

REPORT
OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1925-26

Volume I—Report



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1927

Reference.

The following motion was made by the Honourable Sir Basil Blackett in the Legislative Assembly on the 19th January 1927 and adopted by the House :—

“ The Assembly do proceed to elect eight members to be members of the Committee on Public Accounts.”

In pursuance of this the following members were elected by the House :—

Maulana A. H. Natiq.

Mr. H. G. Cocke.

Maulvi Abdul Matin Chaudhury.

Mr. B. Das.

Mr. K. C. Neogy.

Mr. A. Rangaswami Iyengar.

Maulvi Sayyid Murtaza Sahib Bahadur.

Mr. C. S. Ranga Iyer.

The following members were nominated by the Governor General under rule 51 (2) of the Indian Legislative Rules :—

Mr. N. M. Joshi.

Mr. G. Sarvotham Rao.

Mr. Kabeer-ud-Din Ahmed.

Subsequently Maulana A. H. Natiq lost his seat in the Assembly and consequently ceased to be a member of the Public Accounts Committee. Mr. S. C. Mitra was elected in his place.

Under rule 51 (5) of the Legislative Rules the Finance Member is the Chairman of the Committee.

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CONTENTS.

	Page.
I—General Summary of figures	1
II—Comments on matters outstanding from previous Reports	9
III—Comments on general matters arising out of the present Report	15
IV—Comments on matters relating to particular departments arising out of the present Report	21
V—Proceedings of the Committee	27
VI—Appendices	71

Report of the Public Accounts Committee on the accounts of 1925-26.

I.—General Summary of Figures.

The following table shows the total grants voted and non-voted as compared with the total expenditure out of those grants :—

Voted.

		*Original grant.	*Supplement- ary grant.	Final grant.	Actual expenditure.
		Rs.	Rs.	Rs.	Rs.
Expenditure charged to Revenue.	to	96,43,69,700	2,56,18,000	98,99,87,700	93,94,14,410
Expenditure charged to Capital.	to	26,49,74,000	1,51,10,000	28,00,84,000	23,19,82,776
Total expenditure . . .		1,22,93,43,700	4,07,28,000	1,27,00,71,700	1,17,13,97,186
Disbursements of loans and advances.		17,24,14,000	..	17,24,14,000	10,90,87,533
GRAND TOTAL		1,40,17,57,700	4,07,28,000	1,44,24,85,700	1,28,04,84,719

* As sanctioned by the Assembly.

Non-voted.

		*Original grant.	*Supplement- ary grant.	Final grant.	Actual expenditure.
		Rs.	Rs.	Rs.	Rs.
Expenditure charged to Revenue.	to	1,15,01,00,000	1,20,78,069	1,16,21,78,069	1,14,80,06,130
Expenditure charged to Capital.	to	3,50,61,000	1,05,59,800	4,56,20,800	4,32,83,243
Total expenditure		1,18,51,61,000	2,26,37,869	1,20,77,98,869	1,19,12,89,373

* As sanctioned by the Government of India.

2. If the total voted and non-voted expenditure is taken, the position is as follows :—

	Original grant.	Final grant.	Actual expenditure.
	Rs.	Rs.	Rs.
Revenue expenditure . . .	2,11,44,69,700	2,15,21,65,769	2,08,74,20,540
Capital expenditure . . .	30,00,35,000	32,57,04,800	27,52,66,019
Loans and Advances . . .	17,24,14,000	17,24,14,000	10,90,87,533
Total . . .	2,58,69,18,700	2,65,02,84,569	2,47,17,74,092

3. It will be seen that against grants aggregating 265.03 crores the actual expenditure was only 247.18 crores—a saving of 17.85 crores or 6.7 per cent. The saving of 17.85 crores may be roughly distributed as follows :—

	Rs.
Railway expenditure charged to Revenue ..	3.24
Railway expenditure charged to Capital ..	4.14
Loans and Advances	6.33
Other items	4.14
	<hr/>
	17.85
	<hr/>

The large saving of 6.33 crores under Loans and Advances was mainly due to reduced drawings by the Provincial Governments which were about 5½ crores less than originally estimated. The year 1925-26 was the first year of the working of the new Provincial Loans Fund and we are informed that the rules of the Fund, which were not strictly applied during the first year, provide that more accurate estimates shall be furnished by Provincial Governments and for stricter adherence to those estimates. We welcome this assurance but at the same time we feel that transactions of this nature and also disbursements under deposits and advances may be regarded as in a separate category and as liable to different treatment from that accorded to expenditure under service heads so far as the scrutiny of this Committee is concerned.

We understand that in England various devices are adopted to overcome the necessity for submitting similar outgoings to the annual vote of the House of Commons. We recommend that the procedure in England be ascertained and that, when the Government of India Act is revised after 1929, Section 67A may be altered so as to make the limits of votability clear in regard to these disbursements.

4. Excluding loans and advances, the saving was 11.52 crores on a grant of 247.79 crores or 4.6 per cent. The figures of savings for revenue and capital expenditure separately are :—

	Grant.	Savings.	Percentage.
	Rs. crores.	Rs. crores.	
Revenue	215.22	6.48	3
Capital	32.57	5.04	15.5

The position as compared with the previous year is as follows :—

	Savings under Revenue expenditure.	Savings under Capital expenditure.	Total savings including loans and advances.
1924-25 percentage ..	4.1	51.7	10.8
1925-26 percentage ..	3	15.5	6.7

5. The following table compares the savings under voted grants with those under non-voted : —

	Revenue expenditure.	Capital expenditure.
Savings percentage (Voted) ..	5.1	17.2
Savings percentage (Non-voted) ..	1.2	5.1

6. It has been suggested that the larger saving under voted grants as compared with non-voted may be attributed to the tendency to over-estimate under an apprehension that if the sanction of the Assembly is required for an excess such sanction may not always be readily obtained. This is a danger that cannot be ignored and we hope that the Finance Department will take special care to counteract any such tendencies.

7. The saving of 2.63 crores under ' Other Items ' in paragraph 3 above is distributed over several heads in the estimates and points to the continuance of that general tendency to overestimation during the preparation of Demands for Grants which was noticed in the last year's report. It should be noted that the year 1925-26 was the first year in which the system of lump cuts in the civil estimates was introduced and that the results indicate that even more severe pruning would have been justified. The question has naturally been asked why in such circumstances the necessary reduction should not be made under the various detailed heads. We agree that wherever possible this method should be adopted but we recognise that there are some heads in the estimates under which experience shows that no measure other than a lump cut is feasible, as for example Public Works estimates and estimates for expenditure on establishments.

8. As regards provision for establishments, the Governor General in Council has already accepted the recommendation made by last year's Committee that careful statistics should be kept of the proportions between actual expenditure and estimates based on the existing cadres and that lump cuts should be made to allow for probable underspending in the light of these statistics. We hope for better results from this new system. We would add that, in the preparation of the original estimates based on existing cadres, the correct provision to be made is neither the actual pay of the incumbents of posts, nor the average pay of the posts as in several grants in the Appropriation accounts under review, but as close an estimate as possible, based on previous experience, of the amount that is likely to be spent.

" The incurable and on the whole laudable habit, among officers charged with the duty of spending money on carrying out public works, of being oversanguine as to their capacity to spend " has been in ample evidence throughout the Appropriation accounts relating to works. An excuse commonly advanced in some departments is that the expenditure depends very largely on the demands of other departments and the remedy can only be closer co-operation between the various departments concerned. We think the importance of correct estimating of capital expenditure in view of the indirect effect on revenue estimates has not been sufficiently realised. The large variations between grants and expenditure have in many cases upset the calculations of requirements under revenue heads such as interest and establishments.

9. Excess expenditure has been incurred over voted grants and an excess vote of the Assembly is required in the following cases :—

Excess over grants.

Item No.	No. of grant.	Grant.	Amount sanctioned by the Assembly.	Actual expenditure.	Excess.
			Rs.	Rs.	Rs.
		<i>Civil.</i>			
1	27	Staff, Household and Allowances of the Governor General . . .	10,63,000	12,66,033	2,03,033
2	28	Executive Council	62,000	81,539	19,539
3	39	Payments to Provincial Governments on account of administration of Agency subjects . . .	2,93,000	2,95,359	2,359
4	41	Administration of Justice	46,000	46,108	108
5	42	Police	2,91,000	2,95,654	4,654
6	46	Geological Survey	1,71,000	1,71,001	1
7	51	Other Scientific Departments . . .	3,03,000	3,13,840	10,840
8	52	Education	2,37,000	2,50,712	13,712
9	56	Civil Veterinary Services	7,69,000	7,74,598	5,598
10	60	Census	1,000	3,384	2,384
11	62	Emigration External	79,000	82,680	3,680
12	68	Superannuation Allowances and Pensions	52,44,000	53,76,756	1,32,756
13	71	Refunds	57,26,000	65,21,612	7,95,612
		<i>Posts and Telegraphs.</i>			
14	85	Capital outlay on Indo-European Telegraphs	8,04,000	9,75,428	1,71,428
		<i>Railways.</i>			
15	1	Revenue-Railway Board	9,80,000	9,85,000	5,000
16	2	Revenue-Inspection	1,14,000	1,42,000	28,000
17	6	Revenue-Companies and Indian States' share of surplus profits and net earnings	1,75,90,000	1,77,42,000	1,52,000
18	12	Revenue-Appropriation to the Reserve Fund	3,28,43,000	3,79,31,000	50,88,000

10. A brief explanation of each excess is given below :—

Item 1.—The excess was due mainly to increased expenditure on haulage of saloon carriages and other tour expenses on account of more extensive touring and a change in the Vice-royalty. It was explained that large debits from Railways appeared in the Exchange accounts for February 1926 and later months when it was too late to arrange for funds and that the procedure for control of expenditure has now been improved. We consider that, so far as part of the excess was

due to circumstances such as the change in the Viceroyalty which could be anticipated during the year, the excess should have been covered by a supplementary grant obtained in advance. We recognise that, as regards ordinary tour expenses, it is not always possible to forecast a year in advance the extent of the tour and the funds required therefor. We think, however, that during the course of the year more serious attempts should be made to estimate actual requirements by obtaining periodically a programme of the probable tours during the next few months and estimating their cost. We are told that, with the help of the Pay and Accounts Office, steps in this direction are being taken.

Item 2.—The excess occurred under Tour Expenses and was due to large debits which were adjusted after the close of the year. The same remarks apply here as in the case of the previous item in regard to the maintenance of a check over the liabilities. We should add that, when the demands for the two supplementary grants obtained in November 1925 and March 1926, were under preparation, a more careful estimate of requirements should have been made.

Item 3.—The excess may be split up into two parts : (a) under Madras where the Central Government's share of the cost of the Provincial Secretariat for services connected with the Customs Administration was revised during the year and the extra cost was provided for by an allotment from the Reserve at the disposal of the Finance Department and (b) under Bengal where budget provision was made on an estimate of expenditure on account of the Provincial Secretariat during the coming year while the payment, based on the actuals of the year as made up after the close of the year, exceeded the budget provision. In the first case the failure to obtain a supplementary grant was due to the practice under which appropriation from the Reserve was treated as obviating the necessity of such a grant. The procedure has since been rectified on the recommendation of previous Public Accounts Committees. As regards the second case, we suggest that payment in such cases should be restricted to the budget provision, any adjustment that may be necessary being made at the time of the next payment, provision being made in the Budget accordingly.

Item 4.—The small excess under this Grant again occurs in Bengal and the explanation is similar to that against item 3 (b) above.

Item 5.—The reason for the excess is that the Government of India came to an agreement with the Provincial Governments in the course of the year as regards payment for special guards supplied by the latter. A supplementary estimate was presented, which was sufficient to cover the additional sum required on the assumption that appropriations from the Reserve would obviate the need of a supplementary vote for the balance. The correct procedure in regard to appropriations from the Reserve is now being followed.

- Item 6.*—The real excess over the grant is Rs. 1,731 if the exchange charge of Rs. 1,730 on the expenditure on stores in England amounting to £519 which has been adjusted against Grant No. 44 is included. The reason for this erroneous adjustment is explained in the Notes under the Grant in the Appropriation Account and is that the monthly accounts of the High Commissioner, on which the exchange adjustments are based, do not show the stores expenditure chargeable against Grants 44 and 47 separately. We understand that the question has been taken up with the Chief Accounting Officer to the High Commissioner. We observe that a lump cut of Rs. 50,000 was made under this head and that the whole of this saving was realised save for this excess of Rs. 1,731.
- Item 7.*—The excess was covered from the Reserve at the disposal of the Finance Department, *vide* remarks against item 3 (a) above.
- Item 8.*—Of the total excess of Rs. 13,712 over the voted grant, Rs. 13,000 was met by allotment from the Reserve at the disposal of the Finance Department, in regard to which our remarks against item 3 (a) apply, and the balance was due to short recovery from the Aitchison College. The practice of meeting the expenditure of this institution initially from Government revenues was the subject of comment by the Committee on Public Accounts of 1922-23 and has, we understand, been abandoned with effect from 1927-28.
- Item 9.*—The excess was due to an unprecedented demand for sera and vaccines owing to the prevalence of rinderpest throughout India which it was impossible to anticipate. The excess was actually covered by appropriation from the Reserve.
- Item 10.*—The excess was covered by appropriation from the Reserve.
- Item 11.*—The excess was due to larger emigration to Malaya and to the deputation of an officer in connection with the pearl fishery in Ceylon. The information from the Provincial Government was received too late to enable a demand for a supplementary grant to be presented. The excess was covered by allotments from the Reserve, *vide* remarks against item 3 (a) above.
- Item 12.*—The excess under this grant was anticipated and a supplementary grant was obtained ; but, owing to a misapprehension on the part of the Finance Department with reference to some undistributed allotment, the demand was for a less amount than was actually required.
- Item 13.*—The excess was due to heavy debits amounting to Rs. 9,75,000 which were raised in the Exchange account for March 1926. These debits represented refunds made at Seistan or on the North-West Frontier on goods which had been passed through India to Persia or Afghanistan. We recommend that the question of watching liabilities in this particular instance be examined by the Central Board of Revenue.

- Item 14.*—The excess was due to a decision taken after the Budget to transfer the whole of the balance of the stores suspense account from revenue to capital. A supplementary grant was obtained which, however, proved to be less than the amount ultimately required owing to the opening balance of stores, as finally ascertained after the close of the year, exceeding the estimated balance by Rs. 1,41,879. Moreover, the stores issued were of less value than had been contemplated at the time of the formulation of the demand. The Accountant General has reported that the financial adjustments in the accounts of 1925-26 were unusual and are unlikely to recur and that the excess discloses no important fault in the machinery of control in the department.
- Item 15.*—The excess was due partly to late adjustment of debits on account of stationery and printing and partly to the grant of leave to certain officers of the Railway Board who were brought under reduction as a measure of economy. We have referred in some of the earlier items to the problem of watching liabilities. As regards the second reason for the excess, we should like to impress on the department that, however commendable their action in other respects, the deliberate incurring of expenditure in excess of the amounts voted by the Assembly without a supplementary grant being obtained is a course which can never be justified.
- Item 16.*—The excess was due to the transfer of officers whose pay was voted to certain posts for which provision was made under the non-voted head. It was admitted that the failure to obtain a supplementary grant was due to the branch concerned with the posting of officers not having communicated the particular transfers to the Financial Section responsible for the control of expenditure, and we were informed that steps have been taken to ensure collaboration in future.
- Item 17.*—The excess was due to incorrect procedure by which payments of surplus profits were taken into the accounts of the year in which the surplus profit accrued, instead of in the accounts of the year in which payments were actually made. The correct procedure has been adopted with effect from the current financial year.
- Item 18.*—The amount transferred to Reserve Fund is a balancing figure which represents the net profit of the year less the contribution to general revenues under the convention. The excess was due to an improvement in the net profit owing to the receipts in March having proved to be much greater than was expected. The excess thus represented a payment into the Reserve Fund in excess of the amount anticipated for the year in consequence of increased profits. Strictly this excess payment into the fund requires the sanction of the Legislature under Section 67A of the Government of India Act, but the practice of treating it as expenditure appears to us unreal and confusing and it would be well if, in this as in other cases, to which we

have referred, of adjustments and payments to or under heads which do not represent real expenditure, the question of votability were examined and the procedure were revised.

11. It will be seen from the above that the explanation for 8 out of the 18 items is the practice that obtained in the year under review of treating appropriations from the Reserve at the disposal of the Finance Department to cover excess under other Grants as obviating the necessity for supplementary grants. The absence of proper machinery for watching liabilities that are brought to book after the close of the year has been responsible for three out of the remaining items and we have made certain definite suggestions in the particular cases mentioned for evaluating liabilities and avoiding excess votes. If the problem of excess votes is to be completely solved, we consider that the question of eliminating large annual adjustments should be taken up by the Finance Department as an accounting question and definite orders issued. We are aware that even now there is a rule in the Account Code that annual adjustments should be avoided except in certain special instances and in section 6). unforeseen circumstances. We are inclined to go further and suggest that it ought to be possible to make periodical transfers during the course of the year on the basis of a rough estimate of what the amount is likely to be, making the actual amount debited at the end of the year strictly correct by adjustments in the last quarter.

With these remarks we recommend that the Assembly assent to the excess grant for 1925-26 which the Governor General in Council will place before them for the following sums in respect of the heads referred to in the preceding paragraphs :—

	Rs.
Expenditure charged to Revenue	64,67,276
Expenditure charged to Capital	1,71,428

Our attention was drawn to the debates in the Assembly during the last Delhi session when the demands for the excess grants for the year 1924-25 were placed before the House by the Governor General in Council and a strong desire was then expressed that the House should be given an opportunity to discuss in general terms the Report of the Public Accounts Committee on which the excess grants were based. We fully concur with this legitimate desire on the part of the Assembly and we recommend to the Government that they should consider the best method of giving effect to it.

12. Under the terms of our appointment we are required to bring to the notice of the Assembly every reappropriation from one grant to another grant and every reappropriation within a grant which is not made in accordance with such rules as may be prescribed by the Finance

Department. The following reappropriations were sanctioned during the year but were not accepted in audit :—

Amount.	From Grant.	To Grant.	By whom sanctioned.
Rs.			
1. 50	17-Taxes on Income	76-Ajmer-Merwara..	Local Administration of Ajmer-Merwara.
2. 500	76-Ajmer-Merwara	20-Stamps ..	Local Administration of Ajmer-Merwara.
3. 200	80-Hyderabad ..	20-Stamps ..	Foreign and Political Department.
4. 16,440	80-Hyderabad ..	69-Stationery and Printing.	Foreign and Political Department.
5. 1,16,000	8-Capital Open Line Works—voted.	8-Capital Open Line Works—(non-voted).	Railway Department.

We desire to reiterate that grants voted by the Assembly can be added to only by the Assembly. We should also add that no formal transfer from funds allotted for voted items to meet expenditure on non-votable items is permissible. The Government is however entitled to issue executive orders to the authority controlling any specified grant voted by the Assembly to restrict the expenditure within a specified amount.

II.—Comments on matters outstanding from previous reports.

13. In paragraph 18 of the Report for 1924-25, the Committee of **Contract** Public Accounts re-affirmed the view expressed by their predecessors that **(Question** “ the Finance Department should make rules to provide that any contracts containing any unusual conditions should not be entered into without previous consultation with that Department, and that material variations in contracts once entered into should not be made without its sanction ”. We were informed by the Financial Secretary that his Department had collected the various rules in the Railway and the Army Departments and that they had recently received a statement prepared by the British Treasury for the Public Accounts Committee of 1926, setting forth a very elaborate set of rules regarding the placing and control of contracts in England. The latter statement was circulated to the Committee and is printed as Appendix XVIII to this Report. We have had the advantage of studying this most important document and, while we recognise that it would not be administratively practicable to apply these rules in India in their entirety, the evidence we have gathered both from the audit and appropriation accounts and also from the departmental witnesses tends to show that the following broad and fundamental principles enunciated in the Treasury Memorandum may usefully be incorporated in the rules which the Finance Department have in contemplation :—

- (1) Competitive tenders must be invited whenever that course is possible.
- (2) The financial status of firms must be enquired into before contracts are given to them.

- (3) The conditions of contract must be clear and definite and without the previous sanction of the Finance Department there must be no informal waiver of contract conditions.
- (4) Contracts should not be given without agreement as to price which should always be quoted net by the contractors.
- (5) The Auditor General should bring before the Public Accounts Committee any cases in which competitive tenders have not been sought, where high tenders have been accepted or where other irregularities in procedure have come to light.

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14. We have gone very carefully through the report of the departmental enquiry referred to in paragraph 63 of the last year's Public Accounts Committee's report. The results of the special investigation into the accounts of the Delhi stoneyard which was reported to be in progress last year have also been communicated to us. We are indebted to the Auditor General for two memoranda on these cases which have considerably lightened our task and simplified our enquiry. After examining the departmental witnesses in the light of these documents, we have come to the following general conclusions on Mr. Roche's enquiry :

- (i) that the system followed by the Delhi Public Works Department was not completely based on the Public Works Code and that the innovations made rendered it difficult for audit to detect financial irregularities but that the institution of the separate Pay and Account Office has resulted in an improvement of the system ;
- (ii) that, even though there may have been at the time justifiable reasons for the collection of materials in advance of requirements, in the normal conditions now ruling the sound rule in the Public Works Department Code quoted *in extenso* in paragraph 13 of the memorandum printed as Appendix XIV to our report should be reverted to ;
- (iii) that there was justification at the time for experimenting in porcelain conduits and that, notwithstanding the loss of material involved, there has been a net ultimate saving in the cost of this work by reason of the large drop in the price of steel conduits which were subsequently used ;
- (iv) that the question of the adequacy of the disciplinary action taken in this and the other cases noticed in the Report raises several issues of far-reaching importance in regard to disciplinary action generally which merit detailed consideration at our hands.

As regards the stoneyard case, our main conclusions may be summed up as follows :

- (i) That there were serious defects in the system of accounts maintained, in the terms of the contracts and in the method of supervising their execution.
- (ii) That though it is true that a large percentage for wastage had to be allowed for the dressing and finishing of stones, no attempts had been made to work out the actual percentage, to measure the outturn and to compare the stock of finished stones in the yard with the stock received on this basis.

- (iii) That though it be true that the final percentage of wastage now adopted, *viz.*, 41 per cent., is not excessive and the physical count of the stock of stones that has since been conducted has to be accepted as correct, yet the Committee cannot avoid the impression that the serious irregularities disclosed both in the accounts and in the methods of supervision of the stone yard, over a period of years, may have involved loss to Government.
- (iv) Adequate steps have been taken to guard against the recurrence of similar irregularities by a revision of the agreement, by the institution of improved supervision and by the introduction and maintenance of proper stock accounts accompanied by periodical verification of balances.

15.* The questions arising from the audit of the accounts of the Sambhar Improvement Scheme, were left over by the Committee of 1926 for "thorough investigation" by us, when all outstanding points have been cleared up and the views arrived at by the Government of India after the examination of those facts are on record. Some of the outstanding points, we understand, have not yet been fully cleared up; but the criticisms of the Auditor, as summarised in the Audit and Appropriation Report for 1924-25, have been admitted by Government to be generally correct. The Government, while recognising that no malpractices have been suggested, that the scheme as a whole has been to the public advantage, and that there is no question as to the motives by which the officer was actuated, have held that there was no justification for the wholesale departures from the rules made by the Executive Engineer. Such wholesale departures must, the Government have observed, reduce the expenditure of public funds to a state of chaos. These conclusions have been communicated to the Executive Engineer, who has retired from service. The Government of India have also held that the Head of the Department must also be considered responsible for having failed to put a stop to the irregularities or to bring them to the notice of the Government; and this conclusion has been communicated to the two officers who held charge as Commissioner of Salt during the period under review.

While the Committee endorse this action on the part of Government, they desire to record their regret that the Government did not find themselves able, within the time at the disposal of the Committee during its sittings, to afford them the opportunities for making a thorough investigation into this matter. The seriousness of the case is difficult to exaggerate, but the only materials placed before the Committee are a summary of the findings of the Auditor as given in the Audit and Appropriation report for 1924-25, the evidence of Messrs. Lloyd and Fergusson given before the last committee in which the findings of the Auditor were challenged, and a summary of the conclusions of Government. In these circumstances, the Committee have not been able to carry out that

*As Member of Government in charge of the Finance Department, within whose province the Northern India Salt Department is included, I thought it desirable to take no part in the discussion of the Committee's conclusions in regard to this case.—BASIL P. BLACKETT.

thorough investigation, which was laid upon them by their predecessors in paragraph 27 of the Report of the Public Accounts Committee for 1924-25.

