between either dismissal or censure. If the man in spite of the case is worth keeping on we should censure him : if not dismiss him or discharge him. I do not think in dealing with the staff as a whole it pays to give any punishment between the two such as inflict a fine or anything like that.

1328. *Sir F. Gauntlett*.—Should not the District Engineer know whether his bricks are 20 lakhs short ? Is he not ultimately reasonable for the maintenance of his accounts ?

A.—He certainly is.

1329. *Chairman*.—Was there an actual loss of any sort in this case ?

A.—There was no loss at all.

Sir F. Gauntlett.—They could not make their stock balance to check with the books and so the books were altered : but after all the books come before the District Engineer regularly : he is supposed to be responsible for the entries in the books.

1330. *Sardar V. N. Mutalik*.—How can you say there was no loss when the books were altered to suit the case ?

A.—The bricks were there : the balance shown in the account was wrong ; the accounts failed to record that the bricks were there, but there was no loss.

1331. *Mr. Joshi*.—Was the figure changed after the mistake was found by some other person ?

A.—That was the position.

Sir F. Gauntlett.—As regards para. 56, I have not mentioned it in my report : but it is an extremely important case ; I did not mention it as it was dealt with extremely thoroughly.

Chairman.—We have to remember that the fact that these cases are put in here at length already effects a good part of the object of putting them in.

Sir F. Gauntlett.—Para. 61 is merely for the information of the Committee : it has been dealt with both by a departmental committee and I have had an officer investigating it from my side.

Mr. Parsons.—May I inform the Committee of some of the action taken? We discharged the Controller of Stores: we dealt in various ways with the other executive officers concerned and we discharged a large number of subordinates and of course we have revised the whole procedure of dealing with stores.

1332. *Sardar V. N. Mutalik.*—Apart from this particular case, what steps have been taken to prevent further frauds? The Committee have made some recommendations. Have you actually taken any steps?

A.—We have revised the procedure over all railways for dealing with stores and the disposal of stores.

1333. *Q.*—According to the recommendations of the Committee?

A.—Not entirely: the recommendations of the Committee were investigated by representatives of all the railway administrations and new rules were drawn up, revising the existing procedure.

1334. *Sardar Mutalik.*—Do you watch the results of your new procedure?

Mr. Parsons.—Of course we do, and we also revise it if necessary.

1335. *Chairman.*—64. What about this item Rs. 2 lakhs 74 thousand, it is a very big case? I gather that adequate action has been taken, but it is a very big case. Can you tell us something more about it? There is of course a full statement of it in the Report.

Mr. Hayman.—Broadly speaking, I think the Railway Board thought that the action taken by the Board of Directors was not as severe as it might have been, but we had some trouble with this Resident Engineer. He wanted to take legal proceedings against us for wrongful dismissal, and the whole of the papers were referred to the Legal Advisers of the E. I. Rly. They suggested that we would not be well advised to take any further action in this matter, that is to say, of punishing the officer more severely than we have done, by withholding his provident fund and so on. In those circumstances, the Railway Board did not ask the Agent of the E. I. R. which was at that time a company-worked Railway, to move the Home Board to take further disciplinary action.

1336. *Sir Frederic Gauntlett.*—There is little doubt that the contractor took advantage of a weak clause in the contract and of the inexperience of a very negligent officer. But is the contractor still on the list of contractors?

Mr. Hayman.—No, Sir, he has been removed.

1337. *Chairman.*—Case No. 66, I see there is a loss of one lakh 66 thousand on the same Railway. It is stated there that “certain other aspects of the case are under inquiry”.

Mr. Hayman.—They are still under inquiry.

1338. *Chairman.*—Para. 82 raises the question of military warrants. Is that matter satisfactorily settled,—I do not mean any particular case?

Mr. Hayman.—There was a committee which considered the question of the abolition of the warrant credit note, and the recommendations of that committee are still before the Army Department. But otherwise in the matter of fraudulent travelling by warrants, the number of such cases has come down very considerably. We see that we get the money if a man is caught and report the matter to the Army Department for disciplinary action.

1339. *Chairman.*—90. I am still dealing with the same question. The Auditor General raises a general question on this.

Mr. Parsons.—We recovered our actual dues. The question of punishing the officer is for the Army Department, because they are the proper authorities to whom we really report the case.

1340. *Mr. Joshi.*—Could you not yourself prosecute the man ?

Mr. Parsons.—We had in one or two cases.

Sir Frederic Gauntlett.—But I presume they have to get the consent of the Military Deptt.

Mr. Parsons.—I expect we shall have to.

Sir Frederic Gauntlett.—I only raise the general point.

Chairman.—I think we may endorse the expression of opinion of the Auditor General for the recovery of monies.

Chairman.—91 to 101—Losses of cash by theft.

1341. *Dr. Lohokare.*—Page 34, para. 112 (5). Castor oil plantation. What is the final settlement of the question ?

Mr. Parsons.—I am afraid I know nothing about it.

Chairman.—The important point here is that this case was taken up sometime before and it seems that it is still outstanding. It is not very satisfactory that it should still be outstanding so long.

Dr. Lohokare.—That is why I suggested that a summary of the outstanding cases should be given.

Sir Frederic Gauntlett.—The results of (6) and (7) are still awaited.