They, moreover, feel that the materials placed before them do not enable them to endorse the view that the scheme as a whole has been proved to be to the public advantage. They also feel it their duty to state that in their opinion the Government have taken a lenient view of the conduct of the Heads of the Department and of the Executive Engineer. His "motives" may have been excellent as the Government state. But the reckless disregard of rules and the manipulation of accounts disclosed in the audit report would on the canons adopted in regard to Public Accounts in England, merit much stronger punitive action than what the Government have, because of his retirement, been disposed to take against him.

On the Sambhar improvement scheme as a whole also, the Report of the Auditor General on the accounts for 1925-26, would seem to indicate, in the opinion of the Committee, that the original roseate conceptions of its financial and commercial advantages have to be considerably revised ; at any rate, that no final conclusions can be formed till the full effects of the project are disclosed in the reports of the coming years. As it is, the Auditor General, in his letter to the Government of India on the Audit and Appropriation Accounts (Civil) for 1925-26, points out that the Sambhar Lake Salt Works were responsible for a net loss of about 4½ lakhs in the year 1925-26. What proportion of this loss is attributable to the additional interest, sinking fund, depreciation, maintenance and establishment charges entailed by the improvement scheme itself, has not been ascertained. Assuming seventy lakhs of maunds to be the quantity of annual sale of salt from this source, which figure may not be attained in practice every year, the recent enhancement in the price of salt would no doubt reduce this loss by a little over a lakh of rupees only, but the accounts would still show an annual deficit of over three lakhs of rupees.

The Committee recognise the necessity of ensuring stabilisation of output of salt for the country and the simplification of manufacture thereof, but there can be no doubt that the financial results of the administration of this department have to be treated on a commercial basis. The scheme can be conveniently viewed from two aspects ; first as counteracting the elements of uncertainty in the supply ; and secondly as leading to general improvements of organisation and manufacture having no essential connexion with stabilisation of supply. The Committee regret to observe that no attempt was made carefully to distinguish these two aspects of the scheme, before sanction was accorded to the different parts of a scheme of this magnitude. As an instance in point, they would refer to paragraph 89 of the Audit and Appropriation Accounts of 1924-25 which deals with the electric installation at Sambhar. In another paragraph of the present report, the Committee are making a recommendation that the question of dismantling the electric plant may be considered by Government.

They in conclusion hope that the financial position and prospects as well as the other aspects of the whole of the scheme of salt supply from the Sambhar Lake and Khewra will be comprehensively examined and put on a business footing at a very early date and that succeeding audit reports of their accounts will contain evidence of the improvements necessary in this behalf.

16. The Public Accounts Committee of last year realised the urgent need of drastic amendment of the Sea Customs Act of 1878 and recommended that proposals for revising the statute should be placed before the Legislature at an early date. While pointing out that the process of legislation has not yet advanced beyond the drafting stage, the Accountant General has again drawn attention to the various executive orders which have been issued in contravention of the express terms of particular provisions of the Act. The need for an early revision of the Act has been emphasised more than once by the Audit Department and has been accepted by the Government of India. We recognise that the fact that the Act has not been amended for nearly half a century must make the examination of the modifications necessary to suit present day requirements very difficult and complicated but we are informed that the proposals are now in shape and that the amending Bill will be introduced next year. We trust that every endeavour will be made to expedite the revision of the statute.

17. We were informed by the representatives of the Posts and Telegraphs Department that the recommendations in paragraph 17 of the report of the last year's Committee regarding adjustments within the Department and also adjustments between this and other Departments have not yet been fully carried out. The importance of an early settlement of these outstanding points will be realised from a perusal of that portion of the evidence in which the profit and loss account of the Department in its different branches has been discussed. It was pointed out to us that the figures shown as profit or loss do not include all the necessary adjustments and that, until these have been determined, it will not be possible to assess the exact results of the working of the various branches, viz. Post Office, Telegraphs, Telephones and Radio. We understand that the matter is being diligently pursued and that a final settlement of this admittedly complicated question is practically within sight. We content ourselves with the hope that, when the next Appropriation accounts are presented to us, the statement of profit and loss of the Department will be more illuminating.

18. The question of establishing a separate Accounts Office at Peshawar first came up before the Public Accounts Committee in 1925 who recommended that it should receive the immediate and careful consideration of the Government. The proposal is still under consideration owing to the difficulty of finding accommodation for the new office at Peshawar. At one time it was thought that the necessary accommodation might be provided in the building occupied by the Military Accounts Department by moving the latter office to Rawalpindi but our latest information is that the Military buildings are required urgently by the Military Engineering Department for their executive staff now unsuitably housed. We are glad, however, to note that a site for the Civil Accounts Office has been secured and that plans and estimates for a new building have been called for. We hope the Finance Department will be able to allot the necessary funds and otherwise accelerate the opening of the separate accounts office at Peshawar.

19. Another recommendation of a previous Committee on which action has not yet been taken is that relating to the preparation and maintenance of an inventory of all Government property. It was explained by the Auditor General that in order to formulate a complete statement he has had to call for a great deal of information requiring careful examination. We recognise that it is an arduous task which does not properly belong to the

Auditor General But, having started the investigation, we hope he will pursue it and will be able to report to the next Public Accounts Committee the result of his labours.

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20. The question of making the Indian Stores Department self-supporting by extending its activities is one which the Legislative Assembly has very much at heart. We trust that the Government will not lose sight of the desirability of securing continual and increasing support from the Army and Railway Departments. We have obtained some interesting figures from the Controller of Stores which show that the work of the department is progressively increasing. The total purchases have increased from Rs. 2,59 lakhs in 1924-25 to 3 crores last year. On the inspection side, the value of stores inspected has gone up from 2,13 lakhs to 3 crores during the same period. The revenue earned from purchase and inspection has correspondingly increased from 6 and 2½ lakhs respectively in 1924-25 to 11 and 4 lakhs in 1926-27. In the latter year after taking into account all indirect charges such as pensions, depreciation and interest on capital a deficit of Rs. 2 lakhs is expected but there is no doubt that the position is improving year by year.

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21. Recourse to the Department is not yet compulsory but we were informed that a proposal has been put forward to institute a Standing Committee to deal with the co-ordination of purchases for various departments and that, if this matures, it might be possible to work the department more economically than at present. Meanwhile other Departments have in some cases complained against the charges levied, but we are of opinion that the work undertaken by the Stores Department on behalf of other Departments justifies the charge. We agree that, until the turnover is considerably improved, it is impossible to reduce the percentage commission now charged by the Stores Department on the purchases made on behalf of the Government of India and also of the Provincial Governments and other *quasi*-commercial bodies. The commission should be so fixed as to enable the Department to pay its way and no more.

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22. It was also urged that a portion of the duties of the department, namely, that connected with the development of Indian industries is definitely non-remunerative, so that if the accounts of the department were drawn up on a commercial basis, the deficit on account of this non-commercial portion of the work should be separated and exhibited under a special account "Development of Indian industries" in order that the true position of the Indian Stores Department might be more faithfully recorded. We agree with this suggestion and commend it for the acceptance of the Government.

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23. In paragraph 33 of their Report on the Accounts for 1924-25, the Committee expressed the opinion that there were arguments in favour of the grant to the Auditor General of additional facilities for communication to the Secretary of State and that the matter was one which should be carefully and sympathetically considered by the Government of India. We have been informed that these proposals have been so considered and that the Government have come to the conclusion that it is both unnecessary and undesirable to allow the Auditor General the facility of direct communication with the Secretary of State. We have been furnished with a memorandum* by the Financial Secretary which sets forth the reasons which have led to this conclusion and we have further examined the Auditor General. We understand that the Auditor General bases his objection

upon two grounds, firstly that if he can report upon cases only through the medium of his annual reports, considerable delay is inevitable as these reports are not furnished until more than 12 months after the year to which the accounts relate and secondly that the same prominence would not be attached to cases included in a lengthy communication covering a very large number of items as to cases set forth in separate references.

It has to be recollected that according to the Statute and Statutory Rules, "the Auditor General is the final audit authority in India and responsible for the efficiency of the audit of expenditure in India from the revenues of India". While the Governor General in Council exercises under Rules the delegated authority of the Secretary of State in Council in regard to the revenues, properties and expenditure of India, the Auditor General exercises his powers of audit under Rules framed by the Secretary of State in Council. Some difficulties are inherent in the present constitutional position under which full financial control is not vested in the Assembly. While we fully appreciate the reasons which have led to the conclusion of Government, some members desire to record their opinion that the present system by which the Auditor General can communicate with the Secretary of State only through the Government of India cannot but be derogatory to the statutory position of independence of this high office and that it is the logical consequence of that position of independence of executive authorities in India that the Auditor General should communicate directly with the Secretary of State in Council by whom he is appointed and by whom his powers and functions are determined. After full consideration, however, we realise that the problem depends for its solution upon the relations between the Secretary of State in Council and the Government in India and we have reached the conclusion that this particular question is one which should properly be left for examination by the Statutory Commission together with the cognate question of the relations between the Auditor General in India and the Auditor of the Home Accounts which has also been under our consideration. In the meantime we suggest that where references are required to obtain the orders of the Secretary of State, they should be made with reasonable promptitude.

III.—Comments on general matters arising out of the present Report.

24. Reference was made in the Report of the Public Accounts Committee for 1924-25 to the new system of Pay and Accounts Offices instituted in connection with the experiments in the separation of accounts from audit. The promise of useful work in the direction of improved control of expenditure and financial regularity in the departments served by the new offices which was noticed by our predecessors has, we consider, been fulfilled in a large measure in this the first full year of working of the new system. In regard to these offices, the Auditor General has, in his letter No. 1071-Admn. 302/27, dated the 26th July 1927, forwarding the Appropriation Reports for the year 1925-26, remarked as follows :—

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"In most cases where the separation of audit from accounts has taken place.....there has been considerable improvement in financial control and I have no doubt that, as the new accounts offices gain more experience, the scheme of separation will produce even more valuable results in this direction."

"It is noticeable that budgeting has improved in departments which have been given their own accounts offices."

We have also been informed that the decrease in the number of cases of financial irregularity in the Delhi Public Works Department in the year under review is in no small measure due to the co-ordinated labours of the executive authorities of the department and the internal check authorities, namely the new Pay and Accounts Office.

25. In paragraph 2 of the Army Appropriation Accounts it has been stated that an excess of 2.82 lakhs over the original grant for Military services was sanctioned by the Government of India in the Army Department with the concurrence of the Financial Adviser, Military Finance. The question was raised whether the additional grant ought not to have been sanctioned by the Finance Department and we examined both the Financial and Army Secretaries on the proper procedure for the issue of orders by departments of the Government of India in cases where the concurrence of the Finance Department was necessary for the sanction communicated in those orders. On the one hand, it was explained that, whereas the functions of the Finance Department of Provincial Governments were expressed in the Statutory Devolution Rules, those of the Finance Department of the Government of India were expressed in rules of business and of Secretariat procedure laid down by the Governor General which were purely of the nature of departmental orders. If that were so, the Auditor General would be right in his contention that the various rules which now find a place in the Book of Financial Powers defining the powers of the departments of the Government of India other than the Finance Department should be deleted and that audit officers should thereby be relieved of a large amount of work which they are now doing. On the other hand, we observe that under Rule 52 of the Indian Legislative Rules it is our duty to bring to the notice of the Assembly every reappropriation within a grant which has not been made in accordance with such rules as may be prescribed by the Finance Department and to enable us to fulfil this duty, it is clearly the business of the Auditor General to require unmistakable evidence of the fact that the concurrence of the Finance Department required under the rules laid down by that department has been actually obtained. It may be possible to reconcile these two seemingly opposite views by an interpretation of the rules prescribed by the Finance Department referred to in Rule 52 of the Indian Legislative Rules as meaning financial rather than internal departmental rules. We have decided to leave it to the Finance Department to consider this matter carefully in consultation with the Legislative Department and the Auditor General and to arrive at a solution which will obviate the present anomalous position in which a department of the Government of India can now speak with two voices and audit is left doubtful as to the particular voice with which a department is speaking at any particular moment.

26. This leads us naturally to a consideration of the system of net grants in the Army which has been referred to in paragraph 21 of the proceedings* of the departmental Committee. The Financial Secretary explained to us that at present the net total grant for the Army, that is, the gross grant for the Army, Marine and Military Engineering Services less the receipts accruing in respect of these services is regarded as allotted for the administration of the Military services and if savings are effected, they are in general available to meet demands for expenditure on essential new services with the approval of the Finance

Department, provided the net grant is not thereby exceeded. The Army is reported to be not yet equipped to full efficiency and the system of net grants, by permitting reappropriations from savings to new and optional expenditure, encourages economy and tends to keep the net Budget grant from year to year at a steady level. This is a matter of considerable importance from the point of view of the general budget, the equilibrium of which has been rudely shaken in the recent past by the vagaries of the Military Budget. While we are ready to recognise the advantages of the system as thus set forth, we cannot ignore the fact that, as a permanent arrangement, it must tend to weaken effective control of expenditure. In the case of civil grants, the previous Committees on Public Accounts have consistently set their face both against the appropriation of the provision under one grant for meeting unforeseen expenditure under another grant and against the unfettered utilisation of savings in any grant to cover the cost of new measures which were not provided for in the estimates under that grant. Though there may be temporary advantages in any such arrangement at the present moment, we are of opinion that from the point of view of strict accounting it is most desirable that there should be as little departure as possible from the sound practice that services should be provided for in the budget and at the time of the budget, and savings should accrue to general revenues and not to particular departments.

27. Before we pass from the subject of grants, we desire to refer to a question which has emerged in the course of our examination of the large savings under voted heads of expenditure, namely, how far these savings can be appropriated and utilized for expenditure on non-votable heads such as the Military and Political services. It has been suggested that voted funds having once been brought under the control of the Assembly, any saving in the total amount should not be utilised without the approval of that authority. We have already stated in paragraph 12 that no formal transfer of funds allotted for expenditure on voted items can be made to meet expenditure on non-votable items but that the executive Government is not debarred from restricting the expenditure under any grant within a specified figure. A careful watch should be maintained against the abuse of this power in such a way as to lead to deliberate underspending under voted heads. So far as savings under voted grants are utilized on new voted services, we have nothing to say except to emphasise the sound rule that ordinarily provision for expenditure on a new service, ought wherever possible to be made in the original estimates of the year or in the budget of the year following. Owing to the vigilance of the Finance Department no case has yet been allowed to occur in which there has been deliberate underspending under voted grants with a view to release funds for meeting any considerable schemes of non-votable expenditure, but should such a case occur, the Public Accounts Committee should bring it specially to the notice of the Assembly.

28. In view of the considerable interest aroused in salt schemes generally by the history of the Sambhar development scheme, we examined the member from the Central Board of Revenue in some detail as regards the Khewra Electrification Scheme. That scheme was started partly for the purpose of economy and partly for the purpose of ensuring supplies of salt. We were informed that the department had been faced with very serious labour strikes in the past and that the electrification, by displacing

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manual labour both in drilling and excavation work, has considerably relieved the situation. It is, however, too early to judge whether, considered from the economical aspect and with due regard to the displacement of labour involved, the scheme has turned out to be a success and we have to leave it to the Committee of next year to obtain from the Central Board of Revenue a full memorandum on the working of this scheme.

29. In view of the irregularities brought to our notice as involving losses to Government both of revenue and stores, we have devoted considerable attention to the general question of a more systematic audit of receipts than is in vogue at present. We were encouraged to pursue this interesting enquiry partly by the decision of the Governor General that it is open to us to refer to the accounts of receipts in our report so far as they arise from audit and appropriation reports and partly by the knowledge that the Public Accounts Committee in England has been systematically dealing with questions of receipts in cases where there has been failure to recover revenue owing to faults in the administration of the revenue department. We were informed at the outset of our enquiry that the Secretary of State himself had twice suggested to the Government of India that the Auditor General should be instructed gradually to take over the audit of receipts. The question has never been systematically investigated but from time to time the scope of the audit of receipts, which is entrusted to the Auditor General under Rule 12 of the Auditor General's Rules, has been increased. In practice whenever large embezzlements in the accounts of a specific institution are disclosed, the Auditor General is asked to undertake the audit of the receipts of that institution. In fact in Bengal we are told that the Accountant General has a separate establishment working under him, which deals with the receipts of those institutions in which the Local Government desires the imposition of such audit.

30. We put the definite question to the Auditor General whether the introduction of a systematic test audit of receipts would not be well worth the cost and whether the revenues of the country would not improve considerably by reason of the existence of some audit supervision. As Auditor General, he replied that his answer was emphatically in the affirmative but he added that there were various difficulties to be faced. In the first place, the expert audit machinery required for the undertaking of a real audit of receipts does not exist at present and a period of about five years will be required for the necessary staff to be recruited and trained.

31. The possibility of a check of Income-Tax receipts was considered by us. Our own impression, gained from a perusal of the epitome of the Public Accounts Committee in England, is that it would be impossible for the Auditor General to make sure that all persons liable at law had been duly charged and that the necessities of the case would be met by scrutiny by the Auditor General to ensure that the administrative instructions which are issued by the Central Revenue authority are in conformity with statute and are properly carried out by subordinate authorities. We understand that the subject is one which has been discussed by a special staff placed at the disposal of the Finance Department by the Auditor General and that the report which has been presented in that connection is now under the consideration of the Central Board of Revenue.

32. It may also be desirable to ascertain the nature of the check exercised on receipts generally by the Comptroller and Auditor-General

in England. We think that the decision of the Government of India on this very important question should be presented to the Public Accounts Committee next year.

33. The audit of Forest receipts in the Andamans is another specific question raised in this connection on which we examined the witness from the Education, Health and Lands Department. We were informed that the bulk of the sales took place through the Government agents in Calcutta and both receipts and expenditure passing through the Agents are audited in the ordinary way. With the development of the scheme of colonisation and the emergence of the islands into the sphere of civilization, it is possible that more sales may take place in the islands but, for the present, the receipts that actually accrue in the islands are inconsiderable and, though the department are willing to take up the question of audit of these small receipts, we do not consider it worth while to pursue the question. (Questi 922.)

34. Action has recently been taken by the Posts and Telegraphs Department for the stoppage of a possible leakage of revenue arising from the collection of customs duty on parcels handed over by the Customs Department to the Post Office. The practice is for the Post Office to pay the customs duty, amounting annually to about 66 lakhs and then to collect it from the recipients of the parcels. Hitherto, there has been no real audit to see whether the Post Office did collect the full amount paid to the Customs Department and the latter was never reconciled with the receipts in the Post Office. In addition to the loss specially mentioned in the Audit and Appropriation Report it has been suggested that there may possibly have been other losses in the past which have not been brought to notice. We are glad to observe that the matter has been thoroughly investigated and that the procedure of accounting for, and auditing, such receipts has now been improved. (Questi 164.)

35. We consider that this is the proper place to refer to one recommendation of the Public Accounts Committee of 1925 which is stated to be still under consideration. We mean the suggestion that the treatment of losses of revenue due to fraud, defalcation, etc., as a form of expenditure should be fully considered by the Government of India. We have been informed that the matter is now under investigation by the Government in consultation with the Auditor General with reference to the procedure in England. We observe from the epitome of the Reports from the Committees of Public Accounts that all losses arising from defalcations of collectors are charged against the vote of the Revenue Department which is affected and are thereby necessarily noted in the Appropriation Accounts. It has been considered that the objection to this course on the ground that both the Revenue and Expenditure sides of the account are unnecessarily swollen is more than counterbalanced by the advantage derived from the publicity thus accorded. We are interested in an early decision on this question as it is the sole means of bringing to our notice all losses of revenue and we hope that the Government of India will be able to arrive at a decision without delay. (Questi 17.)

36. The desirability of formulating general principles in regard to the recovery of amounts lost to Government by fraud or negligence on the part of its servants was first taken up by the Departmental Committee appointed to examine the Audit and Appropriation Accounts of Army expenditure. They obtained from the Adjutant General a statement (Reco of los & Dis cipli actio Questi 637.)

explaining the principles on which such cases were dealt with by the Army authorities and we give below a summary of the position as stated in the proceedings of their second meeting.

37. A distinction was at the outset made between cases of actual fraud and those disclosing culpable negligence on the part of responsible officers. In the former case, legal advice was always taken as to whether there was a reasonable prospect of conviction. It was only in such cases that the matter was taken to a court-martial. Where there was no prospect of the case being fully established before a court-martial, it would be inadvisable to proceed with the case in that manner. As regards the effect of the decisions of courts-martial on the recovery of money, it was pointed out that the recovery of the whole amount was not always possible as the effect of the sentence on the delinquent's ability to repay the amount lost had to be taken into account. As regards the second kind of case, namely those disclosing culpable negligence, it was usual to investigate each individual case as soon as possible after inviting the officer's defence in the first instance. The form of punishment was discretionary, the main principle kept in mind being that it should act as a deterrent. The amount recovered from the officers depended on the circumstances of each individual case. It was recognised in dealing with cases of this category that if any effect was to be produced by the disciplinary action taken, it was necessary that such action should be taken while the case was fresh in the memory of the officers concerned and a limit of time was generally fixed within which the investigation should be concluded.

38. This led us to examine the position in other departments of the Government of India. In the Posts and Telegraphs Department we were told that the primary object of any disciplinary action was to recover the amount lost, though no hard and fast rules have been laid down, for it is clearly recognised that there are various degrees of culpability and negligence. The inherent possibility of unequal treatment in such a system or lack of system was recognised but it was pointed out that any such inequalities were capable of being moderated on appeal. We examined at some length the Members of the New Capital Committee who appeared before us on the disciplinary action taken as a result of Mr. Roche's Enquiry and also the enquiry of the sub-Committee appointed to investigate the accounts of the Delhi Stoneryard, with special reference to the general principle of disciplinary action. With the same end in view we endeavoured to ascertain from each departmental witness who appeared before us the basis on which punishment had been awarded in every case of financial irregularity relating to his particular department and brought to our notice in the Audit and Appropriation Reports. We admit that in cases of this sort, the efficiency of the department, the rights of the public, the interests of the tax-payer, considerations of equity and justice have all to be taken into account in varying degrees and that it is difficult, if not impossible, to attempt to formulate rules of general application. But at the same time, the absence of any guiding principles is the cause of apparent and invidious differences of treatment. This accords with the view of the Auditor General who states that though there is an increasing strictness of disciplinary action throughout India, rather more lenience is shown in some provinces like Bombay and in some departments like Forests and Public Works than in others.

We have not the time to sift the mass of reports and evidence that is available and to pursue this important and interesting enquiry to a final conclusion and we have to content ourselves with a recommendation to the Government that they should examine the question at greater length and place before the next Public Accounts Committee a considered statement of the principles which should regulate this matter.

39. Before we pass on from this subject of disciplinary action, we should like to refer to a practice which has prominently come to our notice in the course of our examination of financial irregularities, namely, the giving of receipts and certificates which do not accurately represent facts. In one case an officer in charge of a large Public Works Store was reported to have been in the habit of signing without proper enquiry all statements put up for his signature by the storekeeper without realising his responsibility for the purchase and maintenance of stores. In another case a superintendent recorded on the measurement chalans that the measurements had been made by him while actually he had not performed the complete measurements in some instances. We regret that this laxity in signing certificates and chalans has in some quarters not been viewed with the strong disfavour which it merits, partly on the plea that the officer concerned has been over-worked and partly that there was no deliberate intention of misleading. We consider it a false economy to entrust additional duties to officers which they cannot reasonably and humanly be expected to discharge. As regards the tendency to treat certificates and statements as merely formal documents which can be signed without the least sense of responsibility, we trust that heads of departments, realising the gravity of the offence, will in future visit with severe displeasure and penalty all such cases brought to their notice.

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40. We accept the recommendations of the Official Committee which sat to consider the Audit and Appropriation Reports on the Army expenditure on those matters which are not specifically mentioned in other paragraphs of our Report.

IV.—Comments on matters relating to particular departments arising out of the present Report.

41. *Section I of the Home Auditor's Report on the Secretary of State's accounts for 1925-26—paragraph 16.*—We should be glad to be furnished with information whether the certificate regarding secret service expenditure furnished by the Secretary of State is in the same form as that prescribed by the Public Accounts Committee in England. We consider this information will be very useful in connection with the rules for the audit of secret service expenditure in India which are under consideration. (Question 777.)