Chairman (to witness).—I hope you will push them on.

1342. *Chairman.*—Page 35, para. 11. Is that matter still outstanding ? Is it a matter of legal proceedings ?

Mr. Hayman.—It is the pay clerk who wanted to take legal proceedings against us.

1343. *Sir Frederic Gauntlett.*—Could there be any general instructions issued by the Government of India to witnesses that they shall prepare and bring up-to-date information on these linking paragraphs ?

Chairman.—I think it is very desirable that information on the linking paras. should be brought up to date.

The Committee then adjourned till 3 p.m.

Evidence taken at the fifteenth meeting of the Public Accounts Committee held on Wednesday, the 4th August at 3 p.m.

PRESENT :

The Hon'ble Sir BASIL BLACKETT, *Chairman*.

Mr. N. M. JOSHI,

Maulvi Syed MURTAZA, Saheb Bahadur,

Rev. Dr. E. M. MACPHERLAIN,

Dr. K. G. LOHOKARE,

Sardar GULAB SINGH,

Colonel J. D. CRAWFORD,

Dr. S. K. DATTA,

Sardar V. N. MUTALIK,

Sir FREDERIC GAUNTLETT, the Auditor General,

Mr. M. K. MITRA, Accountant General, Railways,

Mr. A. A. L. PARSONS, Financial Commissioner, Railways,

Mr. A. M. HAYMAN, Director of Finance, Railways,

Members.

were also present.

Witnesses.

1344. *Chairman*.—Mr. Parsons is prepared to tell us about the castor oil case.

Mr. Parsons.—I find that the case has been settled. We closed down the plantations a long time ago and asked the Agent of the N.-W. R. to make the necessary adjustments to clear the loss. It took him a considerable time to discover exactly what the losses were. He finally reported that they amounted to in round figures 3 lakhs 57 thousand. That money has been written off and the case closed.

1345. *Dr. Lohokare*.—There was a case of disciplinary action in that connection too.

Mr. Parsons.—I was not aware of that. It was a war measure only—we had to make castor oil, as far as I understand the case. So there was no question of disciplinary action.

Sir F. Gauntlett.—I do remember that it was a war measure and that we started to grow castor oil and found it didn't pay and had to give it up. There was no question of disciplinary action.

Mr. Parsons.—Our file does not show that there was any question of disciplinary action.

1346. *Chairman*.—We discussed it last year—page 66 of the report :—

“ The Committee consider that the total loss incurred in connection with this item was 7 lakhs, most of which has already been charged off in the accounts.”

You might look up and see if there is a question of disciplinary action.

Mr. Parsons.—Our file shows there was no question of disciplinary action.

1347. *Chairman.*—We will now take the Appropriation Report for Railways. Paras. 1, 2, 3, 4—I think this is all historical. Para. 8—is the first point I have got noted. Is there anything to add about investment ?

Mr. Parsons.—Not at present. It is still under consideration.

1348. *Sardar Mutalik.*—What is the present arrangement ?

Mr. Parsons.—At the moment the balance is with the Government of India and the Finance Department allows us interest I think at the average rate—the same rate as we give provincial governments.

Chairman.—The Committee will observe that that raises a rather interesting question. If that ever gets a large sum and the Finance Member of the day is in trouble, he will not be particularly willing to let that sum be spent by railways independently if he has any budget needs. So the purpose of setting up reserves may be defeated. On the other hand, it is extraordinarily difficult to see what arrangement you are going to make which will avoid that difficulty. If you invest it in Government of India securities it is only one stage nearer towards the same thing because when you are in trouble and have difficulty in the loan, you won't want the railway department to spoil your market by selling a larger number of government securities. One suggestion which has been made is worth considering—that it should be invested outside India.

1349. *Sardar Mutalik.*—Can't the railways foresee their expenditure ?

Mr. Joshi.—Outside India there would be no guarantee.

Chairman.—What you want really is a set of independent trustees for investing the money and it should always be invested in such a way that it will be required when the Finance Member experiences any difficulty in regard to his own budget. I am only pointing out a rather interesting question. Para. 9.

1350. *Sardar Mutalik.*—One thing I want to know is whether the Finance Department pay any interest for this.

Chairman.—Oh, yes. We keep our balances low. We shall have to borrow in the open market the money we at present borrow from the railway company.

1351. *Sardar Mutalik.*—Otherwise, this interest charged will be charge on the tax-payers.

Chairman.—We keep a consolidated balance and the fact that this money is in our balance enables us to raise less money in the open market. So we avoid paying money to the open market but we pay to the railway department instead.

1352. *Dr. Lohokare.*—That is a question of budgeting.

Chairman.—Oh, you mean as regards the size of the budget. We will come to that later on.

Para. 10, 11, 12, 13.

1353. *Dr. Datta.*—Para. 13. What does this mean ? “ In the capital budget the consideration of the manufacture from stores operations has been maintained but it has not been thought necessary to continue the distinction between cash and stores in the revenue budget and on individual works in the capital budget.