42. *Paragraph 21, *ibid.**—We should like to know the result of the suggestion made by the auditor regarding the correctness of the rate of exchange used for conversion of gold marks into sterling. (Question 778.)

43. *Paragraph 30, *ibid.**—We notice that the savings on account of establishment are of a considerable amount and we desire to draw the attention of the Home authorities to the fact that supplementary grants have been asked for, which do not appear necessary. (Question 779.)

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44. *Section I of the Report upon the accounts of the High Commissioner for 1925-26, paragraph 17.*—We agree with the remarks made by the auditor in the fourth sub-paragraph regarding provision for leave salaries.

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45. *Report of the Accountant General, Central Revenues, Grant 18—Salt, page 119, Note 1.*—As regards the statement that the store accounts are not subject to audit, we are informed that it is due to the fact that there is no provision in the Auditor General's Rules for the audit of such store accounts. We understand that the Officer on Special Duty has recommended, as one of the suggestions in his Report now before the Central Board of Revenue, that the Auditor General should be asked to audit the store accounts. From the point of view of the taxpayer, stores are as important as cash and we consider it desirable that the store accounts should also be subject to audit.

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Paragraph 111 (31), page 86 ibid.—In view of the fact that the generating plant is in operation only during a year of scanty rainfall and then only for about six weeks, we consider that the Board should examine whether some other method of supplying the power cannot be devised, the present Electric Power House being dismantled.

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46. *Grant No. 20—Stamps, page 133, ibid.*—We recommend that the retention in the depot of the Chinese Expeditionary Force and Indian Expeditionary Force Stamps which have been lying in stock for a long time should be considered by the Central Board of Revenue.

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47. *Grant No. 22—Irrigation, Navigation, etc., page 137, ibid.*—We observe that supplementary grants have been obtained which proved to be unnecessary and agree with the Auditor General that they could have been avoided had the controlling officer kept an adequate check over the progress of expenditure. As regards the observations of the Auditor General in paragraph 70 of his letter that the percentage of establishment to works expenditure appears to be excessive, it was explained to us that in order to reduce the percentage it has been proposed that the Department should take over the control of roads, etc., in the Province. We consider the latter a very sound suggestion and should like to be informed whether it has been accepted.

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48. *Grant No. 55—Agriculture, page 219, ibid.*—With reference to the certificate at foot of the balance sheet of the Imperial Cattle Breeding Farm on page 225, we recommend that any points in the report of the Director of Commercial Audit to which special attention has been called by him, should be included in the report of the Accountant General, Central Revenues. We notice certain obvious defects in the form of the balance-sheet as presented in the report of the latter officer. The Auditor General has agreed to consider the question whether the form of presentation in the Appropriation Accounts of the Accountant General, Central Revenues, should not be changed so as to conform to the type adopted by the Director. We do not think that minute details of trading accounts given on pages 226-230 are required.

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49. *Grant No. 56—Civil Veterinary Service, page 243, ibid.*—We were informed that the case mentioned in paragraph 52 of the report is still *sub judice* and we leave it to the Committee of next year to deal with it.

50. *Grant No. 67—Civil Works, page 273, ibid.*—We were informed that no action has been taken on paragraph 60 of the Report of the Public Accounts Committee for 1924-25 owing to a misunderstanding on the part of the Departments of the Government of India and that necessary action will now be taken.

51. *Paragraph 45 of the Report.*—We think it desirable that clerks (Question 945.) who maintain accounts should not be allowed also to make disbursements. We recognise that it may be unavoidable in certain small offices to entrust with the disbursement of money the clerk responsible for the maintenance of the accounts, but in such cases we think that provision should be made for necessary supervision by the officer in charge of the office.

52. *Grant No. 69—Stationery and Printing, page 303, ibid.*—We commend to the consideration of Government the question raised by the Auditor General whether arrangements should not be made which will ensure that the Central Government will include in its budget as a receipt from the Provincial Government a sum equivalent to the amount budgeted for by the latter for payment to the Central Government. (Question 847.)

53. We desire to draw the attention of the Government to the criticism at the end of Appendix XVI that the figures shown in the statements are entirely unreliable and that no useful purpose will be served by attempting to verify incorrect figures. We wish to add that the practice of showing under the head "Value of Books issued on Book Debits" of the average amount based on the issues made during two months of the year is incorrect. (Question 858.)

54. *Grant No. 73, North-West Frontier Province, paragraph 74 of the Report, page 54, ibid.*—We think that the irregularity should be communicated to the officer, though he has been transferred to another Province, in order that the occurrence of such irregularities in his new office may be obviated. (Question 732.)

55. *Grant No. 75, Delhi, page 393, ibid.*—As the expenditure under this grant is controlled by the Chief Commissioner, Delhi, we suggest that an officer from the Delhi Administration should be invited in future to appear before us with the officer from the Home Department. Such a practice now obtains in the Foreign and Political Department. From the point of view of the Public Accounts Committee, it is desirable that one department should be responsible for watching the progress of expenditure. (Question 825.)

56. *Paragraph 79 of the Report.*—We look forward to the receipt next year of the accounts mentioned in this paragraph. (Question 835.)

57. We accept the explanation given in the memorandum furnished by the Home Department (Appendix VII) and agree with the remarks in paragraphs 2 and 3 in that memorandum. (Question 836.)

58. *Grant No. 79—Central India, Explanation J.-1, page 434, ibid.*—We suggest that the necessity for the continuance of the fixed contract grant referred to herein should be examined by the Department. (Question 746.)

59. *Territorial and Political Pensions.*—We were informed that pensions to heads of tribes at Aden have been included in the Military and Political expenditure borne by His Majesty's Government. As regards

the classification of all expenditure under Aden as non-votable, some of us are of opinion that it should be a convention that an opportunity should be given to the Public Accounts Committee or the Assembly to express their views before the Governor General declares an item of expenditure non-votable, which has hitherto been votable.

60. *Paragraph 2 of the Report of the Accountant General, Posts and Telegraphs.*—We agree that a brief statement of the financial results of the year and of the general financial position of the department should be included in the Audit and Appropriation Accounts as has been done in the present Report.

Paragraph 5, ibid.—We are of opinion that the information regarding the capital position should be amplified in future so as to give more details of the expenditure during the year.

61. *Paragraph 8, ibid.*—We understand that Messrs. Price Waterhouse and Company recommended the opening of a stores suspense account for stamps outside Revenue but that the recommendation was not accepted by Government. As the issues of stamps vary largely from year to year, we recommend that the Government of India should reconsider the question of introducing a suspense account for stamps.

62. *Paragraphs 12 to 15, ibid.*—We endorse the view of the Auditor General that the fundamental basis for the form of the Demands for Grants, the accounts maintained by the Accountant General, the Appropriation accounts and the Finance and Revenue accounts must be the scheme of organisation and control in the Department.

63. *Paragraph 22, ibid.*—We desire to draw the attention of the Department to the remarks of the Accountant General at the end of this paragraph.

64. *Paragraph 45, ibid.*—The adoption of the suggestion in the last sentence of this paragraph is incompatible with the fundamental principles of budgeting. We desire to emphasise, however, the essential need for co-operation between the Posts and Telegraphs and Railway Departments and between the various departments of the Government of India generally.

65. *Paragraph 51, ibid.—Explanation III.*—We commend to the Department that it is desirable to exercise a check over current purchases to ensure that in all cases they are made with good judgment. It should be considered for this purpose whether any improvement is required in the existing arrangements for purchases.

66. *Paragraph 70, ibid.*—We understand that the question of transferring the control of the Indo-European Telegraph Department to India is being examined and we should like to know the result.

67. *Appendix II, ibid, paragraph 4.*—We agree with the Auditor General that the accountant is not responsible for seeing that all the receipts of cash have passed into the Cash Book and that, if any such misconception prevails, it should forthwith be removed.

68. *Audit Report on the Appropriation Accounts of the Army, Marine and Military Engineering Services for 1925-26. Paragraph 43.*—We regret it has not been possible for the Financial Adviser, Military Finance, owing to the absence of the Adjutant General on tour, to furnish us with a short statement of the very complicated case mentioned in this paragraph. Our first impression on going through the Audit Report generally was that the number of cases of fraud in the department was seriously large but we were assured that the important cases related to the war or post war periods. We understand that with the return of normal conditions we may expect to deal with much fewer cases of this nature in future reports. (Question 626.)

69. *Audit and Appropriation Accounts of Railways in India for the year 1925-26.*—It was suggested to us that the demands for Railway grants should be in the same form as the Appropriation Accounts. As we were informed that the form of the demands for grants had been approved by the Standing Finance Committee for Railways, we recommend that the Government should consult that Committee with a view to consideration, if necessary, by the next Public Accounts Committee. (Question 1116.)

70. *Grant No. 7—Capital New Construction, pages 133-34.*—We desire to point out that the table comparing the allotment and the expenditure should state the actual allotment sanctioned by the Assembly and not the allotment distributed by the Railway Department. (Question 1122.)

71. *Paragraph 2 of Appendix, page 200.*—We recommend that, in the light of experience on the East Indian Railway, the question whether audit on Company lines could be improved by increasing the staff of Government examiners, should be considered. We recognise that this question may involve an examination of the powers of the Railway Board under the contracts with the various Railways. (Question 1157.)

72. *Paragraph 4 of the Appendix, pages 202-07—Item (XVII).*—We are informed that instructions have been issued by the Railway Board with the object of curtailing the scope of private work orders in the workshops. We desire that the effect of the instructions should be carefully watched. (Questions 1162 and 1163.)

Item (XXII).—The Financial Commissioner has undertaken to investigate the question with the East Indian Railway and to enquire in consultation with the Chief Accounts Officer what steps should be taken to remedy the defects.

73. *Paragraph 77 of the Report.*—We agree with the suggestion of the Auditor General in paragraph 18 of his letter that it would be more satisfactory if the expenditure were also recorded in this paragraph. (Question 1195.)

74. *Paragraph 79 of the Report.*—We are informed that the case is still under consideration and we leave further enquiry to the Public Accounts Committee of next year. (Question 1196.)

75. We desire to record the valuable help that has been given to us by the Auditor General and his staff throughout our proceedings. The Committee also desire to acknowledge the services of Mr. V. K.

Aravamudha Ayangar whose remarkable industry and ability have been of great value to the Committee.

BASIL P. BLACKETT.

H. G. COCKE.

ABDUL MATIN CHAUDHURY.

B. DAS.

K. C. NEOGY.

A. RANGASWAMI IYENGAR.

S. MURTAZA.

S. C. MITRA.

N. M. JOSHI.

G. SARVOTHAM RAO.

K. AHMED.

The 26th August 1927.

We desire to place on record the valuable services that have been rendered to the Committee and through it to the Legislative Assembly by the Chairman, Sir Basil Blackett, who during five years of the Committee's existence has helped and guided their deliberations and within the very limited scope of the Committee's use expanded and developed its activities as an instrument for enforcing accuracy in estimates and economy in expenditure and for strengthening the control of the Assembly over the expenditure of the Government and its departments. He has placed at the disposal of the Committee his valuable experience at the British treasury and of the proceedings of Public Accounts Committees in England.

H. G. COCKE.

ABDUL MATIN CHAUDHURY.

B. DAS.

K. C. NEOGY.

A. RANGASWAMI IYENGAR.

S. MURTAZA.

S. C. MITRA.

N. M. JOSHI.

G. SARVOTHAM RAO.

K. AHMED.

The 26th August 1927.

V.—PROCEEDINGS OF THE COMMITTEE.

Proceedings of the first meeting of the Public Accounts Committee held on Friday, the 5th August 1927 at 2-30 p.m.

PRESENT :

(1) The Hon'ble Sir Basil Blackett, *Chairman*.

(2) Moulvi Abdul Matin Chaudhury.

(3) Mr. A. Rangaswami Iyengar.

(4) Maulvi Syyid Murtuza Sahib Bahadur.

(5) Mr. N. M. Joshi.

(6) Mr. G. Sarvotham Rao.

(7) Sir Frederic Gauntlett, Auditor General.

(8) Mr. C. W. Carson, Controller of Civil Accounts.

(9) Mr. G. Kaula, Accountant General, Central Revenues.

} *Members.*

} *Were also present.*

The Hon'ble Mr. A. F. L. Brayne, Financial Secretary, *Witness*.

1. The Committee took into consideration the Resolution on the report of the Public Accounts Committee on the accounts of 1924-25 which indicates the action which has been taken on that report and also the statement prepared by the Finance Department showing the action taken or proposed to be taken on certain outstanding points from previous reports.

2. *Paragraph 3 of the Resolution.*—The question was raised whether if lump cuts had been justified by experience, as seemed to be the case, the necessary reduction should not be made in the various detailed heads of grant ; The Financial Secretary agreed that wherever possible the cut should be made under the heads concerned. The Committee decided to pursue the question of lump cuts and over-budgeting in the accounts relating to Delhi capital expenditure and Railways.

3. *Paragraph 4.*—In order to meet difficulties experienced in watching progress of expenditure owing to large amounts being brought to account after the close of the year, it was suggested that the question should be considered whether annual adjustments after the close of the year could not be avoided by making quarterly or other periodical adjustments during the year based upon the estimated amounts of such adjustments, any difference between the actuals and the estimates being set right at the time of the last adjustment. The Financial Secretary agreed that the question was important and that it should be further pursued.

* Appendix I.

† Appendix II.

4. *Paragraph 5.*—The Auditor General explained the position so far as the adoption of the rules in the Provinces was concerned. Most of the Local Governments who had replied had agreed to adopt the proposed rules and the Auditor General added that if no replies were received within the next two months from other local Governments, he would proceed to give effect to those rules in the accounts of 1928-29 without waiting for their replies. The Financial Secretary explained that steps have been taken to give effect to these proposals so far as Central accounts were concerned with effect from 1928-29.

5. *Paragraph 9.*—The Committee decided to consider this paragraph in connection with the Post and Telegraph accounts.

6. *Paragraph 10.*—The Financial Secretary reported that the Finance Department was engaged in formulating comprehensive instructions for the guidance of all Departments, and was considering the procedure followed in England by the Treasury. He promised to circulate a memorandum* showing the latter procedure.

7. *Paragraph 12.*—The Financial Secretary explained that the rules in the Army Department, on which the Committee desired that the rules applicable to other cases of non-voted expenditure should be framed, were themselves undergoing revision and that until these were received, it was not desirable to frame rules for services other than the Army as recommended by the Committee. He pointed out that in the case of military expenditure the powers of re-appropriation given to subordinate authorities was extremely limited. This was due to the greater centralisation of Army control. In the case of civil authorities greater decentralisation existed and larger powers of re-appropriation followed. The Auditor General observed that the principle on which the Army rules were based was clearly laid down by the Secretary of State. No saving could be reappropriated to meet the cost of an entirely new service or services without the approval of the Finance Department. He thought it would be found that no great modification would be required in the Civil rules in this respect. The Committee desired that the rules framed by the Governor-General in Council should be placed before them and that they should be given an opportunity to record their views on the suitability of those rules.

The question was raised whether where savings occurred owing to underspending in voted heads the funds so set free should be utilised for expenditure on non-voted purposes. The Financial Secretary explained that under the rules of re-appropriation voted funds could not be re-appropriated for non-voted expenditure or *vice versa*. The Auditor General further explained that no grant voted and placed at the disposal of the executive Government could be formally reduced by surrender though the executive authorities might not utilise the total amount. If any savings accrued in this way, they naturally went to increase the surplus of the Government which was available for expenditure by the Governor-General in Council on his own authority in the case of non-voted expenditure and with the sanction of the Assembly in the case of voted expenditure.

8. *Paragraph 13.*—The Auditor General stated that he had received a report from the first Director of Audit in the United Provinces for the first eight months and that he was awaiting the report from his successor which could only be expected after the accounts had been closed.

9. *Paragraph 14.*—The Financial Secretary explained that the Central Board of Revenue had considered the question of framing a new set of rules for the Salt Department in cases contemplated in this paragraph and had come to the conclusion that it was unnecessary to frame any such rules, as it was unlikely that works of great importance would be constructed again by the Department under these conditions. He added that the general question of framing such rules for other authorities in similar circumstances had also been considered by the Department concerned and they had come to the conclusion that the existing rules were sufficient. It was pointed out that it would not be possible to frame special rules which would be applicable to all circumstances and that relaxation could be always allowed in special cases of difficulty. The Accountant General, Central Revenues, observed that so far as the Salt Department was concerned, no rules of any sort existed at present defining the powers of officers in the Northern India Salt Department. The Committee decided to consider this question when the accounts of the Salt Department were being examined.

10. *Paragraph 15.*—The question of introducing a systematic audit of receipts as well as of expenditure was raised and it was explained by the Auditor General that such an audit or test audit obtained at present in the case of Railways, Posts and Telegraphs and Customs and certain other institutions in respect of which the Governor-General in Council had required him to arrange for such audit under the statutory rules. A general audit of receipts would involve an amendment of these rules or a general instruction from the Governor-General in Council. He added that he would have to specially train expert staff for undertaking such audit and that it would require at least 5 years to train such expert staff before any real audit of receipts could be undertaken. This could only be done at considerable expense to the tax-payer. The Committee desired to be furnished with a copy of the complete list* of institutions, the audit of whose receipts was now arranged for by the Auditor General and decided to consider the general question after receipt of that statement. They further decided to examine the Central Board of Revenue on the question of the possibility and desirability of introducing such audit in respect of income-tax receipts and the Education, Health and Lands Department in respect of the Forest Department in the Andamans.

11. *Paragraph 18.*—It was decided to examine the Posts and Telegraphs Department in regard to this paragraph.

12. *Appendix II—Item 1 (c).*—The Committee desired to place on record that the question raised in this item has remained outstanding since 1924 and that it was time that it was disposed of.

13. *Item 1 (f).*—The Auditor General explained the position as regards provision for the accommodation of the new office. The Committee considered that a separate accounts office at Peshawar was most desirable from all points of view.

14. *Item 1 (h).*—The Committee desired that a final decision on this question might be expedited.

15. *Item 1 (i).*—It was decided to examine the Central Board of Revenue on this question.

* Not printed.

16. *Item 10.*—It was decided to examine the Education, Health and Lands Department on this question.

17. *Item 11.*—It was decided to ask the Industries and Labour Department to elucidate the position.

18. *Item 13.*—It was decided to take up this question in connection with the Appropriation Accounts for 1925-26.

19. *Items 14, 17 and 21.*—It was decided to consider the memoranda circulated in regard to these items after the Committee had completed the examination of the Posts and Telegraphs accounts.

20. *Items 15 and 16.*—It was decided to consider these two items specially along with the memoranda circulated in regard to them.

21. *Item 20.*—It was decided to examine the Posts and Telegraphs Department witness on this subject.

22. The Financial Secretary drew the attention of the Committee to their recommendation in paragraph 33 of the Report of the Committee for 1924-25 regarding the grant of additional facilities to the Auditor General for direct communication with the Secretary of State. He explained that the Government of India had carefully considered the question and come to the conclusion that such direct access was neither necessary nor desirable. The Secretary of State had in fact ruled that despatches and other communications should be furnished to the Auditor General only through the Government of India. The Auditor General quoted certain concrete cases where his request forwarding a communication to the Secretary of State had not been complied with. The Finance Member pointed out that the absence of direct access to the Secretary of State in no way impaired the independence of the Auditor General as an auditor and that the position of the Auditor General in India was similar to that of the Comptroller and Auditor General in England. It was pointed out that the Governor-General in Council would be prepared as a general rule to obtain the Secretary of State's decision with reasonable promptitude in cases where Auditor General thought the decision of the Secretary of State was required. If in any particular case the Auditor General and the Governor-General in Council were at variance, it was still open to the Auditor General under his statutory powers, to mention the disagreement in his annual letter forwarding the Audit and Appropriation Accounts. The Auditor General did not consider this method of access entirely satisfactory as, in the first place, the efficiency of audit was impaired if reference to the Secretary of State required in any particular case was to be delayed in order to be included in the annual letter which was issued nearly 15 months after the close of the year, and secondly due prominence was not given to such cases if they were included in a communication covering a wide field and including matters of varying degrees of importance. The Committee desired to be furnished with a memorandum* on the case. While some members considered that direct access should be allowed to the Auditor General in virtue of his position, it was realised that the question concerned the relations of the Secretary of State with the Government of India. The general opinion was that this question should be referred for the consideration of the Statutory Commission along with the cognate question of the relations of the Auditor General to the Auditor of Home Accounts.

23. The Committee then considered paragraphs 3 and 4 of the Auditor General's letter of the 14th July 1927 to the Government of India containing his comments on the Audit and Appropriation Accounts of the Central Government for the year 1925-26.

24. *Paragraph 3 (a) of the letter.*—The Committee decided to examine the Education, Health and Lands Department witness on this question.

25. *Paragraph 3 (b).*—The Committee decided to examine the witness from the Home Department on the question of railway warrants for police. The Financial Secretary promised to find out the existing position in regard to this matter on the Army side.

26. *Paragraph 3 (c).*—The Financial Secretary explained the conclusions which had been arrived at by the Government of India on this question and stated that they were being communicated for the orders of the Secretary of State.

7. The Committee then took up for discussion the Audit and Appropriation Report for 1925-26 on the accounts of the Posts and Telegraphs Department.

8. *Paragraph 2 of the Report.*—The Committee desired that a brief statement of the financial results of the year and of the general financial position of the Department should be included in the Audit and Appropriation Accounts as had been done in the Report under consideration.

9. *Paragraph 5.*—The Committee was of opinion that the information regarding the capital position might be amplified in future so as to give more details of the capital expenditure incurred during the year. The method of debiting some portion of the capital expenditure to Revenue and some to Capital was then discussed and it was explained that so far as the Posts and Telegraphs Department was concerned, the whole outlay was considered as capital expenditure but that that fact did not in any way require as a logical consequence that the total sum required for that capital expenditure must be borrowed and not met from Revenue. The latter was entirely a question of general finance. The Committee were then informed of the manner on which various items were distributed between Revenue and Capital and it was pointed out that the Government had simply continued the past practice in regard to this classification.

10. *Paragraph 7.*—The Committee considered the suggestion of the Accountant General that the system of trunk telephones was in some cases being worked rather as a matter of policy than a business proposition. The Director General agreed to submit a statement of the Government's telephone policy.

11. *Paragraph 8.*—The Committee decided to recommend to the Government that they should reconsider the question of introducing a Stores Suspense Account for Stamps outside Revenue. On the general question that was raised as to whether profits of the Department should not be taken to a reserve fund as in Railways, the Committee came to the conclusion that the present system under which the Department is allowed rebate on the profits should be continued but that the *pro forma* account of the profits made by the Department should be given in the Audit and Appropriation Accounts.

12. *Paragraph 9.*—The comparatively heavy charges in proportion to revenue under Telegraph Direction were explained as due to the higher rates of pay of Engineering staff and to the reduction in telegraph revenue owing to trade depression during the last two or three years and recently to the troubles in China. It was stated that the increase under money-orders and British Postal Orders was due to the ordinary general expansion of business. The Director General observed that the revised formula for the collection rate based upon the new ratio of 1s. 6d. per rupee had been introduced from the 1st of July.

13. *Paragraph 10.*—The Financial Adviser explained that the question of the pensionary liability of the Department was still under consideration, and that certain information which was required by the Government Actuary was being collected. It was a difficult question which would take some considerable time to settle.

14 *Paragraph 11.*—The Director General explained that the delay in the presentation of the bill for telephone accounts, etc., was due to the lack of sufficient staff to cope with the expanding business and that steps had been

aken to prevent such delays by the opening of a special Telephone Accounting Office at Delhi, by providing for the payment of telephone charges into post offices and by insistence on deposits for trunk calls.

15. As regards the question of general over-estimating it was explained that the system of lump cuts had been greatly extended and that a Budget Branch had been formed in the office of the Director General to scrutinise estimates sent in by circle officers and to reduce estimates in the light of past experience, with the result that great improvement had been effected in the estimates.

16. As regards the difference in interest charges, it was explained that at the time of the Budget very little information was available.

17. *Paragraphs 12 to 15.*—The Committee endorsed the Auditor General's suggestion that the fundamental basis for form of the demands for grants, the accounts maintained by the Accountant General, the Appropriation Accounts and the Finance and Revenue Accounts, must be the scheme of organisation and control in the Posts and Telegraphs Department. The Committee recognised that the changes made in classification after the presentation of the Budget were unavoidable owing to the circumstances in which commercialisation of the Department was introduced.