Mr. Parsons.—In the estimates which railways seem to send to us, they would show separately (say on an estimate for 10 lakhs) 7 lakhs cash expenditure and 3 lakhs for stores and that distribution is carried over all multifarious works which find a place in our budget. From the point of view of estimating as to what cash is going out, we don't want these figures for individual works. It is necessary to get a general estimate of what is intended for stores. And I think I am right in saying that until a few years ago we never used to have in our budget that distribution over cash and stores for individual works. Subsequently the plan of distributing these estimates of the cost of works which are taken up between cash and stores was adopted. It was not found to lead to any greater accuracy in the estimates and we abandoned it. I think Mr. Philipe's idea was that we should then get, not so much from the point of view of estimating but as budgets are used for control, we should get better control.

Mr. M. K. Mitra.—Yes.

Mr. Parsons.—But I think the proposal was strongly resisted by all the railway administrations,—and I think it is generally accepted, though Mr. Philipe was the only dissentient, that the distribution between cash and stores on individual works was not worth the trouble it gave. That is briefly the explanation.

Mr. M. K. Mitra.—In the accounts of works they do shew cash and stores separately. So, if it is left to the Railway Agents, and they are given the option of shewing cash and stores separately in the Budget estimates, they might do so. The Railway Board agree to this.

Mr. Hayman.—If they wish to do it, but I understand they do not. It is not a very real distinction, because it is quite possible that what is put down as cash may actually have been expended by the Controller of Stores initially on stores, and when issued to the works, of course it will come in as stores and not as cash.

1354. *Chairman.*—Does the Auditor General endorse this comment by the Accountant General? He has not mentioned anything about it in his letter.

Sir F. Gauntlett.—I have not commented on it. I simply passed it on as the expression of Mr. Philipe's opinion. I have not definitely gone into it yet. I think Mr. Philipe merely desired to record the comment as he was leaving India. He says at the end, "I feel certain that Railway Administrations, which now welcome the simplification and reduction of work, will before long feel that in this respect it has been carried too far." The only thing that can be said about it is that if it is found to be a correct and accurate forecast, I have no doubt the Railways will accept it.

Chairman.—We can, I think, leave it to the Accountant General, Railways. It is only a matter of difference of opinion where experience will be the best test.

Sir F. Gauntlett.—In any case, I would point out that it is not a point with which we, as accounting officers, are concerned.

1355. *Chairman.*—I agree.

Para. 14. The Auditor General has the following comment on this paragraph. "The proposal for the revision of the Railway forms in the

Finance and Revenue accounts have been transmitted by me to the Govt. of India for submission to the Secretary of State."

Sir Gauntlett.—That is merely bringing the information up-to-date.

Mr. Parsons.—Actually, the proposals which the Auditor General has approved are going to the Secretary of State, but the matter is still under the consideration of the Finance Department. A despatch has not yet been prepared.

1356. *Sardar V. N. Mutalik.*—May I ask in this connection about the American expert? You were going to have some American expert to revise all forms and the accounting system.

Mr. Parsons.—We are having out some experts to go into the forms of the accounts. This is not so much the form of our accounts here, as the form of the accounts presented to the Parliament and the Secretary of State.

1357. *Sardar V. N. Mutalik.*—Will they also examine these forms?

Mr. Parsons.—I should think not.

Sir F. Gauntlett.—It really is the balance of adjustment between the desires of Parliament as expressed by the Secretary of State and the actual facts out here. If the forms are altered we shall endeavour to modify the presentation to the Parliament, but we should have to obtain the sanction of the Secretary of State to any such modification.

1358. *Dr. Datta.*—Para. 19—Demand No. 11, Miscellaneous. What is meant by "to whom grants are made for land, subsidy and surveys?"

Mr. Parsons.—Grant of land is for land which we have to give to branch line companies under the terms of the contract. I very much doubt if our expenditure is at all appropriate under this head. Of course we are not having fresh branch lines. Under the old branch line terms we either gave a rebate from the earnings of the main line if the profit did not come up to a certain percentage of their capital or else we guaranteed 3½ per cent. That is a subsidy. Survey is survey of new lands.

1359. *Sardar V. N. Mutalik.*—Para. 22. I want to ask a general question. When companies raise loans on their own account, is the Railway Board consulted?

Mr. Parsons.—These branch line companies? Yes. It has got to be done with our consent.

1360. *Chairman.*—Para. 23. The Auditor General has drawn our attention to this paragraph. Have you anything to say?

Mr. Parsons.—I think the paragraph explains quite clearly what the change has been. I can answer any questions if there are any points which are not quite clear.

Sir F. Gauntlett.—Would you agree that this is a very important change?

Mr. Parsons.—Actually the rules were approved by the Standing Finance Committee for Railways before we brought them in. When the question is, for instance, which figure should be put for the General Purposes Grant, we propose to put it before the Standing Finance Committee before it is approved or distributed to the Railways. I did so at their last meeting.

1361. *Sir F. Gauntlett*.—It is a change which would have been impossible before the separation ?

Mr. Parsons.—Yes.

1362. *Chairman*.—Para. 36 raises the general question of refunds of Railway earnings.

Mr. Parsons.—It has now been finally decided to treat refunds in the Railway accounts and estimates as a distinct item of expenditure subject to the vote of the Legislative Assembly. The decision was made in the Budget estimates for 1926-27 and was submitted to the vote of the Assembly. The question as to what accounts are affected by this change and how these refunds are to be adjusted is under the consideration of the Accountant General, Railways, and it is understood that necessary instructions to the Accounts Officers concerned either have been or are being issued.