18. *Paragraph 22.*—It was explained that the importance of proper administration of the grants had been brought to the notice of officers at a recent Conference and that the matter was being constantly watched. The Committee desired that the attention of the Department should be drawn to the remarks of the Accountant General at the end of this paragraph.

19. *Paragraph 23.*—The Committee agreed with the suggestion of the Accountant General in the last sentence of this paragraph.

20. *Paragraph 24.*—The Committee endorsed the suggestion of the Auditor General in paragraph 14 of his letter of the 4th May 1927 on the Audit and Appropriation Accounts of the Posts and Telegraphs Department.

21. *Paragraph 25.*—The Committee noted with satisfaction that the post-war tendency to increase in the number of frauds had been arrested.

22. *Paragraph 26.*—The Director General explained that the extension of the system of contracts for treasury work at post offices would reduce the number of embezzlements. As regards inspections, he explained that there were two kinds of inspections in the Department :

- (1) a thorough inspection which was carried out annually, and
- (2) an inspection in the nature of a surprise visit to see that the orders issued as a result of the first inspection were being carried out.

23. *Paragraphs 27, 29 and 35.*—The Director General explained that circulars were issued once a year bringing to the special notice of the staff of the Department the importance of the safe custody of receipt books of money orders, stamps and of keys.

24. *Paragraph 30.*—It was explained that a reward had been given in this particular case and that recently heads of circles had been asked to endeavour to encourage the staff by recommending rewards in suitable cases.

Proceedings of the third meeting of the Public Accounts Committee held on Saturday, the 6th August, 1927, at 3 p.m.

Present :

(1) The Hon'ble Sir BASIL BLACKETT, K.C.B., K.C.S.I., *Chairman*.

(2) Mr. H. G. COCKE,

(3) Maulvi ABDUL MATIN CHAUDHURY,

(4) Mr. B. DAS,

(5) Mr. A. RANGASWAMI IYENGAR,

(6) Maulvi SAYID MURTUZA Sahib Bahadur,

(7) Mr. N. M. JOSHI,

(8) Mr. G. SARVOTHAM RAO,

(9) Sir FREDERIC GAUNTLETT, Auditor General,

(10) Mr. A. C. BADENOCH, Accountant General, Posts and Telegraphs,

(11) Mr. T. RYAN, C.I.E., Financial Adviser, Posts and Telegraphs,

(12) Mr. M. R. COBURN, Director of Establishment, Posts and Telegraphs,

} Members.

} Were also present.

Mr. H. A. SAMS, Director General, Posts and Telegraphs. Witness.

The Committee continued discussion of the Audit and Appropriation Report for 1925-26 on the accounts of the Posts and Telegraphs.

2. *Paragraph 32.*—It was explained that instructions had been issued carrying out the suggestions of the Accountant General in the last paragraph.

3. *Paragraph 34.*—The Accountant General explained the system of collecting customs duty on foreign registered packets and stated that till now there had been no provision for comparing the claims made by the Department with the payments actually made by the Department to the Customs Department. A scheme had been submitted by him to the Director General and it was reported that it had been accepted and was being introduced.

4. *Paragraph 36.*—It was reported that the Railway authorities had accepted the debit and that an elaborate scheme for registration of assets had been introduced and that no such case would occur again. The question of disciplinary action was still underconsideration.

5. *Paragraph 39.*—The Committee expressed the hope that the introduction of a commercial system of accounts in the Posts and Telegraphs Department would prove a further incentive to the Department to ensure that the expenditure on buildings was reasonably remunerative.

6. *Paragraph 45.*—As regards the grant of funds for works required by the Railway Board, the Director General was requested to submit a statement showing for the year 1925-26 (1) the amount asked for by Railways, (2) the amount provided for by the Posts and Telegraphs Department in the estimates, and (3) the amount actually spent. The Director General was also asked to include in the statement his comments on the method of making provision for such works adopted in the estimates of 1927. The Committee decided to examine the Financial Commissioner, Railways and the Financial Adviser, Posts and Telegraphs together on this point after receipt of the above statement.

7. *Paragraph 50.*—The Committee decided to examine the Accountant General, Central Revenues on the question of distributing the letter press in such a way that explanations would be given below the corresponding portions of the tabular statement.

8. *Paragraph 48.*—It was explained that the question of introducing new classifications in the Home accounts had been satisfactorily settled.

9. *Paragraph 51.*—In regard to explanation II (4) the Accountant General stated that most of the adjustments in accounts were made monthly or quarterly. The Committee did not pursue the point as they had already raised the general question of making periodical adjustments during the year.

As regards explanation II (7), it was pointed out that the engineers themselves were partly responsible for the late distribution of extra amounts and that the question of providing adequate staff for construction and maintenance would be carefully examined. As regards surplus stores, the Director General explained that the Standing Committee was investigating the question, that the system of purchases had been re-organised and that no over-buying existed at present. He was asked to submit a comprehensive memorandum explaining the present position in regard to surplus and unserviceable stores held by the Department.

The Committee decided to recommend to the Department that it was desirable to exercise a check over current purchases to ensure that these were made with good judgment and that it should further be considered whether any improvement was required in the existing arrangements for purchases.

10. *Paragraph 56.*—In regard to explanation I and II (5) it was pointed out that the position would be improved in future as estimates were now received from the departmental officers instead of from local Governments.

11. *Paragraph 57—Explanation 6.*—It was explained that the excess provision was due to (1) the abandonment of a Radio station after the Budget had been passed, (2) a double provision due to the confusion consequent upon the introduction of the new system of accounting and (3) the adjustments made by the Accountant General proving less than the stores reported to have been actually issued.

12. *Paragraph 30 of the Auditor General's letter.*—The Committee agreed with the Auditor General that no grants can ever be formally reduced by surrender.

13. *Paragraph 65.*—It was explained that purchases from England were confined to certain complicated instruments and that a large number of articles required for the Department were now manufactured in the Alipore workshop.

14. *Paragraph 70.*—It was explained that the question of transferring the control of the Indo-European Telegraph Department to India was being examined.

15. *Paragraph 75.*—For the reasons explained in the last sub-paragraph, the Committee decided to recommend the sanction of the excess grant.

16. *Appendix II of the Audit and Appropriation Report, paragraph 4.*—The Committee did not desire to pursue the question of disciplinary action as the Auditor General himself did not regard it as obviously inadequate because it had been recognised on all sides that the duty imposed upon the Divisional Engineer was not capable of proper fulfilment. The Committee, however, desired to place on record that there was no suggestion that the officer responsible for cash relied on his accountant for the proper accounting of all receipts in the cash book.

Proceedings of the 4th and 5th meetings of the Public Accounts Committee held on Monday, the 8th August 1927, at 11 a.m. and 3 p.m., respectively.

PRESENT :

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|---|---|-----------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C. S.I., <i>Chairman.</i> | } | <i>Members.</i> |
| (2) Mr. H. G. Cocke. | | |
| (3) Maulvi Abdul Matin Chaudhury. | | |
| (4) Mr. B. Das. | | |
| (5) Mr. A. Rangaswami Iyengar. | | |
| (6) Maulvi Sayid Murtuza Sahib Bahadur. | | |
| (7) Mr. N. M. Joshi. | | |
| (8) Mr. G. Sarvotham Rao. | | |
| (9) Mr. K. C. Neogy. |  |  | } | Were also present. |
| (10) Sir Frederic Gauntlett, Auditor General. | | |
| (11) Mr. G. Kaula, Accountant General,
Central Revenues. | | |
| (12) Mr. C. W. C. Carson, Controller of Civil
Accounts. | | |
| (13) Mr. T. K. Rajagopalan, Officer on Special
Duty. | | |
| (14) Mr. D. C. Campbell, Director of Com-
mercial Audit. | | |

Mr. A. H. Lloyd, Member, Central Board of Revenue, *Witness.*

1. Mr. Lloyd was examined on matters with which the Central Board of Revenue was concerned. The witness was first examined on the following outstanding questions arising out of the Resolution of 5th May 1927 :—

- (a) *Paragraph 14 of Resolution.*—It was explained that the existing rules in the Civil Account and Public Works Codes were found quite suitable both in regard to manufacturing charges and capital construction works. Slight modifications which were necessary in the Public Works Rules had been made recently by the Central Board of Revenue in consultation with the Audit Officer.
- (b) *Audit of income-tax receipts.*—It was explained that the general question of the audit of receipts under the Central Board of Revenue had been very carefully considered by a special officer under the Finance Department and his report had been recently received and was being considered by the Central

Board of Revenue. The Committee considered the question of introducing a systematic audit of receipts as very important and left it to the Public Accounts Committee for next year to examine what action had been taken on the special officer's report. As regards customs receipts, Mr. Lloyd explained that independently of the above report proposals had been called for and received from Collectors of customs and were being examined by the Board. No decision had yet been reached, but it was likely that considerable expenditure would be involved in the final proposals that might be made. He added that if such proposals were accepted by Government they would be submitted to the Standing Finance Committee in time for inclusion of the necessary provision in the next Budget.

2. The witness was then examined on the grants relating to the Departments under the control of the Central Board of Revenue in the Accountant General, Central Revenues' Audit and Appropriation Accounts for 1925-26.

3. *Grant 1—Customs, page 98.*—The Committee commented on the tendency to overestimating throughout the grants and were informed that the system of lump cuts was now applied with a view to counteract the tendency, especially in regard to establishments where estimates were based upon existing cadres without regard to inevitable savings due to leave, retirement, etc. On a suggestion from one of the members, the Accountant General agreed to give a foot-note of over-time receipts in the Appropriation Accounts in the same way as it is given in the demands for grants. The question was considered whether the purchase of certain electric tabulating and sorting machines was a new service and it was explained that it was only a new method of service. As regards the amendment of the Sea Customs Act, Mr. Lloyd said that it was a difficult and complicated task and that an amending bill was now under consideration in the Legislative Department.

4. The Committee next considered the case of financial irregularity reported in paragraph 30 of the report and it was explained that in the case of item (ii) there was a genuine misunderstanding on the part of the Collector and that the matter had since been approved by the Standing Finance Committee.

5. *Grant No. 17—Taxes on income, page 102.*—The tendency of estimating for establishments based upon the average cost of appointments was brought to notice by the witness and the Committee agreed with him that such a method of estimating was quite incorrect and should be abandoned. It was explained that the savings under 'Establishment Charges' paid to the other Governments (Bombay) were due to the payment for 1924-25 having been adjusted in the accounts of that year instead of being postponed as in previous years to be adjusted in the accounts of the following year, payments to the Bombay Government having actually ceased with effect from 1925-26. On being asked whether a tendency to avoid travelling was observed in the Department as in Posts and Telegraphs, the witness stated that he was not aware of any loss of efficiency in inspection in the Departments under the control of the Central Board of Revenue. With reference to the last sentence of paragraph 31 of the

Report, the witness added that though the Government had waived recovery, they had expressed their displeasure at the irregularity.

6. *Grant No. 18—Salt, page 105.*—The witness explained the savings under manufacture and excavation charges and under weighment charges as due to the tendency in the past to make provision based upon the maximum output of salt possible during the coming year, regardless of market requirements. The question had since been taken up by the Board in order to establish a closer control over the output and consequently over the provision made in the Budget. The Committee noticed the excessive closing balance of salt stores in the Northern India Salt Revenue Department. The witness stated that an officer on special duty had been inquiring among other things into the existing stocks of salt at various places and that steps had been taken to reduce the stocks to reasonable levels. In view of the large expenditure on account of manufacture and excavation charges and weighment, supplies and services and to underweighment charges, the Accountant General agreed to show these two items separately in the Appropriation Accounts in future. In regard to saving of Rs. 1,72,000 mentioned on page 109 the Audit Officer pointed out that it was due to the substitution of hire system for purchase introduced at his suggestion. The delay in the raising of the debit by the Railways against the Department referred to on page 110 was explained to be due to late receipt of sanction from the Railway Board for the sale. The Committee then examined the witness on the question of the purchase by Government of a siding from the Gudha Labour Society. It was explained that the valuation of the siding was made by a special officer deputed by the Railway Board and that the purchase of the line gave to Government more favourable contract rates. The question whether the purchase involved a new service was raised and it was considered that it did not, as the Department work in several places with their own sidings. As regards the verification of the stock of salt at Sambhar, it was explained that special measures had been taken for such verification. In connection with the Khewra Electrification Scheme, the Committee desired to recommend that a statement should be furnished to the next Public Accounts Committee showing the results of the scheme. The witness was asked to furnish a statement of the cost to Government of the free supply of electricity to the officers of the Department at Khewra and of its value to the officers themselves. As regards the statement that the Store accounts were not subject to audit, the Auditor General explained that it was due to the fact that there were no rules in the Auditor General's Rules for the audit of such Store accounts. The officer on special duty added that one of the suggestions now before the Board in his Report included the institution of an audit of the Store accounts. The Committee were informed that the scrutiny by the Audit Officer of certain parts of the Budget mentioned in paragraph 32 of the Report had been discontinued recently, as the Board maintained that they had gained sufficient experience to make the scrutiny themselves. The Committee agreed that it was not the function of audit to scrutinise the Budget for which one authority must be responsible. The witness explained that orders had been issued on the Local Audit Report referred to in the last sentence of paragraph 33 and that orders had been issued carrying out suggestions in the last sentence of paragraph 35.

7. *Grant No. 19—Opium, page 120.*—In regard to the saving of Rs. 15,45,000 under Malwa Opium, the witness explained that it was not

possible to take this into account when the supplementary grant under Benares Opium was presented to the Assembly owing to short notice at which the latter was applied for and required. The Director, Commercial Audit, reported that unlike the Salt Store accounts, the Opium Store accounts were being audited and that the commercialisation in the Opium Department had been carried only to the extent of ascertaining costs at the Ghazipur Opium Factory for the purpose of charging the Provincial Governments, etc.

8. *Grant No. 20, Stamps, page 128.*—The Committee decided to recommend to the Government that the retention in the depot of the Chinese Expeditionary Force and Indian Expeditionary Force stamps which had been lying in stock for a long time should be considered by the Central Board of Revenue. They also endorsed the Auditor General's remarks in paragraph 22 of his letter of the 14th July 1927. They proposed to examine the Industries and Labour Department on the irregularities referred to in paragraph 40 of the Report.

9. *Grant No. 72—Refunds, page 345.*—The excess under Customs refunds voted was stated to be due to the classification during the year as voted of refunds made without application by merchants. The witness explained that the heavy debits raised in the March final Exchange accounts by Bombay related to refunds paid on goods sent to Persia and Afghanistan. The Committee recommended that the problem of watching liabilities of this character should be examined by the Central Board of Revenue and that arrangements should be made for obtaining the necessary supplementary grant in such cases.

10. The Committee then took up paragraph 111 of the Report of the Accountant General, Central Revenues, relating to outstanding points in the accounts for 1924-25.

Sub-paragraph 11.—It was explained that the Government had decided to institute a Local Fund to which they should add a certain contribution and that a proposal to this effect would be placed before the Standing Finance Committee.

Sub-paragraph 12.—It was explained that no orders were necessary in this case.

Sub-paragraph 25.—The decision of the Government to remit the hire charges was justified on the ground that the contract rate was otherwise insufficient to give a fair return to the society.

Sub-paragraph 27.—It was reported that orders were under issue.

Sub-paragraph 28.—It was reported that orders had been issued.

Sub-paragraph 31.—It was reported that the question was still under examination. The Committee considered that, in view of the fact that the generating plant was in operation only during a year of scanty rainfall and then only for about six weeks, the Board should examine whether some other method of supplying the power could not be devised, the present electric Power House being dismantled. They asked that a full statement justifying retention of the Power House and indicating the steps taken to reduce the cost of generation of current to be submitted by the Board.

Proceedings of the 6th and 7th meetings of the Public Accounts Committee held on Tuesday, the 9th August, 1927, at 11 a.m. and 3 p.m., respectively.

1. The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., *Chairman*.
 2. Mr. H. G. Cocke.
 3. Maulvi Abdul Matin Chaudhury.
 4. Mr. B. Das.
 5. Mr. A. Rangaswami Iyengar.
 6. Maulvi Sayid Murtuza Sahib Bahadur.
 7. Mr. N. M. Joshi.
 8. Mr. G. Sarvotham Rao.
 9. Mr. K. C. Neogy.
 10. Sir Frederic Gauntlett, Auditor General.
 11. *Mr. A. F. L. Brayne, Financial Secretary.
 12. *Mr. G. M. Young, Army Secretary.
 13. Mr. T. K. Rajagopalan, Officer on Special Duty.
 14. Mr. J. W. Ebdon, Director of Army Audit.
 - Mr. A. M. Rouse, Chief Engineer, Delhi.
 - Mr. J. L. Sale, Superintending Engineer, Delhi.
- } Were also present.
- } Witnesses.

1. Mr. McWatters and Mr. Rouse were first examined on the memorandum† submitted by the Auditor General with reference to paragraph 111 (80), page 90 of the Audit and Appropriation Accounts for 1925-26. The constitution, powers and functions of the New Capital Executive and the nature of the accounts organization and audit control of New Capital expenditure were first explained to the Committee.

2. *Appendix XIII, paragraphs 7 and 8.*—The selection of the personnel of the Sub-Committee was justified by the witnesses as also the decision of the Committee not to reduce the evidence to writing.

3. *Paragraph 9 ibid.*—It was explained that Mr. Croad's report covered only a preliminary investigation with the object of making a personal count for measurement of the balance of stone and of finding out the best method of calculating wastage. The conclusions in regard to the latter were not accepted and consequently the deputation of the Accounts Officer was ordered for further investigation. Mr. Croad's report was regarded as a departmental document and thus it was not furnished to the Audit Officer in the first instance.

4. *Paragraph 10 ibid.*—It was stated that the difference between the accounts and actual balance of stone had been noticed long before the

*In the afternoon.

† Appendix XIII.

matter was diligently pursued by the Accounts Officer. It was suggested that the reason for postponement of serious investigation was that the Audit Officer at the time was a junior officer who could not be expected to give complete financial assistance.

5. *Paragraph 11 ibid.*—It was explained that works of the kind carried out in New Delhi existed nowhere else in India and that the present wastage of 41 per cent. compared very favourably with the wastage accepted by Messrs. Martin and Co., who were carrying out building work of a smaller and less complicated nature in Delhi.

6. *Paragraph 12 ibid.*—The procedure followed by the Accounts Officer in his investigation was described in detail. It was further pointed out that quantity accounts were found to be accurate and the wastage per cent., initially worked out by the Accounts Officer at a lower figure than that accepted, was explained as due to a mistake in the figure of the amount of rough stone received.

7. *Paragraph 14 (a) (i) ibid.*—It was stated that this had involved Government in no loss.

(b) It was reported that the members of the Committee had made a surprise visit and had checked the measurements of rough blocks and detected no over measurements.

(c) The arrangements for loading stone at the quarries and receiving it at the stone yards were fully explained. It was contended that this arrangement made it impossible for stone from the Government quarry to be illicitly mixed with stone from the neighbouring private quarries.

8. *Paragraph 18 ibid.*—The witnesses justified the disciplinary action taken in each case.

9. *Paragraph 22 ibid.*—It was pointed out that Mr. Croad had himself accepted the revised results of wastage per cent.

10. *Paragraph 23 ibid.*—It was considered impossible to abide by the contract as any such insistence would have resulted in the rejection of the contract. It was stated that the Department was only following the ordinary procedure for the sale of stone to the public. The agreement had since been revised in 1925 or 1926 and payments were now being made on the basis of finished measurements.

11. *Paragraph 27 ibid.*—It was pointed out at the outset that the work will shortly be closed down.

(a) It was stated that an overseer had been appointed to take measurements in person in the quarries.

(b) It was reported that the agreements now in force were precise as to the form in which the stone must be supplied, the method of measurement for payment and the rejection of stone deemed

- (c) It was stated that the subordinates at the stone yard checked 50 per cent. in addition to the full check at quarries, and there were also other checks which were duly recorded.
- (d) The Government quarry was reported to be more or less defunct.
- (e) It was reported that stock is now being taken by the Accounts Officer. As regards the accounting arrangements, the matter was under consideration.
- (f) The Auditor General explained that he was unaware that the work was coming to a close.

12. The Committee then took up the memorandum (Appendix XIV) furnished by the Accountant General on matters dealt with in paragraph 89 of the Audit and Appropriation Accounts. Mr. Rajagopalan explained the case at some length, indicating the scope of the Committee, the result of the investigation and their findings. The object was said to be to effect improvements in the system and the reasons for not expanding the terms of reference were also explained.

13. *Paragraph 13, Appendix XIV.*—The general question of purchase in advance was then considered and the reasons for large balance in stock were said to be :

- (1) accumulation of previous years,
- (2) the necessity of having to purchase in a fluctuating market and difficulties in obtaining stores,
- (3) economy, as for example in the case of pipes, where large purchases were made before prices rose.

14. *Paragraph 11 (c) ibid.*—The Committee considered that the rule in the Public Works Code was sound and should be generally followed.

15. *Paragraph 14 ibid.*—It was explained that the temporary substitution of porcelain for steel conduits had resulted ultimately in a net saving to Government.

16. *Paragraph 15 ibid.*—It was reported that the officer had since been reverted to Military employ and the New Capital Committee considered this reversion with its effect on the officer's emoluments and prospects to be a sufficient punishment.

17. *Paragraph 16 ibid.*—It was stated that the record of displeasure would affect the officer's promotion.

18. *Paragraph 17 ibid.*—The Auditor General explained that the system followed by the Delhi Public Works Department was not completely based upon the Public Works Code and that the innovations made rendered it difficult for audit to detect irregularities. The institution of the separate Pay and Accounts Office had resulted in improvement of the system. The Auditor General added that he had obtained all necessary information and that he did not want to pursue the point.

19. The Committee then proceeded to consider Grant No. 80—Delhi Capital Outlay, page 485. It was explained that the imposition of lump sums which had been introduced would prevent recurrence of lapses of such magnitude as were noticed in the year 1925-26. It was reported that all the suggestions in paragraph 121 of the Auditor General's letter had been adopted and that the question referred to in paragraph 122 was still under investigation.

20. As regards paragraph 86 of the Audit and Appropriation Accounts, rules were under the consideration of the Secretary of State. On the question whether they should have been shown to the Public Accounts Committee, it was agreed that such detailed rules of administration did not come under the purview of the Committee.

21. As regards paragraph 87, it was explained that though the reports were based upon estimates until completion reports were available, they were revised as soon as the latter reports were received. With reference to the instances of inadequate scrutiny of bills brought to notice in paragraph 96 of the Report, the Chief Engineer explained that the contractors' bills were prepared by the Accounts Office and broadly scrutinised by the Chief Engineer. Although this involved the abandonment of the dual check ordinarily exercised in a Public Works Office, it was on the whole economical.

22. The Committee then proceeded to consider the report of the *ad hoc* Committee on the Audit and Appropriation Accounts of the Army, Marine and Military Engineering Services for 1925-26.

23. The Committee endorsed the opinion that the Financial Adviser should prepare a full statement of points outstanding from previous reports.

24. *Audit Report, paragraph 4.*—It was explained that certain reductions had been effected as regards officers and that the staff of clerks would shortly be examined by a special officer as recommended by the Innes Committee. The Committee observed that this was the first year for some time in which large savings were not noticeable in the Army grant and were informed that it was due to closer budgeting.

25. *Paragraph 36 of the Appropriation Accounts.*—The Financial Secretary explained the system of net grants in the Army. At present the net grant was regarded in the main as available for the administration of the military services and if savings were effected, they were in general available to meet heavy demands for expenditure on essential new services with the approval of the Finance Department. This system encouraged economy as only thus could the requirements for many improvements be met. This arrangement was strictly temporary. The Committee considered that as a permanent arrangement the system was open to considerable objection, although at present there was no evidence of laxity of control over expenditure. The Committee decided to embody in the Report their opinion that it was essential as a dominant feature of the Army estimates that they should provide solely for what was actually required for the administration of the Army during the year having due regard also to the general financial position and that any savings which accrued should go to general revenues in the first instance. Any departure from this salutary principle should be fully explained.

**Proceedings of the 8th meeting of the Public Accounts Committee held on
Wednesday, the 10th August, 1927, at 11 a.m.**

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|---|---|---------------------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman</i> ... | } | <i>Members.</i> |
| (2) Mr. H. G. Cocke. | | |
| (3) Maulvi Abdul Matin Chaudhury. | | |
| (4) Mr. B. Das. | | |
| (5) Mr. A. Rangaswami Iyengar. | | |
| (6) Maulvi Sayid Murtuza Sahib Bahadur. | | |
| (7) Mr. N. M. Joshi. | | |
| (8) Mr. G. Sarvotham Rao. | | |
| (9) Mr. K. C. Neogy. | | |
| (10) Sir Frederic Gauntlett, Auditor General. | } | <i>Were also present.</i> |
| (11) Mr. A. F. L. Brayne, Financial Secretary. | | |
| (12) Mr. G. M. Young, Army Secretary. | | |
| (13) Mr. J. W. Ebdon, Director of Army Audit. | | |

1. Examination of the report of the Committee appointed to examine the Audit and Appropriation Reports on the Army Accounts for 1924-25 was continued.

2. The question of lump sum provisions in the Army estimates was considered and it was explained that the incurring of any expenditure against the provision was subject to effectual control by the Finance Department.

3. The Committee endorsed the recommendations of the *ad hoc* Committee subject to the remarks below.

4. *Paragraph 43 of the Audit Report.*—The Financial Secretary explained the main features of the case. The Committee decided that a short statement of the case should be submitted by the Financial Adviser, Military Finance, and that reference thereto should be made in the Report. They expressed the hope that such irregularities were peculiar to war and post-war conditions and that they would not be a feature of reports prepared under normal conditions.

5. *Paragraph 65 of the Audit Report.*—The Committee noted that such cases were not likely to recur under present conditions.

6. *Paragraph 99 of the Audit Report.*—The Committee desired that the memorandum referred to in the report of the *ad hoc* Committee should be expedited and should further include a statement showing the present practice in regard to re-appropriations between grants for expenditure in India and in England.

7. *Paragraph 26 of the Audit Report.*—The Committee were informed that the statement in the proceedings of the 11th July 1927 of the *ad hoc* Committee that a time-bar was generally imposed on the investigation of cases of losses did not mean that losses which come to notice after a certain

time were not investigated. The intention was that the investigation of any loss must not be unduly protracted. This intention should be definitely expressed. They considered that the general principles on which disciplinary action should be based in such cases should be further examined in connection with similar action on the civil side of the administration.

8. *Appropriation Accounts, page 1.*—The Committee discussed at some length the question of the proper procedure for the issue of orders by the Departments of the Government of India in cases where the concurrence of the Finance Department was necessary for the sanction communicated in those orders. The Financial Secretary explained that whereas the functions of the Finance Departments of the Provincial Governments were fully expressed in the Devolution Rules those of the Finance Department of the Central Government were expressed in rules of Secretariat procedure laid down by the Governor General in Council. The Auditor General held that if the rules regarding the special powers of sanction of individual Departments of the Government of India were to be regarded as mere inter-Departmental rules of business within the Government and subject to the orders of that Government, audit officers would be greatly relieved of a large amount of work which they were at present doing. In that case, he added that the rules should not find a place in the Book of Financial Powers. The Committee decided to refer to this question in their Report.

9. *Paragraph 13 of the Report of the Auditor upon the accounts of the Secretary of State.*—The Committee desired to have further particulars of the claim and the results of the enquiry.

10. *Paragraph 14 *ibid.**—It was explained that the Military Secretary, India Office, was represented on the Commission.

11. *Page 11 of the Appropriation Statement furnished by the Chief Accounting Officer to the High Commissioner.*—In regard to the explanation that recruitment to Ordnance Factories exceeded the average of past years, the Committee desired to be informed* of the reasons for the increase. They understood that arrangements had been made to secure a larger proportion of Indians in this Department. This ought to mean a reduction in recruitment from England. They therefore expressed a wish for further information on the progress of Indianisation of this branch of the Service.

*Subsequently furnished.

Proceedings of the 9th meeting of the Public Accounts Committee held on Wednesday, the 10th August 1927, at 2-45 p.m.

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| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman.</i> | |
| (2) Mr. H. G. Cocke. | |
| (3) Maulvi Abdul Matin Chaudhury. | |
| (4) Mr. B. Das. | |
| (5) Mr. A. Rangaswami Iyengar. | |
| (6) Maulvi Sayid Murtuza Sahib Bahadur. | |
| (7) Mr. N. M. Joshi. | |
| (8) Mr. G. Sarvotham Rao. | |
| (9) Mr. K. C. Neogy. | |
| (10) Sir Frederic Gauntlett, Auditor General. | |
| (11) G. Kaula, Accountant General, Central Revenues. | |
| Mr. A. C. Lothian, Deputy Secretary, Foreign and Political Department. | |
| Mr. A. F. Emmer, Assistant Secretary, Foreign and Political Department. | |
| Rai Sahib Chuni Lal, Foreign and Political Department. | |
- Members.

Were also present

Witnesses

1. The witnesses from the Foreign and Political Department were examined.

2. *Grant No. 73—North-West Frontier Province, page 348—Account VIII, Note B.-2-4.*—The Committee noticed here as elsewhere the prevalence of the practice of basing budget provision on average instead of on actual pay.

Account X.—It was explained that as a result of the recommendations of the previous Public Accounts Committees changes had been introduced in the budget and accounting system which would prevent the occurrence in future of cases where expenditure was accounted for under one head, while provision was made under another. The savings in contingencies under various sub-heads were explained as due to the general tightening up of control of contingent expenses, and it was suggested that the possibilities of further scrutiny to secure further economy might be examined. The Auditor General stated that a very satisfactory system of audit procedure was in operation in regard to the audit of secret service expenditure in the North-West Frontier Province. As regards the financial irregularities noticed in paragraph 73 of the Report, it was reported that disciplinary action was under consideration and that orders prescribing definite detailed procedure as suggested in this paragraph had been issued. With reference

to the last sub-paragraph of paragraph 74 of the Report, the Committee considered that the irregularity should be communicated to the officer, though he had been transferred to another province in order that the occurrence of such irregularities in his new province might be obviated.

3. *Grant No. 74, Baluchistan, page 379.*—The Committee noticed the operation of the system of lump cuts mentioned in Explanation E on page 385. It was suggested by the witnesses that this had caused some administrative inconvenience. In connection with certain special and building grants sanctioned for schools for which no provision had been made in the original Budget, it was explained that these were based upon certain prescribed scales and were met from savings within the grant. On the question whether savings should be utilised for meeting such expenditure and whether the latter should not be postponed till provision was made in the new Budget, the Chairman explained that in respect of grants for expenditure in the special circumstance of Baluchistan and the North-West Frontier Province, it was considered convenient to allow a certain amount of latitude in re-appropriations. The witness also explained that the large number of re-appropriations under this grant was due to the restriction of the powers of the Chief Commissioner by the revised rules in the Book of Financial Powers. The Auditor General suggested that a copy of the latter should, in future, be placed in the Committee Room for reference. On the question whether all these re-appropriations should not be reported to the Assembly, it was pointed out that only those re-appropriations which were not in accordance with the rules prescribed by the Finance Department had to be reported. This point was considered to be of importance in connection with the general question raised earlier in the Committee regarding the powers of re-appropriation of the Departments of the Government of India.

As regards paragraph 111 of the Auditor General's letter, the witnesses explained that steps had been taken to improve the method of estimating for leave salaries.

4. *Grant No. 76, page 404.*—It was stated that the delay in the payment of the contribution to the Punjab Government referred to on page 410, Explanation I, was due to the fact that the question of payment was raised by the Local Government only in 1925-26. Orders accepting the claim retrospectively were passed only in that year.

5. *Grant No. 79, Central India, page 429.*—In regard to Explanation J.-1 on page 434 the Committee desired that the necessity for the continuance of the fixed contract grant referred to herein should be examined by the Department.

6. *Grant—Political, page 455.*—With reference to paragraph 118 of the Auditor General's letter, it was explained that the distribution of grants among a number of subordinate officers made it impossible to follow expenditure as closely as the Department desired, and it was expected that the general rules regarding the control of expenditure which were issued last year, would go a long way to improve the position. As regards Explanations B.-4 and B.-5 on page 460, it was reported that endeavours were being made to prevent such excesses.

7. The Committee resolved to examine witnesses from the Commerce Department in regard to expenditure incurred in connection with the Persian Gulf Lighting Service referred to in Explanation I on page 464.

8. *Grant—Territorial and Political Pensions*, page 467.—The Committee desired to be informed as to whether item A-11 'Pensions to Heads of Tribes at Aden' were covered by the lump sum settlement with the British Government regarding Aden.

9. *Grant 52—Education*, page 203.—It was reported that proper arrangements had been made in regard to payment of the charges of the Rajkumar and Aitchison Colleges and that excesses such as those noted under item D would not recur with effect from the accounts of 1927-28.

10. The witness was also examined on the case reported in paragraph 7 of the Auditor's Report on the High Commissioner's Account and it was explained that the case was one of mere technical error.

11. *Section I of the Home Auditor's Report on the Secretary of State's accounts for 1925-26* was then taken up.

Paragraph 16 of the Home Auditor's Report.—The Committee desired to be furnished with information whether the certificate regarding the secret service expenditure furnished by the Secretary of State was in the same form as that prescribed by the Public Accounts Committee in England, and it was considered that this information would be useful in connection with the rules for the audit of secret service expenditure in India which were under consideration.

Paragraph 21 of the Home Auditor's Report.—The Committee desired to know the result of the suggestion made by the Home Auditor regarding the correctness of the rate of exchange used for conversion of gold marks into sterling.

Paragraph 30 of the Home Auditor's Report.—The Committee noticed that the savings on establishments were of a considerable amount and desired to draw the attention of the Home authorities to the fact that supplementary grants had been asked for which did not appear necessary.

12. *Appropriation Accounts of the Secretary of State, page 7, Item 5.*—The Committee desired to ascertain from the witness from the Education, Health and Lands Department why the expenses of the officer on deputation to British Guiana were paid by the Secretary of State and not by the High Commissioner. The Committee also desired to obtain similar information from the Department concerned regarding the payment of the grant-in-aid mentioned in Item 15.

13. *Section I of the Report upon the accounts of the High Commissioner for 1925-26* was then taken up.

Paragraph 17 ibid.—The Committee agreed with the remarks made by the auditor in the 4th sub-paragraph regarding provision for leave salaries.

**Proceedings of the 10th meeting of the Public Accounts Committee
held on Thursday, the 11th August 1927, at 11 a.m.**

(1) The Hon'ble Sir BASIL BLACKETT, K.C.B., K.C.S.I., *Chairman.*

(2) Mr. H. G. COCKE.

(3) Maulvi ABDUL MATIN CHOWDHURY.

(4) Mr. B. DAS.

(5) Mr. A. RANGASWAMI IYENGAR.

(6) Mr. N. M. JOSHI.

(7) Mr. G. SARVOTHAM RAO.

(8) Mr. K. C. NEOGY.

(9) Sir FREDERIC GAUNTLETT, Auditor General.

(10) Mr. C. W. C. CARSON, Controller of Civil Accounts.

(11) Mr. G. KAULA, Accountant General, Central Revenue-
es.

(12) Mr. T. K. RAJAGOPALAN, Officer on Special Duty.

(13) Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. J. D. V. HODGE, Deputy Secretary, Home Depart-
ment.

Mr. A. G. CLOW, Deputy Secretary, Department of
Industries and Labour.

Members.

*Were also pre-
sent.*

Witnesses.

1. Mr. Hodge was examined on the grants pertaining to the Home Department.

2. GRANT No. 28—*Executive Council, page 152.*—The reasons for the excess under voted expenditure in this grant which occurred under Tour Expenses, were examined. It appeared that the statement of actual expenses up to February did not show any excess and that the Department was not aware of the excess until they received the statement for March in May. It was suggested that the difficulty was due to delay by the Railways in presenting their bills. The Committee recognised that it would be impossible to budget for tour expenses with reference to the probable tours in the coming year, but it was thought that during the course of the year arrangements might be made to make periodical estimates of the probable cost of tours for two or three months ahead and that supplementary grants might be obtained in advance. This system was reported to be now in operation so far as H. E. the Viceroy's tour expenses were concerned. The Committee was informed that the institution of the Pay and Accounts Office would facilitate such arrangements. The Committee agreed that it would not be advisable to restrict the tours of Honourable Members on account of insufficient provision in the Budget. As the Committee had to make a recommendation to the Assembly in regard to the excess grant, the witness from the Home Department was required to furnish a statement giving full reasons for the excess and for failure to obtain a supplementary grant in time.

3. GRANT No. 31—*Home Department, page 155.*—In regard to the excess under Staff Selection Board, the Committee desired to be furnished with the

number of candidates who appeared at the Examination and the number actually recruited.

The witness explained the large savings under Bureau of Public Information and intimated that the system of payments to Local Governments for publications received was introduced for the first time during the year.

The witness was requested to furnish information as to the form in which the certificate for secret service expenditure was given to audit. The question of laying down rules for payment of secret service funds and the audit thereof was left open for consideration by the Public Accounts Committee next year.

4. GRANT NO. 41—*Administration of Justice, page 170.*—The witness was asked to give details of the expenditure under A—Law Officers and the reasons for the small excess.

5. GRANT NO. 42—*Police, page 171.*—The witness was requested to furnish the reasons why charges under item A for Cantonment Police existed only in Baroda. As regards the excess under this grant, it was explained that steps were taken to obtain a supplementary grant for the large excess that was anticipated in connection with payment to Provincial Governments for the cost of police guards which were decided during the year and that necessary action in regard to covering the small excess of Rs. 4,654 was not taken owing to the assumption that appropriations from the reserve obviated the necessity for obtaining a supplementary grant.

6. GRANT NO. 60—*Census, page 251.*—It was suggested that a misapprehension existed in this case as in the case of Grant No. 42.

7. GRANT NO. 75—*Delhi, page 393.*—As the expenditure under this grant was controlled by the Chief Commissioner, the question was considered whether an officer from the Delhi administration should not be invited in future to appear before the Public Accounts Committee with the officer from the Home Department. In the case of the Foreign and Political Department an officer from the Frontier appeared with the witness from the Department.

The Committee also discussed the method of procedure for the taking of evidence, that is whether the witnesses should be recalled to give evidence on points on which they were not able to give full information in the first instance or whether the Committee should themselves go through the accounts first and intimate to the witnesses beforehand the points upon which evidence would be taken. It was agreed that witnesses should in any case be prepared to give full information with regard to cases of excess over the grants for which excess vote of the Assembly was required.

The witness explained in regard to certain sub-heads under this grant that the control of expenditure devolved on certain other Departments of the Government of India and that in several cases communication from the Chief Commissioner in regard to expenditure did not pass through the Home Department but went direct to the other Departments of the Government of India concerned. The witness was asked to examine and confirm this statement. The Committee suggested that Government should, from the point of view of the Public Accounts Committee, consider the question whether all correspondence regarding expenditure in the Delhi Administration should not pass

through the Home Department instead of going direct to the other Departments.

8. GRANT No. 77.—*Andamans and Nicobar Islands*.—The Accountant General agreed to examine the reason for grants for Medical stores for the Nankauri Hospital being classified as grants-in-aid under A—Superintendence * on page 414 and not under B—Medical. The witness was asked to furnish a statement showing whether the loss on the dairy farm shown on page 421 was recurrent and whether there was any justification for working the farm at a loss.

9. *Paragraph 79 of the Report*.—The Committee looked forward to the receipt next year of the accounts mentioned in this paragraph.

The Committee accepted the explanation given in the memorandum furnished by the Home Department (Appendix VII) and decided to modify the strictures passed last year.

10. *Paragraph 113 of the Report*.—The Accountant General accepted the view that this was a case of failure of audit.

11. Before he withdrew, the witness explained the system of issuing Railway warrants and credit notes in the case of Police Department and the orders which were issued in April 1927.

12. The representative of the Industries and Labour Department was next examined on the grants pertaining to that Department.

13. The witness explained the case in paragraph 48 of the Report and said that the irregularity was due to frequent change of officers in the Department which was considered desirable on other grounds.

14. GRANT No. 69—*Stationery and Printing, page 303*.—The witness was examined on the question of the cost of printing the foot-notes appended to the tables below the statements to which they related, which was raised in connection with the Audit and Appropriation Accounts of the Accountant General, Posts and Telegraphs. The Committee considered the question raised in paragraph 101 of the Auditor General's letter whether the Central Government should not include in its Budget as receipt from a Provincial Government a sum equivalent to the corresponding expenditure budgeted by that Government. It was pointed out that in regard to the estimate of drawings by the Provincial Governments on the Central Government the figures of the former were not usually accepted by the latter, which generally followed its own estimates of drawings. It was explained that the provision under Recoveries from Provincial Governments was made by the Pay and Accounts Officer in consultation with the Controller of Stationery and Printing. The Committee decided that the question whether the latter officer should provide for recoveries based on the corresponding provision made by the Local Government after consultation with the officers of that Government, should be examined.

*Subsequently furnished.

**Proceedings of the 11th meeting of the Public Accounts Committee
held on Thursday, the 11th August 1927 at 3 p.m.**

PRESENT :

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|--|-----------------------------|
| (1) The Hon'ble Sir BASIL BLACKETT, K.C.B., K.C.S.I., <i>Chairman.</i> | |
| (2) Mr. H. G. COCKE. | } <i>Members.</i> |
| (3) Maulvi ABDUL MATIN CHOWDHURY. | |
| (4) Mr. B. DAS. | |
| (5) Mr. A. RANGASWAMI IYENGAR. | |
| (6) Mr. N. M. JOSHI. | |
| (7) Mr. G. SARVOTHAM RAO. | |
| (8) Mr. K. C. NEOGY. | |
| (9) Sir FREDERIC GAUNTLETT, Auditor General | } <i>were also present.</i> |
| (10) Mr. C. W. C. CARSON, Controller of Civil Accounts | |
| (11) Mr. G. KAULA, Accountant General, Central Revenues | |
| (12) Mr. T. K. RAJAGOPALAN, Officer on Special Duty | |
| (13) Mr. D. C. CAMPBELL, Director of Commercial Audit | |
| Mr. A. G. CLOW, Deputy Secretary, Department of Industries and Labour. | } <i>Witnesses.</i> |
| Rai Bahadur J. P. GANGULY, Under Secretary, Department of Industries and Labour. | |
| Mr. A. BREBNER, Superintending Engineer, Simla Imperial Circle. | |
| Mr. J. S. Pitkeathly, Chief Controller of Stores. | |

1. The examination of the witness from the Industries and Labour Department was continued.

2. GRANT No. 69.—*Stationery and Printing, page 303.*—It was explained that the reason for printing forms by contract was that the press was fully occupied with other work and that the printing of postal and telegraph forms was given to contractors. As regards the absence of the necessary audit certificates on the subsidiary statements and accounts mentioned in paragraph 67 of the Report, it was reported that the stocks on the 31st March 1926 had been verified and that it was not possible for certificates to be furnished. The Committee desired to draw the attention of the Government to the statement at the end of Appendix XVI that the figures shown in the statements were quite unreliable and no useful purpose would be served by attempting to verify incorrect figures. The Committee also desired to record their opinion [that the practice of showing under the head 'Value of Books Issued on book debits' an average amount based on the issues made during two months of the year was incorrect.

The Auditor General was requested to enquire whether the figure of audit charge of Rs. 8,452 in the *pro forma* account on page 323 was correct.

The witness was examined in regard to the irregularities noticed in paragraph 40 of the Report. It was stated that the Finance Department was concerned with the issue of the orders on the proposed scheme of local audit of the stamp accounts and that steps had been taken to prevent a recurrence of

such irregularities at the Security Printing Press to which the work had since been transferred. The witness explained the case mentioned in paragraph 68 of the Report and pointed out that the execution of the work by the local firm had resulted in this particular case in a saving of about Rs. 7,000 to Government.

3. GRANT No. 61.—*Internal Emigration, page 252.*—It was explained that the reduction of the contribution due from the Tea District Labour Association was due to the closing down of hospitals referred to in Explanation A-3.

4. GRANT No. 46.—*Geological Survey, page 191.*—It was reported that the point mentioned in Note (1) on page 192, regarding the separate exhibition of the charges for stores in the monthly accounts of the High Commissioner was being taken up with the latter officer.

5. GRANT No. 37.—*Department of Industries and Labour, page 164.*—The attention of the witness was drawn to the over-estimating under this and other grants.

6. GRANT No. 45.—*Meteorology, page 188.*—The attention of the witness was drawn to paragraph 76 of the Auditor General's letter regarding inadequate knowledge of the progress of expenditure on the part of departmental officers and it was explained that the institution of the Pay and Accounts Office had improved the position and that steps had been taken to watch all liabilities.

7. As regards the general question whether efforts were being made to make the Indian Stores Department self-supporting, it was reported that purchases, inspection and the revenue earned from these sources has progressively increased. In 1926-27 a deficit of Rs. 2 lakhs was expected but improvement in the position from year to year was hoped for. It was pointed out that some portion of the work of the Department which was done in connection with the development of industries was unremunerative. It was also stated that, it was proposed to institute a Standing Committee which would, among other things, deal with the co-ordination of purchases. On the question whether there was any complaint from the Departments against the higher cost of purchase made by the Indian Stores Department, it was explained that Departments did complain against the commission charged by the Stores Department but it was suggested that the latter gave good service in return for this commission.

8. As regards paragraph 54 of the Report, it was stated by the witness that the High Commissioner has since modified the terms of contracts made with officers recruited for the Department in England.

9. The witness was then examined on the question whether in regard to indents received by the Department, it was usual for them to be asked to purchase stores of a certain firm and of a certain brand. He explained that, as a general rule, these matters were left to the Department and that if, in any particular case, specifications had been definitely stipulated in the indents, it was their practice to take the orders of the Government of India before such indents were complied with.

10. GRANT 22. *Irrigation, Navigation, etc., page 137.*—The Committee noticed that supplementary grants had been obtained which appeared to be unnecessary and agreed with the Auditor General that they could have been

avoided had the controlling officer kept an adequate check over the progress of expenditure. It was here also agreed that the basing of budget provision on average instead of actual pay, was obviously incorrect.

The Committee noticed that the closing balance of stores on the 31st March 1926 was about Rs. 2½ lakhs while the issues during the year amounted only to Rs. 72,000. It was explained that the Department was exercising control over unnecessary accumulations of stocks.

As regards the observations of the Auditor General in paragraph 70 of his letter that the percentage of establishment to works expenditure appeared to be very high, it was explained that in order to reduce the percentage, it had been proposed that the Department should take over the control of roads, etc., in the Province.

11. GRANT No. 67.—*Civil Works, page 273.*—The Committee discussed the question of treating expenditure on Civil roads of military importance as non-voted. It was pointed out that the percentage of establishment charges to works expenditure in Central areas was considerably below the average in the Provinces. The Committee noticed that there was an excess under the Gross Grant but a saving under Net.

The Accountant General was requested to ensure that the statement of expenditure on important new works, pages 283-294 should be self-explanatory in future.

The witness explained the main difference between the redraft of Fundamental Rule 45 and the old rule. It was stated that the adoption of the principles laid down by Government to regulate the recovery of rent of furniture referred to in paragraph 57 of the Report involved no loss to Government. The Committee was informed that, in spite of the action taken to reduce loss on the provision of residential accommodation in Simla for the members of the Legislature by letting it out during the off-season, there was still a large deficit.

With reference to the comments of the Accountant General in paragraph 60 of the report, the witness explained that the special repairs were carried out at intervals of 5 or 6 years or in some cases of 10 years and that the average annual cost of these repairs was therefore much lower. He also added that as Government servants were entitled to the benefits of Fundamental Rule 45, the issue of further orders by Government did not appear necessary.

It was reported that the suggestions made in paragraph 62 of the Report were being accepted.

The witness stated that the revised rules referred to in paragraph 64 of the Report had been accepted and are now in force. The attention of the witness was drawn to the fact that over-estimating of works expenditure also affected the estimates for establishments. The witness explained that the omission to take any action on paragraph 60 of the Report of the Public Accounts Committee for 1924-25 was due to a misunderstanding and stated that action would be taken.

Proceedings of the 12th meeting of the Public Accounts Committee held on Friday, the 12th August 1927 at 11 a.m.