Mr. M. K. Mitra.—This has been settled with the Auditor General and instructions have been issued to Accounts Officers. The question whether earnings not collected should be treated as voted or as non-voted expenditure is being referred to the Legislative Department.

1363. *Chairman*.—Para. 38.

Mr. Parsons.—The question has been settled. The Secretary of State has accepted the proposals and it has also been accepted by the Standing Finance Committee for Railways. I laid it before them at their last meeting.

1364. *Chairman*.—The Accountant General comments that you have under estimated your receipts in the last two years in making up the revised estimate and that has disadvantages in view of the fact that it influences the Budget for the following year. Have you anything to say ?

Mr. Parsons.—There is no doubt we did under estimate receipts in 1924-25. I am sure the Committee will realise the extreme difficulty of getting our receipts really accurate, especially now that we have separation of railway finances. The procedure is this. We have got in the Railway Board to start to deal with this in December. To all intents and purposes we have got to arrive at almost our final figure by the middle of January. We have 2½ busiest months to go. Take the receipts on one railway which at that time is always very important, the G. I. P. It depends very largely on what the movement of the cotton crop is going to be. In December we ought to have and I think we had in that year a very fair idea of the volume of that crop but it has been moving down extremely slowly to Bombay and we did not really know whether it was all going to move down by the end of March or whether there was going to be a carry forward into April, which means next year. I think as far as I remember we assumed that there will be a fair amount still to be carried after the end of March on that railway and actually I think it practically ceased to move before the end of March. Those are the things which make it difficult to get our estimates of receipts 2½ months ahead correct. In this particular year I originally framed one estimate which differed from Mr. Hayman's and subsequently from Mr. Sim's. I was on special duty then and Mr. Sim's estimate varied certainly by a crore and possibly by more than a crore from the figures I had myself suggested. We try to estimate as accurately as we can.

1365. *Chairman*.—It is stated that it influences the proposals for the following year. Is that correct ?

Mr. Parsons.—It might influence our proposals on the railway side. I do not think it did so in either of those years. Our proposals for the subsequent year were based of course on what the position was expected to be at the beginning of that year as revealed by the revised estimates. If we were very badly out we might have to alter those proposals. I do not think it is very likely to occur.

1366. *Chairman*.—So far as the general budget is concerned, it did influence the budget. If we got an accurate estimate, the Finance Department would have had one third of three crores very nearly ?

Mr. Parsons.—It did influence your budget.

Sir F. Gauntlett.—I think this comment was aimed more directly at the railway budget.

1367. *Dr. Lohokare*.—In spite of the increase in the passengers, the percentage in the mean mileage for each passenger is decreasing and the increase in the coaching in some railways, the G. I. P. and M. and S. M. is not proportionate to the increase in the passengers. Take the G. I. P. for instance. The increase in passengers is 6 per cent., mean mileage has increased by only half per cent., while earnings from coaching have increased by only 2.4. That means higher rates.

Mr. Parsons.—I entirely agree.

1368. *Dr. Datta*.—Why is the cost of administration on the Eastern Bengal Railway higher than many other railways ?

A.—It is hard to state the exact reasons and to institute comparisons between one railway and another. I have to go very carefully into this. The Eastern Bengal Railway is a small line with short length and that probably accounts for the higher cost of administrations. I do not think I could attempt to analyse at the moment the several facts and say definitely why its percentage is higher.

1369. *Dr. Datta*.—Does the Railway Board watch these figures all the time ?

Mr. Parsons.—In very much more detail than is given here. We have got to see exactly what classes of the general administration we are dealing with, what particular expenditure is being incurred and brought to account under this head. We are watching the matter the whole time.

1370. *Dr. Datta*.—You have got a special officer ?

Mr. Parsons.—Our general plan is we have got a Deputy Director of Statistics who is under me actually and we have a very large number of statistics. I shall be very pleased to show them to the Committee. He goes through them all and brings to notice any particular items on any particular railway which shows a possibility of getting economies or improved working on that railway.

1371. *Chairman*.—Dr. Lohokare's question is this. He points out that the ratio of total working expenses on Eastern Bengal, N.-W. and O. and R. are above 70 per cent. Is there any explanation ?

Mr. Parsons.—You cannot definitely make comparisons between two railways. If the Eastern Bengal is working at 73 per cent. or thereabouts

and the South Indian at 59, it does not necessarily follow from that the South Indian is being worked more efficiently than the Eastern Bengal Railway.

1372. *Dr. Lohokare.*—Does this figure for N. W. R. include the expenditure on strategic railways ?

Mr. Hayman.—That is why the percentage is higher.

1373. *Dr. Lohokare.*—The Eastern Bengal and O. and R. are the remaining ?

Mr. Hayman.—If you look at the previous columns, there are renewals.

1374. *Dr. Lohokare.*—In the O. and R. Railway, repairs and renewals are less.

Mr. Parsons.—You cannot take these ratios, without further examination, as a criterion of the working of railways. There may be a failure of the jute crop and if so the earnings of the E. B. S. R. will drop down. There may be a most excellent cotton crop in Bombay and the C. P. and if so the ratio of the G. I. P. will fall.