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|---|-----------------------------|
| (1) The Hon'ble Sir BASIL BLACKETT, K.C.B., K.C.S.I. .. | <i>Chairman.</i> |
| (2) Mr. H. G. COCKS | } <i>Members.</i> |
| (3) Maulvi ABDUL MATIN CHOWDHURY | |
| (4) Mr. B. DAS | |
| (5) Mr. A. RANGASWAMI IYENGAR | |
| (6) Mr. N. M. JOSHI | |
| (7) Mr. K. C. NEOGY | |
| (8) Sir FREDERIC GAUNTLETT, <i>Auditor General</i> .. | } <i>Were also present.</i> |
| (9) Mr. C. W. C. CARSON, <i>Controller of Civil Accounts</i> .. | |
| (10) Mr. G. KAULA, <i>Accountant General, Central Revenues</i> .. | |
| (11) Mr. T. K. RAJAGOPALAN, <i>Officer on Special Duty</i> .. | |
| (12) Mr. D. C. CAMPBELL, <i>Director of Commercial Audit</i> .. | } <i>Witness.</i> |
| Mr. G. S. BAJPAI, <i>Deputy Secretary, Department of Education, Health and Lands.</i> | |

1. The witness from the Education, Health and Lands Department was examined.

2. As regards the question of the audit of receipts of forests in Andamans It was explained that the greater portion of the receipts was received at Calcutta through Messrs. Martin and Co. and was already subject to audit. The other receipts accruing in Andamans were reported to be so small that it was not worth while undertaking an audit of those receipts. The witness added that the forests in Andamans were being worked with a view to profit and that commercial accounts would appear in the Appropriation Accounts beginning from 926-27.

3. It was explained that proper accounts in regard to maps referred to in paragraph 44 of the report would appear in the Appropriation Accounts for 1927-28. As regards paragraph 45 of the Report, the Committee decided to include in the Report as a point of general comment that it was desirable that clerks who maintained the accounts should not be allowed also to make the disbursements. It was, however, recognised that it might be unavoidable in certain small offices to entrust with the disbursement of money the clerk responsible for the maintenance of accounts but in such cases it was thought that provision should be made for necessary supervision by the officer in charge of the office.

4. GRANT No. 47—*Botanical Survey, page 193.*—The witness explained the present position in regard to the purchase of cinchona bark. The Committee understood that there was no intention of continuing the contract with Messrs. Howard and Co. beyond 1928 when it would expire in the ordinary course.

5. The witness explained the large balance of stock in hand on the 31st March 1926 as due to the policy of building up stocks in anticipation of the termination of agreement with Messrs. Howard and Co.

6. GRANT No. 51—*Other Scientific Departments, page 202.*—As regards the excess under this grant, it was explained that the omission to obtain a supplementary grant was due to the assumption that the appropriation of amounts from the reserve obviated the necessity of obtaining such grants.

7. GRANT No. 53—*Medical Services.*—The witness explained the work of the X-Ray institute. As regards Explanation D. 4 on page 207, the Committee was told that the matter was under consideration. It was reported that action had been taken on the recommendations of the Public Accounts Committee referred to in paragraph 49 of the Report regarding the disposal of obsolete stores at the Dehra Dun institute.

8. GRANT No. 55—*Agriculture, page 219.*—The large savings under Anand Creamery were explained as due to the fact that the creamery was started during the year and there was no previous information to go upon. As regards savings generally under the grant, the witness added that steps were being taken to avoid over-estimating and that lump deductions had been made in the budget for 1927-28 under this grant.

9. With reference to the certificate at foot of the balance-sheet of the Imperial Cattle Breeding Farm on page 225 of the Report, the Committee proposed that any points in the report of the Director of Commercial Audit to which special attention had been called by him should be included in the Report of the Accountant General, Central Revenues. The Director explained that although the figure in the balance sheet had been checked by him, the balance sheets themselves were not in the exact form in which he presented them. The Auditor General agreed to consider the question whether the form of presentation in the Appropriation Accounts of the Accountant General, Central Revenues, should not be changed so as to conform to the form adopted by the Director of Commercial Audit. It was also agreed that minute details of trading accounts given on pages 226-230 were not required.

10. GRANT No. 56—*Civil Veterinary Service, page 243.*—The Committee noticed that there was excess under this grant which required the vote of the Assembly and considered that it was highly unsatisfactory that the excess was not covered in time by a supplementary grant particularly as the possibility of over-spending was anticipated and arrangements were made to obtain funds in February 1926. The case given in paragraph 52 of the Report was said to be still *sub judice* and the Committee decided to leave it to the Committee of next year.

**Proceedings of the 13th meeting of the Public Accounts Committee
held on Friday, the 12th August at 2-45 p.m.**

PRESENT :

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|--|----------------------|
| (1) The Hon'ble SIR BASIL BLACKETT, K.C.B., K.C.S.I. | Chairman. |
| (2) MR. H. G. COCKE. | } Members. |
| (3) MAULVI ABDUL MATIN CHOWDHURY. | |
| (4) MR. B. DAS. | |
| (5) MR. A. RANGASWAMI IYENGAR. | |
| (6) MR. N. M. JOSHI. | |
| (7) MR. K. C. NEOGY. | } Were also present. |
| (8) SIR FREDERIC GAUNTLETT, Auditor General. | |
| (9) MR. C. W. C. CARSON, Controller of Civil Accounts. | |
| (10) MR. G. KAULA, Accountant General, Central Revenues. | |
| (11) MR. T. K. RAJAGOPALAN, Officer on Special Duty. | |
| (12) MR. D. C. CAMPBELL, Director of Commercial Audit. | } Witnesses. |
| MR. G. S. BAJPAI, Deputy Secretary, Department of Education, Health and Lands. | |
| MR. N. J. ROUGHTON, Deputy Secretary, Commerce Department. | |
| MR. G. H. SPENCE, Deputy Secretary, Legislative Department. | |
| MR. A. F. L. BRAYNE, Secretary, Finance Department. | |

1. The examination of the witness from the Education, Health and Lands Department was continued.

2. GRANT NO. 62.—*Emigration External, page 253.*—The Committee observed that this was a further case of excess vote due to the fact that allotments from the reserve were treated under the old practice as obviating the necessity for obtaining supplementary grants from the Assembly. The question of fixing emigration fees was discussed and it was explained that the Department did not desire to make a profit but they emphasised the need for caution in reducing the fees in view of the knowledge that they were likely to have to meet increased expenditure in future.

3. GRANT NO. 64.—*Miscellaneous Department—Imperial Library.*—It was stated that arrangements were being made for taking stock of the books in the Library.

4. GRANT NO. 75.—*Delhi—Account VI—Education.*—It was explained that the transfer of provision from Primary to Secondary was due to the policy of making Local Boards responsible for primary education.

5. The witness was examined in regard to paragraph 3 (a) of the Auditor General's letter.

6. As regards the payment to an officer on deputation to British Guiana referred to in item 5 on page 7 of the Appropriation Account of the Secretary of State the witness explained that the payment was made by the latter as the deputation was sanctioned by him. The witness then withdrew.

7. The Auditor General made a statement regarding the accommodation for the Civil Audit Office at Peshawar. It was reported that it was not possible to take over the Military building at Peshawar as it was required by the Military Works Department for housing their executive staff. Plans and estimates had therefore been called for for constructing a new building at a site which had been reported to be available.

8. Mr. Roughton was examined on the grants relating to the Commerce Department.

9. GRANT No. 35.—*Commerce Department, page 162.*—The savings were reported to be due to the general causes noticed under other grants.

10. GRANT No. 43.—*Ports and Pilotage, page 173.*—It was explained that the Bengal Pilot Service was being placed on a self-supporting basis. As regards the explanation E 1 (4) on page 176, it was stated that steps were being taken to check the progress of expenditure.

11. The Committee noticed that in various places in the Appropriation Account it was stated that expenditure in Aden was classified as non-voted, and desired to be informed whether any general declaration had been issued classifying all expenditure in Aden as non-voted.

12. As regards paragraph 43, the witness stated that action had been taken both as regards necessary legislation and the preparation of the accounts of the Light Houses on commercial lines.

13. The Committee desired to obtain further information* from the Department concerned in regard to the expenditure of Rs. 600 under Drug Manufacture under Grant No. 57, page 246.

14. As regards the expenditure on bounties, a question was raised whether audit satisfied itself that the conditions prescribed in the Act that the major portion of the material from which articles were manufactured were of Indian origin, were duly fulfilled. The Accountant General promised to enquire into the matter and furnish the necessary information.

15. GRANT ECCLESIASTICAL.—*page 451.*—It was stated that steps had been taken to prevent over-budgeting. The witness also explained the proposed system of block grants.

16. GRANT POLITICAL.—*page 464.—Lighting and Buoying Services in the Persian Gulf.*—The witness explained the present position in regard to the lighting and buoying of the Persian Gulf and stated that Government incurred practically no liability for the expenditure under this head.

17. The witness from the Legislative Department was then examined on the grants relating to that Department. The general question of the classification of expenditure as voted and non-voted was discussed and it was explained that the views of the Legislative Department were obtained in all cases before decision was taken. The question whether the views of the Assembly should

* Subsequently furnished.

not be obtained before final decision was taken by the Governor General, will be further considered. The Committee recommended to Government that they should consider the best method of giving the Assembly an opportunity to discuss the report of the Public Accounts Committee.

18. The Committee next examined the witness from the Finance Department on the grants under the control of that Department.

19. The system of providing for bonus on the Postal Cash Certificates was discussed.

20. GRANT 40—*Audit, page 167.*—The large savings were stated to be made due to the general tendency to over-estimate for establishment charges, which amounted to about 60 lakhs in this case.

21. GRANT No. 66—*Mint, page 270.*—The Committee desired to be furnished with further information* regarding the payment to the High Commissioner for Australia referred to in Explanation A. 8 on page 270.

22. GRANT No. 68.—*Superannuation Allowances and Pensions, page 297.*—The attention of the Committee was drawn to the note on page 302 explaining the excess under this grant for which an excess vote was required.

23. GRANT No. 72.—*Refunds, page 346.*—The Committee desired to be furnished with further information regarding the refund of audit fees to the Karachi Port Trust referred to in Explanation G. 2.

24. GRANT No. 81.—*Expenditure in England under the control of the Secretary of State.*—The Committee desired to be furnished with further information* regarding the grant-in-aid towards the publication of the works "Dome of the Rock Jerusalem" referred to in item 24 on page 444.

25. It was decided to examine the witness from the Railway Department regarding Explanation G. 1 on page 447.

26. GRANT No. 88.—*Loans and Advances bearing interest, page 498.*—The witness explained that steps had been taken to impress upon the Provincial Governments the necessity of furnishing closer estimates of their requirements from the Provincial Loans Fund.

27. GRANT No. 27.—*Staff, household, and Allowances of the Governor-General.*—As regards the excess under this grant which required a vote from the Assembly, the Committee noted that the question of improving the procedure regarding the control of expenses under the head Tour Expenses which was responsible for the excess was under the consideration of Government. In view, however, of the fact that the circumstances which caused the excess were known during the year, the Committee was of the opinion that steps should have been taken to obtain a supplementary grant in proper time.

28. GRANT No. 39.—*Payments to Provincial Governments on account of Agency Subjects, page 166.*—The excess was covered by allotments from the reserve which were regarded as obviating the necessity for a supplementary grant.

*Subsequently furnished-

**Proceedings of the 14th Meeting of the Public Accounts Committee
held on Friday, the 19th August at 3 p.m.**

PRESENT :

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|---|------------------|-----------------------------|
| (1) The Hon'ble Sir BASIL BLACKETT, K.C.B., K.C.S.I., | <i>Chairman.</i> | |
| (2) Mr. H. G. COCKE. | | |
| (3) Maulvi ABDUL MATIN Choudhury. | | |
| (4) Mr. B. DAS. | | |
| (5) Mr. A. RANGASWAMI IYENGAR. | | } <i>Members.</i> |
| (6) Mr. N. M. JOSHI. | | |
| (7) Mr. K. C. NEOGI. | | |
| (8) Sir FREDERIC GAUNTLETT, Auditor General. | | |
| * (9) Mr. G. KAULA, Accountant General, Central Revenues. | | } <i>Were also present.</i> |
| Mr. J. D. V. HODGE, Deputy Secretary, Home Department. | | |
| Mr. A. A. L. PARSONS, Financial Commissioner, Railways. | | } <i>Witnesses.</i> |
| Mr. A. M. HAYMAN, Director of Finance, Railways. | | |

1. Mr. Hodge supplemented the evidence he gave on the 11th August 1927. He furnished a statement of the tour expenses incurred by individual Members of Council and also the form of the certificate given by the Director, Intelligence Bureau, in regard to secret service expenditure. He reported that of 628 candidates who appeared in the Staff Selection Board Examination, 122 were selected of whom 109 were appointed. As regards the excess under grant No. 41, he explained that it occurred under Pleaders' Fees, Court Fee Stamps, etc., and that it was not intimated to the Department by the Local Government till July. The Committee resolved that the Department should be requested to examine the question of avoiding such excesses. The reasons for the existence of the charges for Cantonment Police in Baroda were stated to be that Baroda was a second class Residency and that similar charges in other Residencies were shown in the various area demands, *e.g.*, Hyderabad, Bangalore, etc. The Committee desired that the Accountant General should enquire whether the proper classification of these charges was not Political. The witness explained the position in regard to the control of expenditure in the Delhi Administration. The Committee was of opinion that from their point of view it was necessary that one Department should be responsible for watching the progress of expenditure. He was not able to give information required by the Committee regarding the loss in the Dairy Farm as it had not been received from the local authorities.

2. The witnesses from the Railway Department were then examined.

3. The Financial Commissioner made a statement in regard to the points mentioned in paragraph 3 of the Auditor General's letter forwarding the Audit and Appropriation Accounts of Railways for 1925-26. The system of budgeting adopted in the Department was explained at length and also the reasons

for the difference between the budget estimates and the actual expenditure for 1925-26. It was pointed out in regard to the defect noticed by the Auditor General that provision was made under one head while the expenditure was accounted for under another, that an officer had been deputed on special duty to enquire into the budget procedure followed in the various Railways and that his report was expected next month. As regards the reasons for excesses under individual sub-heads not having been covered by reappropriation, the attention of the Committee was invited to paragraph 16 of the Audit and Appropriation Accounts, and it was stated that steps were now being taken to regularise all excesses under sub-heads.

4. The powers of the Financial Commissioner as a representative of the Finance Department and as a Member of the Railway Board were then discussed at some length. The question was raised whether the powers of the Assembly were in any way curtailed by the reappropriations sanctioned by the Financial Commissioner, and it was pointed out that all these reappropriations were shown in the revised estimates which were submitted to the Standing Finance Committee for Railways, and that they were made only within the grants voted by the Assembly.

5. *Grant No. 1—Railway Board.*—It was explained that the excess was due partly to a decision taken after the presentation of supplementary estimates, to grant leave to certain officers in the Railway Board who came under reduction and partly to certain debits on account of Stationery and Printing after the close of the year. The Committee discussed the question whether it was permissible to introduce any scheme of economy which had the immediate effect of increasing expenditure in excess of the grant voted by the Assembly without a prior supplementary grant to cover such excess, and it was decided that they could not recommend this procedure.

6. *Grant No. 2—Inspection.*—The excess was due to the transfer of officers whose pay was voted to posts for which provision was made under non-voted heads. It was admitted that the excess could have been avoided if the administrative section of the Department which was concerned with postings had communicated the changes to the Finance Section. It was reported that steps had since been taken to ensure co-operation in the future.

7. *Paragraph 18 of the Auditor General's letter.*—The large difference between the budget estimates and the actual expenditure was stated to be due to the introduction of the divisional system and to the record of charges originally provided for under this head, under different heads. It was, however, pointed out that it was impossible to trace the corresponding excess under other heads owing to possible over-estimating under those heads.

8. The Committee discussed the question whether the provision of Rs. 70 lakhs for automatic couplers was justified in view of the fact that no expenditure was actually incurred on this scheme and whether the scheme should not have been more closely scrutinized before provision was actually made. It was explained that the scheme had been fully examined but that the difficulty of obtaining a satisfactory transition device led to the lapse of the provision.

9. A suggestion was made that the demands for Railway grants should be in the same form as the Appropriation Accounts. It was observed that the form

of the demands for grants had been approved by the Standing Finance Committee for Railways. The Committee decided to recommend that the Railway Finance Committee should consider this suggestion:

10. *Grant No. 5, page 123-4—Compensation for goods lost or damaged.*—The Committee noted with satisfaction that the expenditure was less than the grant and that both the staff and the number of unsettled claims had been considerably reduced.

11. *Grant No. 6, page 132, paragraph 50 of the Auditor General's letter.*—The Financial Commissioner explained the reasons for over-estimation under individual Railways and stated that it was for this reason that the system of lump cuts had been introduced. He further stated that in some cases the savings were due to unavoidable causes such as delay in land acquisition proceedings and retarded progress on account of climatic conditions.

12. *Grant No. 7—Capital New Construction, page 133-4.*—The Appropriation Accounts did not show the grant correctly as they did not include deductions for probable savings. The Committee was of opinion that the table wherein was compared the allotment and the expenditure should state the actual allotment sanctioned by the Assembly and not the allotment distributed by the Railway Department.

13. *Grant No. 8—Capital Open Lines.*—Discussion then turned on the effect produced on the Government loan programme by over-estimation of the probable capital outlay for Railways. The Committee also considered the suggestion that a report should be made to the Legislative Assembly on the working of the Rs. 1,50 crores capital programme for Railways approved by the Assembly.

14. *Grant No. 10, page 171—Appropriation from the Depreciation Fund.*—The attention of the Committee was drawn to the foot-note on this page and they decided to record their opinion that the grants in the Appropriation Accounts should be those sanctioned by the Assembly in the demands for grants.

15. *Grant No. 11—Railways, page 184.*—The Committee again noticed that the figures shown against the sub-heads did not correspond with those shown in the demands for grants.

16. *Grant No. 12—Appropriation to the Reserve Fund, page 193.*—It was explained that the excess was due to receipts in March being in excess of anticipations.

**Proceedings of the 15th meeting of the Public Accounts Committee
held on Saturday, the 20th August at 11 a.m.**

(1) The Hon'ble Sir BASIL BLACKETT, K.C.B., K.C.S.I., *Chairman*.

(2) Mr. H. G. COCKE.

(3) Maulvi ABDUL MATIN CHOUDHURY.

(4) Mr. B. DAS.

(5) Mr. A. RANGASWAMI IYENGAR.

(6) Mr. N. M. JOSHI.

(7) Mr. K. C. NEOGY.

(8) Mr. K. AHMED.

(9) Sir FREDERIC GAUNTLETT, Auditor General.

(10) Mr. J. M. HARTLEY, Accountant General, Railways.

Members.

Were also present.

Mr. A. A. L. PARSONS, Financial Commissioner, Railways.

Mr. A. M. HAYMAN, Director of Finance, Railways.

Witnesses.

1. The examination of the witnesses from the Railway Department was continued.

2. GRANT NO. 12—*Appropriation to the Reserve Fund, page 193.*—The Committee recognised that the excess under this grant was on an entirely different footing from the excesses revealed under other grants. The Committee discussed at some length the question whether such excesses should not be exhibited in a different form from others. The Financial Commissioner pleaded that excesses under Working Expenses which were really due to increased traffic, should also be viewed in a separate category.

3. GRANT NO. 15—*Capital.*—The witness explained that the reason for obtaining a supplementary grant under 3-Rolling Stock, when there was a net credit under that head during the year, was that the sale of certain rolling stock to the Eastern Bengal Railway had not been anticipated. At the instance of the Committee the witnesses gave a fuller explanation in regard to the adjustment of exchange referred to in explanation (c) on page 197.

4. *Paragraph 2 of Appendix, page 200.*—The Committee resolved to recommend to Government that, in the light of the experience on the East

Indian Railway, the question whether audit on Company lines could be improved by increasing the staff of Government examiners should be considered. It was explained that this question might involve an examination of the powers of the Railway Board under the contracts with the various Railways.

5. *Paragraph 3 of the Appendix.*—It was explained that the arrears were due to the introduction of the divisional system and the amalgamation of the Oudh and Rohilkhand and the East Indian Railway Offices. It was stated that action had been taken to bring up to date the General Books referred to in this paragraph.

6. *Paragraph 4 of the Appendix.*—It was reported that action had been taken on almost all the points mentioned in this paragraph. As regards the suggestion in item XII that the representative of the Locomotive Department receiving stores into workshops should be of some standing, the reply was given that this duty was now performed by the foreman. As regards item (XVI) the Committee was informed that instructions had been issued by the Railway Board with the object of curtailing the scope of private work orders in the workshops. The Committee desired that the effect of the instructions should be carefully watched. As regards Item (XXII) the Committee observed that the cases mentioned in the Appendix disclosed defective supervision. The Financial Commissioner undertook to investigate the question with the East Indian Railway and to enquire in consultation with the Chief Accounts Officer what steps should be taken to remedy the defects.

7. *Paragraph 7 of the Report.*—The Committee observed that larger lump cuts would have been justified. It was pointed out that this was the first year in which the system of lump cuts was introduced.

8. *Paragraph 15.*—The Committee discussed the question whether Government can take advantage of savings on voted expenditure to incur large additional expenditure on non-voted items. It was agreed that it would be within the competence of the Public Accounts Committee to bring to the notice of the Assembly any such specific cases. It was, however, accepted that no such case had actually occurred so far.

9. *Paragraph 19 of the Report.*—It was explained that all items which were outstanding had since been settled with one exception which was still under consideration.

10. *Paragraph 22.*—The dual relationship of the Chief Accounts Officer with the Agent on the one side and with the Financial Commissioner on the other was explained.

11. *Paragraphs 23 and 24.*—It was stated that the Bombay, Baroda and Central India Railway had asked, as an experiment for three months, to be allowed to retain the accounts under the old system as well as under the new in order to determine whether they could come in under the Clearing House arrangement. No applications from other Companies except the Madras and Southern Mahratta Railway have yet been received by the Railway Board.

12. *Paragraphs 26-29.*—It was stated that the Financial Commissioner had under consideration the proposal to have one colliery accounts officer for the East Indian Railway and the collieries that are at present under colliery audit.

Sir Arthur Dickinson's report was expected very shortly and the Financial Commissioner promised to take special measures to introduce as quickly as possible such changes as might be decided on as a result of that report.

13. *Paragraph 41.*—In reply to a question whether account was taken of low profits in previous years in the programme for new capital grants, the Financial Commissioner explained that in deciding what capital could be profitably spent on a railway line, the additional receipts which were expected on the line, were taken into account.

14. *Paragraph 46.*—The Financial Commissioner explained that the statistical officer in the Railway Board was examining the effect of the reduction in passenger rates on the receipts of Railways.

It was suggested that the table on page 15 might suitably include the mileage of each Railway and that the table on page 18 might include the train mileage. It was explained that these tables were introduced at the instance of the Railway Finance Committee and contained all the information which they required. It was agreed that it was undesirable to over-load appropriation accounts with figures which could be obtained from the Administration Reports.

15. *Paragraph 71.*—In reply to a question whether Sir Arthur Dickinson had been instructed to examine the preparation of the Railway commercial accounts with reference to the needs of the budget and the accounts of the Government of India, the Financial Commissioner explained that the officer had been asked for his view as an expert on commercial accounts, and that it would then rest with the Government of India whether and to what extent they should modify their suggestions to meet the special requirements of Government budgeting.

16. *Paragraph 73.*—It was stated that the Legislative Department had decided that remissions of revenue not collected are not expenditure and are not subject to the vote of the Assembly.

17. *Paragraph 77.*—The Committee agreed with the suggestion of the Auditor General in paragraph 18 of his letter that it would be more satisfactory if the expenditure were also recorded in this paragraph.

18. *Paragraph 79.*—It was reported that the case was still under consideration and it was decided to leave further enquiry to the Public Accounts Committee of next year.

19. *Paragraph 95.*—The Committee was of opinion that the measurement books should be maintained on original or primary documents and not treated as a copy of rough notes. It was pointed out that instructions to that effect had already been issued.

20. *Paragraph 97.*—The Financial Commissioner explained that instructions had been issued to all Railway Administrations drawing their attention to this case and requesting them to make proper arrangements.

21. *Paragraphs 120-21.*—The Financial Commissioner explained that a special officer had been deputed to visit the various workshops and introduce the Rowan bonus system and that he expected a saving of Rs. 50 lakhs owing to the introduction of this system.