1375. *Dr. Datta.*—The net working expense for the G. I. P. is 2.43 and for the B., B. and C. I. is 1.89.

1376. *Sir F. Gauntlett.*—Do you agree that the two railways work under the same conditions ?

Mr. Parsons.—No.

The G. I. P. have got to work traffic over the Ghat, which makes it more expensive for the G. I. P. than for the B., B. and C. I. It is really impossible to compare these figures. The Railway Board use these figures almost invariably not to compare one railway with another, but to compare the results with its own previous results. You may occasionally compare between different railways. If you find a definite improvement in one railway in a particular matter, you can find out what measures they have taken to produce that result and see if those measures cannot be adopted on other railways.

Chairman.—The O. and R. is the only railway in this list which has increased its ratio of total working expenses to gross earnings during the year.

Mr. Hayman.—One of the reasons was that there was a big programme of depreciation to be made good in that particular year. We on the Railway Board do not accept the presentation of this statement by the Accountant General as very reliable, because under the head replacements and renewals he has taken the annual programme expenditure, whereas we take the calculated depreciation year by year. A great number of sleepers had to be renewed and some bridges had to be repaired.

1377. *Chairman.*—The Committee would be justified in asking questions on that. I suppose the Standing Finance Committee are going into the question of that these figures disclose.

Mr. Parsons.—They take this up at the time of the budget ; all the details are put before them.

Chairman.—We can then leave this to the S. F. Committee.

1378. *Dr. Datta.*—Paragraph 57 (b). Are the replacements debited to Revenue or Capital or Depreciation ?

Mr. Parsons.—In that year we debited it to revenue.

Mr. Hayman.—The expenditure is always debited to the Depreciation Fund or Revenue, unless we find it necessary to improve the character of the work. In that case the cost of the improvement is debited to Capital.

1379. *Chairman.*—Is it not true also that if you have very heavy debits in any particular year, you may sometimes spread it out to more than one year ? If floods or something of the sort involves very heavy debit, have you any arrangements by which in certain cases you may spread it over a period ?

Mr. Parsons.—We can do so, but we do so very reluctantly. I remember a case on the South Indian Railway where they wanted to spread out and I refused.

Sir F. Gauntlett.—The only case which I remember, Sir, in which this was accepted (there may be other cases) was the case of the big programme of renewals of bridges on the B. B. and C. I. in 1912-13.

Mr. Parsons.—I remember a case involving Rs. 25 lakhs on the B. N. Railway and we refused to allow them to spread it out.

1380. *Chairman.*—Para 58. The Auditor-General says : “ The Public Accounts Committee may desire to ascertain whether there is any possibility of introducing on other railways the economies in working which have led to such good results ” on the railways mentioned.

Mr. Parsons.—I think that is really covered by what I have already said. It is not exactly a question of introducing in other railways the economies which have led to good results on the G. I. P. We see whether the experience of one railway will produce good results in others.

1381. *Chairman.*—Have you been able to apply the experience of the G. I. P. with useful results elsewhere ?

Mr. Parsons.—The results have been steadily improving.

1382. *Chairman.*—Para. 61. Is it possible to arrive at a system under which so far as the budget is concerned the interest charged would be subject to no more fluctuation than the contribution as at present :

Mr. Parsons.—We are apparently considering it.

1383. *Mr. Joshi.*—Para. 65 : Is there any rule that you should survey only those lines which are likely to be taken up or do you go on surveying, because I see a long list of railway surveys which are not likely to be taken up at all.

Mr. Parsons.—We take surveys of any line which appears to us to be profitable. We are limited in the matter of surveys we can take up by the staff. It is no use taking up surveys too far ahead of the possibility of construction.

1384. *Chairman.*—Mr. Joshi's point is not that you are not surveying enough but you have surveyed a great many lines and spent money without the lines being taken up.

Sir F. Gauntlett.—Is it not analogous to boring for oil ?

Mr. Parsons.—By the result of the survey we come to the conclusion that it is or it is not desirable to take it up.

1385. *Chairman.*—What determines your decision to survey a line ?

Mr. Parsons.—Agents have been asked for a definite programme of lines. They consult the Local Governments as to the order in which lines should be taken up and as to the lines which should be surveyed.

1386. *Syed Murtuza Sahib Bahadur.*—How do you come to the conclusion that a particular railway will be more paying ?

Mr. Parsons.—The survey enables us to make an estimate of the cost of building the line and also includes a traffic survey, that is to say, an estimate of the earnings we are likely to get from the line.

1387. *Sardar V. N. Mutalik.*—Do you also take into consideration the probable development of the country ?

Mr. Parsons.—Certainly.

1388. *Chairman.*—The result that you bring out that you are going to earn 3 or 4 or 5 per cent. to some extent is an indication of the development you can do ?

Mr. Parsons.—No line is likely to pay its way until 5 years after opening and the traffic receipts will grow in a series of years.

1389. *Sir F. Gauntlett.*—Would it be correct to say that you have considerable local pressure on you to develop the country and survey new lines ?

Mr. Parsons.—I think so. I have not of course been long enough. in my present post. I think pressure has slightly been reduced by the introduction of the revised branch line terms.