22. *Paragraphs 122-23.*—As regards the practice of reducing store balances by issuing stores to works where they are not required, it was explained that one of the recommendations of Sir Arthur Dickinson would be to maintain an account of materials at site. As regards the prevention of stores being obtained far in advance of requirements, the Committee was satisfied that attention had been drawn to the question and that real efforts were made to control such issues.

23. *Paragraph 126.*—The Committee agreed with the Auditor General that the case mentioned in this paragraph was perhaps the most serious individual case brought to notice in the Report. The Financial Commissioner explained that they had already obtained a guarantee from the firm.

24. *Paragraph 143.*—The Committee decided to make a recommendation that the Railway Advisory Committee should consider whether legislation should not be undertaken to amend the Railway Act and make it an offence for first and second class passengers to travel without tickets.

25. *Paragraph 150.*—The Financial Commissioner explained that he had personally written to the Agent and that the matter was under consideration.

26. *Paragraph 153.*—As regards the last sentence of this paragraph, the Financial Commissioner explained that it would not be possible to take further action.

27. *Paragraph 156, item (ii).*—It was explained that the general question of taking disciplinary action in the case of officers who had retired was still under consideration of the Government of India.

28. *Item 4 on page 70.*—In reply to a question why the reduction did not apply to third class as well as to first and second class fares, the Financial Commissioner stated that the whole question of the effect of reduction in fares on traffic was under examination.

**Proceedings of the 16th meeting of the Public Accounts Committee held
held on Friday, the 26th August at 3 p. m.**

PRESENT :

- | | |
|--|-------------------|
| (1) The Hon'ble Sir BASIL BLACKETT, K.C.B., K.C.S.I., <i>Chairman.</i> | |
| (2) Mr. H. G. COCKE. | } <i>Members.</i> |
| (3) Mr. S. C. MITRA. | |
| (4) Mr. A. RANGASWAMI IYENGAR. | |
| (5) Maulvi Sayid MURTUZA Sahib Bahadur. | |
| (6) Mr. N. M. JOSHI. | |
| (7) Mr. G. SARVOTHAM RAO. | |
| (8) Mr. K. C. NEOGY. | |

The Committee considered the draft report and accepted it with certain additions and alterations.

VI.—APPENDICES.

APPENDIX I.

Finance Department Resolution No. D.1163-A., dated the 5th May 1927.

No. D.-1163-A.—The Governor-General in Council has had under consideration this fourth Report presented by the Committee on Public Accounts, a Report which throughout affords evidence of exhaustive and careful examination of many difficulties, constitutional and financial, and of numerous detailed questions which have come to the notice of the Committee in the course of their examination of the accounts. On many of the problems investigated it has not yet been possible to arrive at a final decision, but the Governor General in Council desires to record his appreciation of the assistance rendered by the Committee in clarifying the issues on several important questions.

2. Since the issue of the Report, the Governor-General in Council has devoted careful consideration to the recommendations made and the opinions expressed by the Committee in the Report and in the minutes of their meetings. Most of the major questions are dealt with in the ensuing paragraphs. As regards the remaining recommendations, which deal mainly with matters of detail, a statement of the action taken or proposed will be furnished to the Committee at its next meeting.

3. The Governor-General in Council observes that once again a wide divergence is found between the estimates of the year and the actual expenditure. Against grants aggregating 2,67,18 lakhs, the saving in actual expenditure amounted to 28,93 lakhs or about 10.8 per cent. Of this, 4,27 lakhs or 3.6 per cent. occurred under non-voted expenditure and 24,66 lakhs, or 16.5 per cent. of the aggregate grants, under voted expenditure. The Committee have carefully analysed the main reasons for this divergence. In several cases it is due to causes which could not have been foreseen ; in others laudable efforts to secure greater economy and control of expenditure have had their reward in considerable savings, but, in many cases, the conclusion cannot be avoided that due care was not exercised in the preparation of the departmental estimates. The Governor-General in Council recognises that much greater attention is now devoted to this important question and trusts that the special measures to which the Committee refer, i.e., the steps taken to reduce the capital grant for Railways, the supply by Provincial Governments of more reliable estimates of the advances which they require, a more vigorous application of the system of lump cuts for probable savings particularly in the case of establishment and works expenditure, and the adoption of a simpler and more intelligible system of estimating in the case of the military grant, will ensure in future a greater measure of conformity with the actual requirements of the year.

4. The Governor-General in Council observes with regret, that in respect of the year 1924-25 the number of cases in which expenditure exceeded the grants voted by the Legislature is greater than in the previous year though it is so far satisfactory that the gross amount of the total excess has been reduced. The Committee have analysed

the circumstances in which these irregularities have occurred and have traced them to the following dominant causes :—

- (1) introduction of new accounting arrangements for the first time in 1924-25 ;
- (2) the view held that allocation from the Finance Department reserve avoided the necessity for supplementary grants ;
- (3) the difficulties of watching the progress of expenditure under a system which permits of large amounts being brought to account after the close of the year.
- (4) failure to observe the rule that belated adjustments should be brought to account in the year in which they were discovered and not ante-dated ; and
- (5) failure to act up to the capital programme on the part of certain spending authorities.

Measures for the avoidance of such excesses have been engaging the close attention of the Governor-General in Council since the Committee drew his attention to the situation in their Report on the accounts of 1923-24 and further steps are being taken to deal with the specific factors to which the Committee have now adverted. He counts on the close co-operation of all authorities concerned to ensure that the Committee will have less cause to comment upon such irregularities in future reports.

5. The Committee next discuss the form of Demands for Grants and in particular the intricate accounting problem involved in the question of treatment of gross and net grants. The whole subject had been discussed exhaustively by the authorities concerned both from the accounting and the constitutional point of view and their final conclusions were placed before the Public Accounts Committee. The Governor-General in Council is gratified to note that the Committee have accorded their general approval to these conclusions which were subjected to further examination in discussion with the Financial Representatives of the Provinces at the annual conference held in November last. General agreement was then reached that rules embodying these conclusions should be tentatively adopted in all the provinces. Considerable difficulty and confusion would have followed an attempt to impose the revised system on the Demands for Grants for 1927-28 which had already been framed under the old system, but necessary steps are being taken to secure the introduction of the changes in the Demands for the ensuing year. In the meantime the opinions of local Governments are being invited on the detailed rules.

6. On the question of the form of the Finance and Revenue accounts and of the form in which the budget of the Government of India should be presented to the Assembly the Committee offer valuable comment. As regards the former, they endorse the view of the Auditor General that the aim should be clarity of presentation and the production of a correct picture of all the activities of the spending departments and that the accounts of expenditure should, therefore, be worked up to a gross figure of outgoings and that working expenses, charges for interest, etc., should not simply be shown as deductions from receipts. On the other

hand, in the case of the budget, the form of presentation should be the one best calculated to give the public a clear and intelligent account of the financial position of the Government of India. They recognise the undesirability, on the one hand, of inflating the accounts and, on the other hand, of obscuring the real importance of the activities of Government and they come to a tentative opinion that in the figures in the Budget Speech itself and in the statements issued at the time of the budget, both the gross and the net expenditure should be shown in appropriate forms. The Governor-General in Council fully recognises the importance of securing a statement which will present the facts in the clearest light. The various complicated issues have been under his consideration and definite conclusions will, it is hoped, be reached at no distant date.

7. The Committee refer again to the possibility of constituting a Civil Contingencies Fund, a subject which was discussed by their predecessors in the Report on the accounts of 1923-24. They refer to the legal problems which have been advanced and suggest that, if these are found to be insuperable, steps should be taken to alter the law. Under the present system the reserve at the disposal of the Finance Department in the 'Miscellaneous' grant is utilised to supplement deficiencies under other votes and the approval of the Assembly was not hitherto obtained to supplementary grants. This procedure is irregular, in that it involves a transfer of funds from one grant to another, and further contravenes the important constitutional principle that excess expenditure under any head requires a supplementary grant from the legislature under that head. The legal and constitutional aspects of the question have been considered at length by the Governor-General in Council with special reference to the proposal for the creation of a Civil Contingencies Fund on English lines, under which money will be voted once for all to the Fund and sums advanced from time to time to departments will be recouped from sums voted by the Assembly under the appropriate head of account. This system, however, will still involve the voting of the same sum twice, once to the fund and then to the particular head, a procedure which has been held to be irregular. A further complication is introduced by the fact that section 67A of the Government of India Act forbids by implication the incurring of expenditure unless and until a demand has been granted by the Legislature, except in the special circumstances provided for in that section. It will be recognised that, as the estimates are framed well in advance of the year to which they relate, it is not possible to provide for all contingencies and occasions must arise on which it is essential in the interests of the public administration to incur expenditure, for which no provision has been voted, in anticipation of the approval of the Legislature. Such considerations, in fact, underlie the present expedient by which a lump grant is placed at the disposal of the Finance Department to meet unforeseen expenditure. The problem is one which requires further consideration involving amendment of the Act and the rules thereunder and the Governor-General in Council is not yet in a position to announce any final decision on the subject. In the meantime the Governor-General in Council considers that the system of voting a reserve to meet unforeseen expenditure should be continued but he agrees with the Committee that allocation from the reserve to meet expenditure under another voted head

should not be allowed to infringe the doctrine that expenditure in excess of a voted grant can be regularised only by a vote of the Assembly. For this reason supplementary demands were presented to the Assembly at their last session to regularise such allocations from the reserve during the year 1926-27. This procedure involves double voting but this is less objectionable than failure to obtain supplementary grants.

8. The Committee draw attention to a general tendency on the part of spending departments to over-estimate expenditure, more especially in the provision made for establishments and under heads relating to expenditure on works. As they rightly observe, such margins facilitate re-appropriation for purposes not contemplated at the time when the budget was framed and not authorised by the Assembly, and they recommend that steps should be taken to ensure that the provision for establishments should be based not only on the existing cadres but also on the figures of actual expenditure of previous years. The Finance Department has already introduced the system of lump sum deductions in order to counteract a natural tendency on the part of estimating officers to err on the safe side. In the budget estimates for 1926-27, 16 lump cuts distributed over nine heads of accounts and aggregating over Rs. 20 lakhs were made. Except in two cases, where special reasons existed for the excess, the revised estimate under the major head as a whole was less than the budget estimate thus justifying the expedient. The Governor-General in Council accepts the recommendation of the Committee that this system should be applied more boldly and has already acted upon it in framing the estimates of 1927-28. He further agrees that careful statistics should be kept of the proportions between actual expenditure and estimates based on the existing cadres under establishment heads.

9. The Committee refer to the satisfactory results achieved by the introduction of commercialised accounts in the Posts and Telegraphs Department after an elaborate expert enquiry extending over several years and also raise the questions of the cost of the services rendered by that department to other Government departments. They are of opinion that sufficient credit has not been given in the accounts for the work done by this department on behalf of the Government and the public by the radio system which operates at a considerable annual loss. They suggest that a separate profit and loss account should be worked out for this part of the department's activities. Definite proposals have been formulated for this purpose which are now under the consideration of Government. In the same connection the Committee have referred to the credit due to the department for railway telegraphs and the credit due to the telegraph and telephone portions of the account for services rendered to the Postal Department. The former question, which is one of considerable complexity is still under consideration. In the latter case the principle has been accepted and a provisional statement of the necessary adjustments was laid before the Legislature in the course of the debates on the Budget in March last.

10. In paragraph 18 of their Report the Committee comment on the number of cases in which loss to the tax-payer has resulted from defective drafting of contracts entered into on behalf of the Government. They recommend that adequate arrangements should be made for securing that

legal and financial advice is available to and obtained by officers responsible before contracts are finally concluded. Standard forms of contracts are suggested for adoption wherever possible, the rates to be subject to adequate prior scrutiny. They re-affirm the view expressed by their predecessors in paragraph 49 of their Report in 1925 that rules should be made to provide that contracts containing any unusual conditions should not be entered into without previous consultation with the Finance Department and that material variations in contracts once entered into should not be made without its sanction. They also emphasise the importance of the principle that whenever practicable, contracts should be placed only after tenders have been openly invited and that in cases where the contract, which is *prima facie* in the tax-payers' interest, is not accepted, the reason should be recorded and should be subjected to close scrutiny both by the Executive and by the Audit Department. The Governor-General in Council regards this question as one of the greatest importance and he records his general approval of the salutary principles to which the Committee have given expression.

It is observed that the rules and procedure as regards contracts which have been prescribed for the Railway and Army Departments in their respective departmental codes and regulations are generally adequate to their purpose and in accordance with the principles adopted by the Public Accounts Committee. No manual or set of rules, however, exists for the guidance of other departments except the Public Works Department. The Governor-General in Council accepts the recommendation of the Committee on the question and is now considering the formulation of comprehensive instructions on the lines recommended by the Committee for the guidance of all departments.

11. The Committee draw attention once again to the rule that expenditure of a kind which is technically of the nature of a "new service" ought always to be brought to the notice of the Assembly and subjected to its vote even though it may be possible to meet the charge by re-appropriation from savings under other sub-heads of the grant affected. The adoption of the device of a token vote for this purpose was considered by the Governor-General in Council in connection with a similar question raised by the Government of the Punjab and he came to the conclusion that a supplementary demand must be presented for the whole amount involved and not solely for a token amount if the service is a new service, inasmuch as the presentation of a specific demand for expenditure on a new service is a statutory obligation which cannot be avoided by the expedient of a token grant. A practical difficulty lies in devising a precise definition of the term "new service" and this question is under further examination. It will be necessary to find an interpretation of the present wording of the statute which will be workable and to determine what classes of expenditure require a special vote. Eventually it may be necessary to amend the existing law to meet practical difficulties.

12. On the cognate question of the use of savings under non-voted heads for new expenditure not provided for in the original estimate, the Governor-General in Council endorses the view of the Committee that it is desirable to frame rules in regard to such re-appropriations for services other than the Army (where rules laid down by the Secretary of State are already in force), distinction being made between re-appropriations required to cover excesses in normal expenditure and

those required to meet the cost of entirely new services. He has also accepted the recommendation of the Committee that a statement should be laid on the table of the Assembly at the time of the presentation of the annual budget which should show in detail the cases in which the sanction of the Finance Department has been given to additional appropriations for non-voted expenditure. Such a statement relating to non-voted grants for the year ending 31st March 1927 was circulated to members of the Legislature with the last budget statement.

13. The Committee describe at some length the important results that have been achieved by the experimental institution of a system of Pay and Accounts Offices which is one of the main features in the separation of accounts and audit. They refer in particular to the improved control over expenditure and the facilities for watching the progress of expenditure which the system affords. The Governor-General in Council observes with gratification that the Committee conclude with an expression of opinion that, though it is too early to pronounce judgment on the general experiment of separation of audit and accounts, the new system of Pay and Accounts Offices has created a very favourable impression on their minds and has resulted in considerable savings particularly in the case of New Delhi. The scheme for the separation of accounts and audit has already been introduced as an experimental measure in the United Provinces and the possibility of extending it to other provinces was discussed at length at the annual conference of Financial Representatives held in November 1926. The general opinion, however, was that it would be preferable to postpone the further extension of the scheme until the success of the experiment in the United Provinces had been fully established. The Governor-General in Council accepts this view and awaits the report of the Auditor General on the experiment which will be prepared when the accounts for 1926-27 have been closed.

14. The Committee refer at some length to certain irregularities connected with the Sambhar Improvement Scheme disclosed in the Audit and Appropriation Accounts of the Central Government. They do not, however, give a definite decision on the matter, but have left the question for further investigation by the Public Accounts Committee of 1927. The outstanding points are now under examination and the views of the Government of India will be placed before the Committee. In regard to certain irregularities brought to light by the local audit and inspection of the accounts of the Northern India Salt Department, the Governor-General in Council agrees that these were due, to some extent, to the fact that works were executed in a remote locality where only rudimentary arrangements existed for scrutinising the accounts. The Governor-General in Council is considering the recommendation of the Committee that a set of rules should be framed giving adequate but carefully defined powers to the officer who is in charge of a major work in a remote part where conditions of labour and transport are totally different from those in more easily accessible localities to which the ordinary rules apply.

15. In commenting on the series of frauds that were discovered in the Appraising Department of the Calcutta Custom House in 1923, the Committee raise the question whether the present arrangements for

supervising the work of the appraising staff at the principal ports are adequate. They rightly observe that the responsibilities of these officers are very considerable, since the customs revenue at stake is by far the most important source of the revenue of the Government of India. They also emphasise the importance of improving the system of internal check in Custom Houses. Both these subjects have received the anxious consideration of the Central Board of Revenue and certain proposals for rectifying the defects in the general system are under discussion. Proposals for revision of the Sea Customs Act, on which the Committee lay stress, have now been formulated and are under consideration.

16. The system of priced store and cost accounts which was in force for some years in the Army has now been radically modified in accordance with the recommendations of the special committee which was appointed to enquire into the efficacy of the system. The estimates of the military services for the year 1927-28 have been greatly simplified and improved by the grouping of expenditure by heads under the authorities finally responsible for its control and all cost accounting items have been excluded. Priced store accounting has been abolished in all consuming units and will in future be confined to supply and store depots and manufacturing establishments but subsidiary accounts will be maintained to show the cost of maintenance of various arms of the service. The Governor-General in Council trusts that the simplification of the accounts will greatly strengthen financial control and facilitate the prompter preparation of the records of progress of expenditure. The Committee have emphasised the necessity for improvement of local audit. The Governor-General in Council fully recognises the importance of this question and has taken steps to secure the reform which the Committee desire. The abolition of priced store accounting in consuming units and the amalgamation of certain District account offices, with Command offices has made it possible to find the establishment necessary to strengthen local audit without extra expense.

17. The Committee draw the attention of Government to the fact that expenditure has been recorded in a number of cases under a head different from that under which budget provision was made for it. They ascribe this defect in part to lack of full co-operation between the officers responsible for the preparation of budget estimates and those responsible for preparing the accounts. The position is that the Auditor General is the statutory authority for the decision of questions of classification. Therefore if, at the time of preparation of the budget, any doubt arises on a point of classification, the budget authorities must refer the relevant facts to the classification authority for decision. The preparation of the budget is, however, frequently conducted under very high pressure and it must occasionally happen that time does not permit of consultation of the accounting authorities. Certain items may thus be classed in the demands under heads different from those under which they eventually appear in the accounts after it has been possible to resolve the doubt. The Governor-General in Council would impress upon those responsible for the preparation of the budget the desirability of conformity between the demands for grants and the accounts and he trusts that whenever doubt arises, the decision of the proper authority will invariably be obtained whenever it is possible to do so without serious risk of delay.

18. The Committee refer to an allegation that travelling allowances in the Posts and Telegraphs Department are inadequate and, while re-affirming the principle that travelling allowance should not be a source of profit, they suggest that the contention should be carefully investigated. This question has already been considered by the Posts and Telegraphs Department and draft rules have been framed to obviate certain difficulties which arise under the present system. Experience has shown that this system is in many respects defective and that the general effect of certain rules is in the interest neither of the Government servant nor of the tax-payer. The Finance Department therefore propose to formulate revised regulations of general application.

19. The desirability of redrafting Fundamental Rule 45, which has been urged by the Committee in paragraph 37 of their Report, has already been recognised by the Governor-General in Council and revised rules have been prepared for the approval of the Secretary of State in Council. In the same paragraph the Committee recommend that "houses designed and built for officers of a higher status should not be let to officers of a lower status in view of the loss of rent involved". The Governor-General in Council presumes that it is not the intention of the Committee that houses should not be allotted to officers of lower status if officers of the class for which they are intended are not available. On this presumption, he accepts the recommendation.

20. The Committee conclude their general comments with an expression of their appreciation of the value of the report on the Audit and Appropriation Accounts of the Central Government and their recognition of the great pains devoted by the Accountant General to its preparation in an improved form. The Governor-General in Council desires to endorse this tribute and trusts that the suggestions made by the Committee for the further improvement of the form of the report will be borne in mind by the officers concerned in the preparation of future reports. The Governor-General in Council is much gratified to note the Committee's approbation of the ready assistance rendered by witnesses in explaining and elucidating points which arose in the course of examination and of the trouble taken by witnesses to acquaint themselves with details of their cases. The enquiries of the Public Accounts Committee add to the labours of the officers referred to and he greatly appreciates the spirit in which this additional duty has been accepted in the interests of the efficiency and integrity of the public service.

21. The action taken by the Governor-General in Council on the detailed recommendations on specific points, which have not been dealt with in this Resolution and particularly those raised in Section III of the Report, will, as in previous years, be communicated to the Public Accounts Committee at their next meeting.

APPENDIX II.