1390. *Chairman.*—You are undertaking more new construction now than you did at any recent time ?

Mr. Parsons.—Yes, very much so and carrying out very many more surveys. We are attempting to co-ordinate our survey programme with our construction programme, that is to say, we do the survey in one year and construction begins the next year. By undertaking too many surveys in one year we would not be able to take up construction.

1391. *Sardar V. N. Mutalik.*—How far has the development of motor traffic come in the way of railway earnings ?

Mr. Parsons.—I do not think I can say anything definite. In a few places it appears to hit us, but we are rather doubtful whether these motor companies can continue.

1392. *Mr. Mutalik.*—Are you pursuing the enquiry ?

Mr. Parsons.—I think we are. I have seen one or two individual cases myself.

1393. *Chairman.*—Generally speaking a short haul of passenger traffic does not pay ?

Mr. Parsons.—I think the lower class passenger traffic pays us. The long haul pays us better for goods and passenger traffic.

1394. *Chairman.*—And for that there is less motor competition ?

Mr. Parsons.—Yes.

1395. *Chairman.*—Nos. 66, 67, 68, 69.

Has your experience here enabled you to save money on other lines ?

Mr. Parsons.—I am afraid most of our lines have not got quite such good race meetings as Poona.

On 69 we are taking special measures. The particular measure here will, I think, be very successful.

1396. *Chairman.*—There is less erosion ?

Mr. Parsons.—Yes.

Chairman.—No. 70.

1397. *Mr. Joshi.*—By a resolution of the Assembly we gave sanction for 150 crores on capital expenditure. Those five years have elapsed. Will you make any report to the Legislative Assembly as to what you have done during the last five years ?

Mr. Parsons.—Our Administration Report contains all particulars. The full information can be found in the Annual Administration Report.

1398. *Chairman.*—It would be true to say that some time before the five years were up the original programme for the 150 crores was completely modified ?

Mr. Parsons.—Yes, it is modified every year.

1399. *Mr. Joshi.*—You went to the Assembly and took their sanction and should make a report to the Assembly as to what you have done.

Mr. Parsons.—We have done so and are continuing to do so.

If it was thought that such a report would serve any useful purpose—which I beg leave to doubt—I don't doubt we should be prepared to submit it. We shan't spend 150 crores in the five years, but every member of the Assembly knows exactly the works on which we have spent part of those 150 crores. We frame our programme ahead, but it is only a definite programme for the year ahead, and it becomes less definite for the second year and quite indefinite for the period after that.

1400. *Chairman.*—The 150 crores were to be devoted to rehabilitation. You have got away from that ?

Mr. Parsons.—Yes.

1401. *Mr. Joshi.*—You go to the Assembly and say that for five years you want so much, so that you should tell them what you have done.

Chairman.—I would suggest that before three years of those five years were up a definite statement was made to the Assembly that the five-year programme was being departed from, and that a new system was being introduced which was subject to the Standing Finance Committee of the Railway. It would be rather unnecessary at this stage, after five years, to meticulously make a report about a five-year programme which you already announced two years ago was dropped.

Mr. Parsons.—I think it would be extremely difficult to say how much of our expenditure, which we could describe as rehabilitation, really expresses the idea of rehabilitation.

1402. *Mr. Lohokarc.*—What about the arrears ?

Mr. Parsons.—I cannot tell you what were the arrears. I should be perfectly willing to give the Committee any figures if I could put any

reliance on them. For instance, we take up a length of line and relay it. We do it now because we want to put on heavier trains and heavier engines, and the existing rails will not carry them. Could I put down that expenditure as rehabilitation? I should not be able to divide up my railway programme and say that a portion of the railway programme was to be devoted to laying rails. I could not differentiate between the different parts of the programme.

Sir Frederic Gauntlett.—It would be possible to give a list of the important capital works that have been carried out during the last five years.

Chairman (to Mr. Joshi).—I would suggest that no constitutional point arises.

1403. *Mr. Joshi.*—Can you say now that your arrears of rehabilitation have been worked out and you have come to your normal stage? You really wanted money for arrears of rehabilitation. Can you say now that during the last five years all the arrears have been worked off and you are now in your normal course?

Mr. Parsons.—I don't think we could. It is very hard for me to say.

Mr. Hayman.—We get returns from railway administrations once a year showing the age and condition of the more costly equipment such as permanent way, rails, sleepers, engines and wagons, and my recollection of the review of all railways which I made was that there were very little arrears, that is, taking the normal life of the equipment compared with the present life on the road. That does not mean that a great deal of that equipment should not be renewed in order to bring up the railways to the modern standard.

1404. *Chairman.*—Are the railways at the present moment one hundred per cent. in as good a condition as they were in 1913-14.

Mr. Parsons.—It is extraordinarily difficult to answer that question, and I could not give an answer. The whole running of railways has been altered.

Mr. Hayman.—I would say from my experience that we are in about the same position. We are not worse off to-day than we were in 1913-14, quite apart from the question of modern development.

Chairman.—The main point arising on these paras. 70 to 73 is the general question of over estimating capital expenditure.

1405. *Rev. Dr. Macphail.*—Who is responsible for the delay in getting the land mentioned in these three Madras cases in para. 72?

Mr. Parsons.—We are always up against it. I think the Provincial Governments do their best to help us, but the cases drag on in the courts. The whole process itself is very lengthy.

1406. *Chairman.*—We would like to hear you on the general question of over-estimating capital expenditure.

Mr. Parsons.—We do our best now by making a lump estimate ourselves. If you get engineers' estimates of expenditure on projects they are sure to put down figures which they would like to have at their command so that they would get ahead with their projects in the best cir-

circumstances possible, and therefore I always think we ought to make a deduction from their estimates.

1407. *Chairman*.—The important point is that a meticulous attention to receipts should not result in over-budgeting. You do wish to leave him enough power to spend up to his maximum and do not want to restrict him by restricting his allotment if you have the money available, but you do wish to produce your budget estimates on probabilities.

Mr. Parsons.—The plan we have adopted is that the railways should take the responsibility for these estimates. We try to get the Agents individually to assist us, but they have not done that type of work for some time. I have just put an officer on special duty to go round and try and train them in budgeting. It does rest with us to review their estimates and get an estimate of what their spending capacity in the year will be.

1408. *Dr. Lohokare*.—It has much to do with your English indents ?

Mr. Parsons.—I do not myself think so because I think, on the whole, we can make allowance for the English indents, though of course we may be out if material expected in March comes out in April. But I do not put that down as a very big cause.

Sir F. Gauntlett.—The general conclusion I have arrived at from considering the figures of the last four or five years is that the present staff on the railways is not capable of spending 30 crores.

Mr. Parsons.—I think it is gradually rising, though I agree with your conclusion at present. The idea that railways could start in and spend 30 crores a year was chimerical.

Chairman.—This year 1924-25 is the last year in which we have provided that 30 crores.

1409. *Mr. Joshi*.—The Railway went to the Legislature and asked for 150 crores to be spent in five years and have been unable to spend half of it.

Chairman.—This is really part of the general question of over-estimating and we will take it up in that connection. We do know that on the railways the system has been altered, and so far as we know that is working satisfactorily.

Sir F. Gauntlett.—I have called attention in my notes to the fact that in the budget estimates of 1925-26 32 crores was provided, with a probable saving of 9 crores, and even then they did not spend the 23 crores estimated.

1410. *Chairman*.—Workshops, pages 74—78.

Sir F. Gauntlett.—I have a general comment on that. I did not comment on this paragraph as the Workshops Committee has been considering the matter in detail and has submitted its report.

1411. *Chairman*.—Do members wish to ask questions about workshops ?

Mr. Parsons.—I am not in a position to give answers yet.

1412. *Dr. Datta*.—Paragraph 80. Do you include in this calculation the value of land or not ?

Mr. Hayman.—The value of land to all the railways, except those to whom we provided the land free, is provided in the capital here, the value at the time of acquisition.

1413. *Dr. Lohokare.*—Capital includes cost of land ?

Mr. Hayman.—Except to those railways who, under the terms of their contract, got their land free. Broadly speaking it includes such land as was paid for by the Government of India, who borrowed for the purpose, and does not include the value of land which was handed over to the railways and the Government did not borrow for it as it formed a Revenue charge.

1414. *Dr. Lohokare.*—But generally the purchase of land was from revenue account ?

Mr. Hayman.—That is not so. About three or four of the old guaranteed railways which constructed big systems, like the M. S. R. the Great Indian Peninsula and the Eastern India Railway got land free and the rest were State railways and the Government provided the land and in these cases it is included in the capital.

Chairman.—Paragraphs 81, 82, 83, 84, 85, 86, 87, 88.

1415. *Dr. Datta.*—There are several references in this report to what are called the Lee Commission concessions. I see in one paragraph that certain savings have been counterbalanced by these concessions. Now that this department has been commercialised, can a document purporting to be a commercial audit allow, without some commercial justification, for that ? After all a railway is for two purposes, (1) to give service, and (2) to pay interest on capital. As far as I can make out the whole of your efforts have been directed to those two things. I can quite understand that in the case of certain people who are under contract to serve the railway administration, it is perfectly justified that they should have these concessions. But if you look at this point from the point of view of higher audit, the increasing of costs, can you prove that they are commercially necessary ?

Mr. Parsons.—The commercial necessity would, I think, rest on the same grounds as those the Lee Commission ordinarily gave, namely that if you are to get the British officers whom it was considered necessary to have for the efficient working of the railways, you had to raise their wages. I do not think there is very much distinction in that way between giving these additional emoluments, we will call them, to railway officers or officers in any other services.

1416. *Mr. Joshi.*—Very many difficulties were experienced in the recruitment of the Indian Civil Service. Did the railways find it difficult to get recruits ?

Mr. Hayman.—Yes and we would have found it more difficult if the other departments gave the Lee concessions and we did not.

Chairman.—There is a partial answer in what Mr. Hayman has already said that, in view of the increased emoluments given by the Lee Commission to other officer serving in this country, it would have increased the difficulties of the railways in obtaining officers if they had not followed suit. Secondly, the Indian railway companies, whose shareholders were concerned, pressed for the grant of similar concessions to their officers. The question is really addressed to the Auditor General as to whether he included a note on the uncommercial character of the railways.

1417. *Chairman*.—I have been right through the rest—there is a great deal of it. I do not know whether members have been through it also and have any special points.

Sir F. Gauntlett.—My own notes are comparatively brief.

Chairman.—I was going to suggest that we should take the Auditor General's notes.

Sir F. Gauntlett.—There are general comments, like funds not being transferred, sanction not being obtained, defective budgeting and so on. I have just glanced at the general explanation which the railway representatives have brought here which seems to indicate that they accept the comments in view of the special situation.

Mr. Parsons.—Can I give a general explanation because it really applies to all these comments. Dealing with the Appropriation report on the accounts of the Railways for the year 1924-25, it is the first year in which the separation scheme was given effect to and it was given effect to as from the 1st April 1924 although the orders were issued late in the year and only after the Resolution on the separation scheme was passed by the Assembly in September 1924. Very considerable work had therefore to be done after the Resolution was given effect to in order to recast the budget estimate to conform to the separation proposals. Many alterations had to be made in heads of accounts and the expenditure had to be redistributed in accordance with the revised classification. This was a most troublesome task. I do not think it was therefore surprising that a close approximation between actual expenditure under the detailed heads and the allotment of grants was not secured that year. Railway administrations had not had sufficient time to grasp the underlying principles of the revised scheme and the Railway Board had insufficient data and insufficient time for the examination of figures sent up by the Railway Agencies; hence it was not possible to regulate the grants properly. Even last year—February and March 1926—when we dealt with the Budget we found some railways had not fully appreciated the intention of the revised orders and we also suspected that the classification of expenditure adopted by them was not quite in order—that is to say, even 2 years afterwards they had not entirely got into the new scheme. It takes a long time for a big alteration of that kind to sink into people's heads. It may be that the instructions we issued still require revision or amplification. It may be that railway administrations have not been careful in giving effect to the instructions we issued. What we have done is to send round the budgetting officer I mentioned just now to try and get the railway administrations thoroughly into the new procedure in budget matters and in classifying expenditure and I am hoping to get a report from him which will enable me to see in what way our orders require to be altered or in what way we can get improvement. I hope therefore in the course of a year or two to get this on a more satisfactory basis and thereby secure better results in estimating.

There is one other point on which I should like to give a general explanation. The Auditor General has criticised the railway administrations on the subject of the transfer of funds, expenditure by re-appropriation, in order to avoid excesses of expenditure. My explanation is this. Before the separation scheme was introduced Agents of railways possessed full

power to sanction any re-appropriations in the grants allotted under the various heads either of working expenses or of expenditure chargeable to capital. The only restriction imposed on their power was that they could not sanction any re-appropriation affecting the Grants for General Administration and Programme Revenue. With the introduction of the separation scheme and the division of the Grants into 15 instead of 2, the powers of agents in the matter of re-appropriation were very considerably curtailed. We particularly asked Agents of all railways in March 1925 to apply for sanction to any re-appropriations necessary in their grants beyond their powers of sanction and we told them they should sanction all other re-appropriations which were in their own power in order to avoid any excess of expenditure over re-appropriation. We accorded sanction to all the proposals which the Agents submitted to us at the close of the year. It seems the Agents did not examine the position very fully or carefully as not only have there been excesses over grants but several cases in which such excesses could have been avoided by necessary re-appropriations sanctioned by the Agents themselves. It is possible that Agents even now have not fully appreciated the revised system. They have some excuse. They had not sufficient time to do so in the year 1924-25. That is the real position. The Railway Board themselves were very pressed in that year to bring in all the measures dealing with the separation scheme. The Agents frankly did not understand it at all. There had been two heads and suddenly there were 15. The result was we had not time to examine their proposals when they came up at the beginning of March and therefore in this particular year there are very large differences between the sanctioned grants and the expenditure under the detailed heads.

1418. *Chairman.*—I think that covers all the Auditor General's comments except the comment on page 65 Notes 1 and 9. I am, not quite sure whether your general comment covers Notes 1 and 9.

Sir F. Gauntlett.—9, I think, would be covered because the expenditure was not distributed over the heads. 1 is a different point.

Mr. Parsons.—They overspent.

Mr. Hayman.—We admit the Auditor General's criticism. They overspent and we took it up with them. It is only overspending under these particular heads. Taking the whole grant together they did not overspend.

1419. *Chairman.*—Page 74—Working Expenses : Suspense.

Mr. Mitra.—The Railway administration did not anticipate that there would be a credit actually given to the railway for this refund of revenue during the year and yet they wanted to take credit for it for the purpose of reducing their working expenses and their net earnings because they wanted to get as much surplus profits as they could before they made over the administration. It was therefore provided in the revised estimate that this was to be credited to working expenses by debit to suspense. But the amount was actually realised during the year and so it was not necessary to operate upon the suspense account.

Sir F. Gauntlett.—It would not have happened but for the fact that the E. I. R. was being taken over from the 1st April.

1420. *Sardar Mutalik.*—One general question I want to ask is about the effect of lowering first class and second class fares. What has been the effect of that on railway earnings ?

Mr. Parsons.—I cannot say yet.

Chairman.—It is too soon to say. That I think completes our business for the day.

Mr. Parsons then withdrew.