Statement showing the action taken or proposed to be taken on the points which have been noticed by the Public Accounts Committee in their Report on the accounts of 1924-25 but which have not been dealt with in Resolution No. D.-1163-A., dated the 5th May 1927.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
1	Statement of recommendations or suggestions by previous Public Accounts Committees on which action is outstanding.	Report of 1926, para. 40.	
(a)	Question whether grants sanctioned by the Legislature should be for gross or <i>net</i> expenditure in cases where recoveries occur which may be taken in reduction of expenditure.	Report of 1923, para. 27, Report of 1924, para. 27 and Report of 1925, paras. 35-36. Report of 1926, para. 9.	Necessary steps are being taken for the introduction of the changes in the form of the Demand for grants and in accounts from 1928-29.
(b)	That it is desirable to amend and simplify the leave rules, and that the decision in this matter should be expedited.	Report of 1924, para. 33.	The question is still under consideration.
(c)	That it is desirable that an inventory of all Government property, buildings, etc., should be kept, and that the adequacy of the existing system of checking dead stock registers should be considered.	Report of 1924, para. 35.	The question is still under consideration in consultation between the Auditor General and the Department of Industries and Labour.
(d)	That mere provision in the revised estimates is not sufficient to prevent an excess and that specific application from proper authority for a grant is necessary.	Report of 1925, para. 12.	Necessary instructions have been issued in Finance Department letter No. D/15-VI-Ex.-II/26, dated 4th October 1926.
(e)	Suggestion that new and important items of expenditure not contemplated when the original estimates were framed, of which the cost can be met from savings within the grant, should be brought to the notice of the Assembly by means of a token vote.	Report of 1925, para. 20.	The suggestion has been accepted by Government and a despatch has been submitted to the Secretary of State.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
(f)	That a separate Accounts Office at Peshawar for the North West-Frontier Province be established.	Report of 1925, para. 28.	The question of accommodation has been considered in the Report of the Special Committee on Army Accounts.
(g)	That in all cases where the expenditure exceeds the amount granted by the Assembly, though the excess is covered by allotment of funds from the reserve, steps should be taken to obtain a grant from the Assembly to cover the excess.	Report of 1925, paras. 30—33.	The proposal has been given effect to in the Supplementary Grants presented to the Assembly last year. Proposals for the institution of a Civil Contingencies Fund have been submitted to the Secretary of State.
(h)	That the question of the treatment of losses of revenue due to fraud, defalcation, etc., as a form of expenditure be considered carefully by the Government of India.	Report of 1925, para. 38.	The matter is still under consideration in consultation with the Auditor General.
(i)	That, in order to avoid the risk of defalcation, fees in respect of minor services rendered by Government, e.g., passport fees which are transmitted direct by the collecting officer to the treasury, should be collected by means of stamps.	Report of 1925, para. 39.	The question has been carefully examined. No great advantage would be gained by an extended use of stamps for payment of fees and in very many cases such form of payment would be highly inconvenient and often liable to the very abuses which the proposal intends to avoid. Instructions have been issued to the effect that direct payment to the Treasury should be insisted on in all cases where the fees for services are definitely fixed and can be easily ascertained by applicants. In the cases where the fees cannot be paid direct into the Treasury or a Branch of the Imperial Bank, it has been decided that the duty of seeing that the receipts are properly accounted for and duly remitted into the Treasury should be imposed upon a responsible officer, and that when the receipts are considerable, provision should be made for periodical audit.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
(j)	Introduction of a system of internal check on Customs receipts, which will ensure an efficient scrutiny of the collection of such dues.	Report of 1925, paras. 40-41.	The scheme is under consideration by the Central Board of Revenue in consultation with the Officer on Special Duty.
(k)	Question of improving the procedure for preventing technical excesses over grants caused by the difficulty of estimating the percentage for establishment and tools and plant in the case of works expenditure.	Report of 1925, para. 52.	Orders sanctioning a fixed percentage of departmental charges have been issued in the case of United Provinces and Madras. As regards the other provinces, the question is under consideration.
(l)	That the Military Appropriation Report be reconstituted on the lines of the recommendations made in the Report of Enquiry and accepted by the Government of India.	Report of 1925, para. 66.	The Appropriation Report for 1925-26 has been reconstituted on these lines to some extent.
(m)	That the system of cost accounting should be placed on a simple and intelligible basis which will provide an effective check on the purchase, stocking and consumption of Military stores.	Report of 1925, para. 67.	This has been done— <i>vide</i> para. 16 of Finance Department Resolution No. D./1163-A., dated 5th May 1927.
2	Question of giving effect to the recommendations in the Auditor General's memo. No. T.-517, dated 30th July 1926 (Appendix VI), so as to remove the anomalous relations between him and the Auditor of Home Accounts.	Report of 1926, para. 41.	The question will be taken up for consideration in connection with the next Statutory Commission.
3	Settlement of war claims outstanding between India and the Imperial Government.	<i>Ibid</i> , para. 43	It is expected that a final decision will be reached shortly.
4	Recovery from the War Office of the sum due on account of the hire of the "Dufferin".	<i>Ibid</i> , para. 47.	The case has been settled. See also page 4 of the Audit Report on the Military Accounts.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
5	Procedure for submission of Demands in respect of expenditure in England to Provincial Legislatures.	<i>Ibid</i> , para. 48	All the Provincial Governments have agreed to abide by the decision arrived at in the Conference.
6	Outstanding claim for stores lost in the "Clan Mackay".	<i>Ibid</i> , para. 49	This case has now been settled, see para. 2 of the Home Auditor's Report on the High Commissioner's accounts for 1925-26.
7	Inadequacy of the levy of 2 per cent. for departmental expenses on the value of stores purchased by the High Commissioner.	<i>Ibid</i> , para. 50	The question has been examined recently and the rate has been suitably revised.
8	Misrepresentation of facts and manipulation of accounts to avoid audit objection.	<i>Ibid</i> , para. 53	The attention of all disbursing officers has again been drawn by the New Capital Committee to the instructions already issued and they have been enjoined to observe these orders.
9	Production of salt at the lowest possible cost and the question of the amount to be kept in stock.	<i>Ibid</i> , para. 55 page 24.	The large wastage shown in 1924-25 was an estimate made for the first time of the wastage suffered in the large stock of reserve salt which had been in store for many years.
10	Disposal of the large balance of stores kept at the X-Ray Institute at Dehra Dun.	<i>Ibid</i> , para. 56	The Department of E. H. & L. have issued necessary orders for the disposal of the surplus stores at the Institute, and have also impressed upon the D. G. I. M. S. the desirability of not indenting for stores in excess of requirements. The Superintendent of the Institute has so far been able to dispose of only a portion of the stores.
11	Question of making the Indian stores Department self-supporting by obtaining more employment for it.	<i>Ibid</i> , para. 57	In order to make the Indian Stores Department self-supporting efforts are continually being made to secure more business. This point is receiving very careful consideration by the Industries and Labour Department.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
12	Adoption of measures to check rush of purchases towards the close of the year.	<i>Ibid</i> , para. 58.	Instructions originally issued by Chief Controller of Stores failed to have much practical effect. Further instructions were issued by Finance Department in letter No. D.-2347-A, dated the 13th September 1926.
13	Necessity of obtaining a reasonable return on the capital invested on furniture in residential buildings at Simla and Delhi.	<i>Ibid</i> , para. 59	The question was fully considered by a Committee in 1924 presided over by the Hon'ble Finance Member. It has again been examined carefully by the Government of India as a result of which it has been decided not to raise the rent.
14	Unauthorised drawing by the Deputy Commissioner, Port Blair of his increment of pay.	<i>Ibid</i> , para. 62	For the reasons given in the explanation since furnished by the officer, the Committee may desire to modify the strong strictures contained in para. 62 of the Report for 1924-25. A memorandum on the subject will be submitted to the Committee.
15	Risk of loss in the collection of materials in advance of or in excess of requirements.	<i>Ibid</i> , para. 63	Mr. Roche, Deputy Secretary in the Industries and Labour Department and Consulting Architect to the Government of India, was put on special duty to enquire into the irregularities and his report was placed before the New Capital Committee. The Committee examined the Report very carefully and they accepted Mr. Roche's opinion that the organisation was inadequate to deal with the purchase and storage of stores for so considerable a project but that the changed system recently introduced will improve the position considerably. The Accounts Officer now conducts a prescrutiny of all proposals to incur expenditure on stores while he has also taken over the work of verification of stores and the periodical review and valuation of stocks.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
16	Risk of loss in connection with collection and dressing of stone.	<i>Ibid</i> , para. 64	The report of the sub-committee of experts who investigated the accounts of the stoneyard was carefully considered by the Delhi New Capital Committee. The conclusions arrived at were that (a) the whole of the stone paid for had been satisfactorily accounted for, (b) there was no evidence of any financial loss to Government and (c) the system of measuring stone at the quarries and the stoneyard was in certain respects defective but the check was on the whole adequate.
17	Excess expenditure of nearly Rs. 17 lakhs under "Interest on Ordinary Debt".	<i>Ibid</i> , para. 65	The excess has been investigated and a memo. explaining the excess will be submitted to the Public Accounts Committee.
18	Question of increasing the security required from officers of the Posts & Telegraphs Department who handle large sums of money.	<i>Ibid</i> , para. 66	The question is under consideration.
19	In cases of loss of public money complete recovery of the money is not necessarily an adequate punishment.	<i>Ibid</i> , para. 67	The Government of India do not dispute this and in fact other punishments are inflicted where necessary, such as stoppage of promotion, deprivation of independent charge and free quarters, transfer, etc.; where, however, a large sum is involved, inflicting in effect a heavy fine spread over several years is usually considered sufficient and further punishment is not inflicted. All the circumstances of the case are taken into consideration before orders are passed.

No.	Recommendations or observations made by the Public Accounts Committee.	Reference to Report.	Remarks.
20	Reduction in the excessive strength of telegraphists.	<i>Ibid</i> , para. 68	The reduction of the surplus of telegraphists has been receiving constant attention. The admissible number of telegraphists is determined by calculation of an approved standard of outturn from the volume of traffic in each year. When the figures for 1926-27 have been checked it is probable that it will be found that the surplus no longer exists.
21	Institution of an enquiry by the Auditor General to find out defect in the system, if any, which led to the double debit of over 7 lakhs to Grant No. 11-Posts and Telegraphs Department and the erroneous adjustment of Rs. 42,502 under Grant No. 21-Survey of India.	Para. 69 ..	A memorandum by the Auditor General is being circulated to the members of the Public Accounts Committee.

APPENDIX III.

Statement comparing expenditure with grants for 1925-26.

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE.				
16. Customs				
{ Voted ..	71,66,000	68,66,777	2,99,223	..
{ Non-voted ..	11,74,662	11,49,520	25,142	..
17. Taxes on Income				
{ Voted ..	62,56,900	55,18,582	7,38,318	..
{ Non-voted ..	2,64,219	2,43,881	20,338	..
18. Salt				
{ Voted ..	1,11,25,900	90,85,689	20,40,211	..
{ Non-voted ..	40,97,939	41,01,996	..	4,057
19. Opium				
{ Voted ..	2,29,90,900	2,09,61,366	20,29,534	..
{ Non-voted ..	75,430	76,101	..	671
20. Stamp				
{ Voted ..	8,53,000	5,98,203	2,54,797	..
{ Non-voted ..	29,000	29,057	..	57
21. Forest				
{ Voted ..	6,83,000	6,50,228	32,772	..
{ Non-voted ..	3,03,214	3,05,158	..	1,944
22. Irrigation, Navigation, etc.				
{ Voted ..	15,07,000	13,87,159	1,19,841	..
{ Non-voted ..	14,34,200	13,37,545	96,655	..
25. Interest on ordinary Debt and Reduction or Avoidance of Debt.				
{ Voted ..	1,39,24,000	1,34,97,980	4,26,020	..
{ Non-voted ..	12,81,00,000	12,69,79,568	11,20,432	..
26. Interest on Miscellaneous Obligations.				
{ Voted ..	23,87,000	23,51,067	35,933	..
{ Non-voted ..	4,23,39,860	4,05,96,077	17,43,783	..
27. Staff, Household and allowances of the Governor General.				
{ Voted ..	10,63,000	12,66,033	..	2,03,033
{ Non-voted ..	3,59,667	3,53,285	6,382	..
28. Executive Council				
{ Voted ..	62,000	81,539	..	19,539
{ Non-voted ..	4,86,667	4,98,264	..	11,597

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
29. Legislative Bodies .. { Voted ..	6,39,000	5,18,485	1,20,515	..
Non-voted ..	1,06,492	1,06,142	350	..
30. Foreign and Political Department. { Voted ..	8,24,000	7,25,847	98,153	..
Non-voted ..	1,63,400	1,71,712	..	8,312
31. Home Department .. { Voted ..	6,04,000	5,60,841	43,159	..
Non-voted ..	7,68,300	7,37,042	31,258	..
32. Legislative Department { Voted ..	5,49,000	5,19,010	29,990	..
Non-voted ..	1,63,000	1,63,404	..	404
33. Department of Education, Health and Lands { Voted ..	5,27,000	5,06,091	20,909	..
Non-voted ..	1,32,000	1,25,611	6,389	..
34. Finance Department { Voted ..	11,60,000	11,01,018	58,982	..
Non-voted ..	2,73,406	2,41,644	31,762	..
35. Commerce Department { Voted ..	3,21,000	2,54,635	66,365	..
Non-voted ..	74,200	74,476	..	276
36. Army Department .. { Voted ..	5,64,000	5,06,326	57,674	..
Non-voted ..	1,04,000	1,01,956	2,044	..
37. Department of Industries and Labour. { Voted ..	5,09,000	4,62,970	46,030	..
Non-voted ..	99,411	95,029	4,382	..
38. Central Board of Revenue. { Voted ..	1,69,000	1,67,079	1,921	..
Non-voted ..	82,500	82,812	..	312
39. Payments to Provincial Governments on account of Administration of Agency Subjects. { Voted ..	2,93,000	2,95,359	..	2,359
Non-voted ..	..	..	..	..
40. Audit .. { Voted ..	78,87,000	74,74,140	4,12,860	..
Non-voted ..	5,36,720	5,80,666	..	43,964
41. Administration of Justice. { Voted ..	46,000	46,108	..	108
Non-voted ..	..	290	..	290

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Ra.	Ra.	Ra.	Ra.
42. Police .. { Voted ..	2,91,000	2,95,654	..	4,654
Non-voted ..	2,300	2,208	92	..
43. Ports and Pilotage .. { Voted ..	20,78,000	19,74,793	1,03,207	..
Non-voted ..	11,50,070	11,42,624	7,446	..
44. Survey of India .. { Voted ..	28,98,000	27,22,791	1,75,209	..
Non-voted ..	7,45,870	7,44,190	1,680	..
45. Meteorology .. { Voted ..	6,80,000	6,56,278	23,722	..
Non-voted ..	45,000	44,541	459	..
46. Geological Survey .. { Voted ..	1,71,000	1,71,001	..	1
Non-voted ..	3,09,234	3,04,813	4,421	..
47. Botanical Survey .. { Voted ..	6,86,000	5,20,708	1,65,292	..
Non-voted ..	21,550	21,192	358	..
48. Zoological Survey .. { Voted ..	1,60,000	1,42,039	17,961	..
Non-voted ..	13,600	13,222	378	..
49. Archaeology .. { Voted ..	15,16,000	14,56,419	59,581	..
Non-voted ..	79,000	68,861	10,139	..
50. Mines .. { Voted ..	1,57,000	1,41,703	15,297	..
Non-voted ..	77,000	76,936	64	..
51. Other Scientific De- { Voted ..	3,03,000	3,13,840	..	..
partments. Non-voted ..	..	..	..	..
52. Education .. { Voted ..	2,37,000	2,50,712	..	13,712
Non-voted ..	..	10,996	..	10,996
53. Medical Services .. { Voted ..	9,18,000	8,21,484	96,516	..
Non-voted ..	2,77,627	2,61,733	15,894	..
54. Public Health .. { Voted ..	7,08,000	6,88,380	19,620	..
Non-voted ..	1,33,400	1,44,130	..	10,730

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
55. Agriculture ..	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>15,76,000</div> <div>2,16,700</div> </div>	<div> <div>12,26,303</div> <div>2,12,419</div> </div>	<div> <div>3,49,697</div> <div>4,290</div> </div>
56. Civil Veterinary Services.	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>7,69,000</div> <div>60,825</div> </div>	<div> <div>7,74,598</div> <div>59,777</div> </div>	<div> <div>..</div> <div>1,048</div> </div>
57. Industries ..	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>44,96,000</div> <div>43,00,350</div> </div>	<div> <div>43,80,711</div> <div>41,60,346</div> </div>	<div> <div>1,15,289</div> <div>1,40,004</div> </div>
58. Aviation ..	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>1,30,000</div> <div>3,600</div> </div>	<div> <div>1,16,932</div> <div>..</div> </div>	<div> <div>13,068</div> <div>3,600</div> </div>
59. Commercial Intelligence and Statistics.	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>2,37,000</div> <div>39,070</div> </div>	<div> <div>2,00,733</div> <div>38,927</div> </div>	<div> <div>36,267</div> <div>143</div> </div>
60. Census ..	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>1,000</div> <div>..</div> </div>	<div> <div>3,384</div> <div>2,630</div> </div>	<div> <div>..</div> <div>2,630</div> </div>
61. Emigration—Internal.	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>50,000</div> <div>7,000</div> </div>	<div> <div>47,871</div> <div>6,600</div> </div>	<div> <div>2,129</div> <div>400</div> </div>
62. Emigration—External.	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>79,000</div> <div>27,300</div> </div>	<div> <div>82,680</div> <div>28,055</div> </div>	<div> <div>..</div> <div>755</div> </div>
63. Joint Stock Companies	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>1,29,000</div> <div>1,200</div> </div>	<div> <div>1,22,774</div> <div>1,200</div> </div>	<div> <div>6,226</div> <div>..</div> </div>
64. Miscellaneous Departments.	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>16,57,000</div> <div>1,93,464</div> </div>	<div> <div>15,92,631</div> <div>1,91,608</div> </div>	<div> <div>64,369</div> <div>1,856</div> </div>
65. Currency ..	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>55,24,000</div> <div>1,43,700</div> </div>	<div> <div>52,21,691</div> <div>1,34,976</div> </div>	<div> <div>3,02,309</div> <div>8,724</div> </div>
66. Mint ..	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>15,81,000</div> <div>85,000</div> </div>	<div> <div>14,92,143</div> <div>85,592</div> </div>	<div> <div>88,857</div> <div>..</div> </div>
67. Civil Works	<div> <div>Voted ..</div> <div>Non-voted ..</div> </div>	<div> <div>1,38,68,000</div> <div>39,28,300</div> </div>	<div> <div>1,38,58,013</div> <div>21,83,785</div> </div>	<div> <div>9,987</div> <div>17,44,515</div> </div>

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COM- PARED WITH GRANT.	
			Less than granted.	More than granted.
	Ra.	Ra.	Ra.	Ra.
68. Superannuation Allow- ances and Pensions.	Voted .. 52,44,000	53,76,756	..	1,32,756
	Non-voted .. 2,40,40,738	2,30,46,836	9,93,902	..
69. Stationery and Print- ing.	Voted .. 33,31,000	32,34,345	96,655	..
	Non-voted .. 1,00,600	96,801	3,799	..
70. Miscellaneous ..	Voted .. 50,04,000	38,76,397	11,27,603	.. ;
	Non-voted .. 30,88,626	30,67,182	21,444	..
71. Adjustment with Pro- vincial Governments.	Voted .. 16,26,000	8,05,392	8,20,608	..
	Non-voted .. 7,62,774	7,62,774	..	..
72. Refund ..	Voted .. 57,26,000	65,21,612	..	7,95,612
	Non-voted .. 2,15,82,000	1,99,06,292	16,75,798	..
73. North-West Frontier Province.	Voted .. 1,19,91,000	1,16,93,422	2,97,578	..
	Non-voted .. 1,09,44,198	1,08,08,636	1,35,562	..
74. Baluchistan ..	Voted .. 26,24,000	25,47,759	76,241	..
	Non-voted .. 45,18,499	43,54,028	1,64,471	..
75. Delhi ..	Voted .. 33,91,000	33,28,691	62,309	..
	Non-voted .. 3,89,553	2,89,496	1,00,057	..
76. Ajmer-Merwara ..	Voted .. 13,91,000	12,56,444	1,34,556	..
	Non-voted .. 1,55,000	1,35,839	19,161	..
77. Andamans and Nicobar Islands.	Voted .. 41,63,000	35,74,668	5,88,337	..
	Non-voted .. 1,91,030	1,75,952	15,078	..
78. Rajputana ..	Voted .. 4,65,000	4,57,535	7,465	..
	Non-voted .. 10,79,403	10,48,100	31,303	..
79. Central India ..	Voted .. 5,83,000	5,55,482	27,518	..
	Non-voted .. 7,66,910	6,69,337	97,573	..
80. Hyderabad ..	Voted .. 73,000	65,691	7,309	..
	Non-voted .. 3,03,690	2,88,436	15,254	..

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than granted.	More than granted.
	Rs.	Rs.	Rs.	Rs.
81. Expenditure in England under the control of the Secretary of State for India. { Voted ..	19,73,000	15,68,932	4,04,068	..
{ Non-voted ..	12,89,000	12,15,302	73,698	..
82. Expenditure in England under the control of High Commissioner for India. { Voted ..	22,43,000	13,48,882	8,94,118	..
{ Non-voted ..	53,70,000	44,39,697	9,30,303	..
Ecclesiastical	33,61,126	29,51,876	4,09,250	..
Political	1,87,83,401	1,81,02,195	6,81,206	..
Territorial and Political Pensions ..	31,00,000	29,76,642	1,23,358	..
Bangalore	17,77,376	17,27,451	49,925	..
Western India States Agency ..	12,42,421	12,00,966	41,455	..
Total { Voted ..	17,28,38,700	16,08,90,801	1,31,42,175	11,94,276
{ Non-voted ..	29,58,75,792	28,53,56,336	1,06,17,025	97,569
B.—EXPENDITURE CHARGED TO CAPITAL.				
83. Irrigation works—Not charged to Revenue.	27,000	—96,675	1,23,675	..
86. Delhi Capital outlay { Voted ..	1,50,39,000	95,57,444	54,81,556	..
{ Non-voted ..	3,57,800	3,48,740	9,060	..
86-A. Capital outlay on Vizagapatam Harbour.	90,47,000	64,76,753	25,70,247	..
86-B. Capital outlay on Security Printing	17,00,000	16,39,618	60,382	..
Total { Voted ..	2,58,13,000	1,75,77,140	82,35,860	..
{ Non-voted ..	3,57,800	3,48,740	9,060	..
C.—DISBURSEMENT OF LOANS AND ADVANCES.				
87. Interest Free Advances	1,82,15,000	1,01,17,559	80,97,441	..
88. Loans and Advances bearing Interest	15,41,99,000	9,89,69,974	5,52,29,026	..
Total voted ..	17,24,14,000	10,90,87,533	6,33,26,467	..
Total Civil ..	66,72,98,292	57,32,60,550	9,53,30,587	12,91,845
Voted ..	37,10,65,700	28,75,55,474	8,47,04,502	11,94,276
Non-voted ..	29,62,33,592	28,57,05,076	1,06,26,085	97,569

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.		
			Less than granted.	More than granted.	
	Ra.	Ra.	Ra.	Ra.	
PART II.—POSTS AND TELEGRAPHS.					
A.—EXPENDITURE CHARGED TO REVENUE.					
23. Indian Posts and Telegraphs Department.	<div><div>Voted ..</div><div>Non-voted ..</div></div>	<div><div>8,70,84,000</div><div>61,30,500</div></div>	<div><div>7,90,41,820</div><div>58,00,174</div></div>	<div><div>80,42,180</div><div>3,30,326</div></div>	<div><div>..</div><div>..</div></div>
24. Indo-European Telegraph Department.	<div><div>Voted ..</div><div>Non-voted ..</div></div>	<div><div>29,55,000</div><div>9,61,000</div></div>	<div><div>16,63,789</div><div>9,44,707</div></div>	<div><div>12,91,211</div><div>16,293</div></div>	<div><div>..</div><div>..</div></div>
Total ..	<div><div>Voted ..</div><div>Non-voted ..</div></div>	<div><div>9,00,39,000</div><div>70,91,500</div></div>	<div><div>8,07,05,609</div><div>67,44,881</div></div>	<div><div>93,33,391</div><div>3,46,619</div></div>	<div><div>..</div><div>..</div></div>
B.—EXPENDITURE CHARGED TO CAPITAL.					
84. Capital outlay on Posts and Telegraphs.	<div><div>Voted ..</div><div>Non-voted ..</div></div>	<div><div>2,23,62,000</div><div>..</div></div>	<div><div>2,13,71,208</div><div>7,503</div></div>	<div><div>9,90,792</div><div>..</div></div>	<div><div>..</div><div>7,503</div></div>
85. Capital outlay on Indo-European Telegraphs.	<div><div>Voted ..</div><div>Non-voted ..</div></div>	<div><div>8,04,000</div><div>..</div></div>	<div><div>9,75,428</div><div>..</div></div>	<div><div>..</div><div>..</div></div>	<div><div>1,71,428</div><div>..</div></div>
Total ..	<div><div>Voted ..</div><div>Non-voted ..</div></div>	<div><div>2,31,66,000</div><div>..</div></div>	<div><div>2,23,46,636</div><div>7,503</div></div>	<div><div>9,90,792</div><div>..</div></div>	<div><div>1,71,428</div><div>7,503</div></div>
Total Posts and Telegraphs ..		12,02,96,500	10,98,04,629	1,06,70,802	1,78,931
Voted ..		11,82,05,000	10,30,52,245	1,03,24,183	1,71,428
Non-voted ..		70,91,500	67,52,384	3,46,619	7,503

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
PART III.—RAILWAYS.*				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Revenue—Railway Board.	{ Voted .. 9,80,000	9,85,000	..	5,000
	{ Non-voted .. 5,06,000	4,64,000	42,000	..
2. Revenue—Inspection	{ Voted .. 1,14,000	1,42,000	..	28,000
	{ Non-voted .. 2,77,000	2,48,000	29,000	..
3. Revenue—Audit	{ Voted .. 7,46,000	5,84,000	1,62,000	..
	{ Non-voted	43,000	..	43,000
4. Revenue—Working Expenses—Administration.	{ Voted .. 12,60,00,000	12,38,53,000	21,47,000	..
	{ Non-voted .. 48,21,000	38,56,000	9,65,000	..
5. Revenue—Repairs and Maintenance and Operation.	{ Voted .. 42,26,47,000	39,84,04,000	2,42,43,000	..
	{ Non-voted .. 90,000	97,000	..	7,000
6. Revenue—Companies' and Indian States' share of surplus profits and net earnings. (Voted).	1,75,90,000	1,77,42,000	..	1,52,000
9. Revenue—Appropriation to Depreciation Fund. (Voted).	10,73,25,000	10,66,88,000	6,37,000	..
10. Revenue—Appropriation from Depreciation Fund. (Voted).	9,50,00,000	7,98,40,000	1,51,60,000	..
11. Revenue—Commercial Lines—Miscellaneous.	{ Voted .. 6,65,000	1,86,000	4,79,000	..
	{ Non-voted .. 3,07,000	3,81,000	..	74,000
12. Revenue—Appropriation to the Reserve Fund. (Voted).	3,28,43,000	3,79,31,000	..	50,88,000
13. Revenue—Appropriation from the Reserve Fund.	..	..	..	..
14. Revenue—Strategic Lines.	{ Voted .. 1,82,00,000	1,13,03,000	68,97,000	..
	{ Non-voted .. 14,000	29,000	..	15,000
State Railways Revenue—Interest on Debt. (Non-voted).	25,02,97,000	24,81,12,000	21,85,000	..
Total	{ Voted .. 82,21,10,000	77,76,58,000	4,97,25,000	52,73,000
	{ Non-voted .. 25,63,12,000	25,32,30,000	32,21,000	1,39,000

* In the Audit and Appropriation Accounts, figures have been given in thousands only. For the sake of uniformity these figures have been shown in this statement by units by adding three noughts to figures given in the accounts.

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Ra.	Ra.	Ra.	Ra.
B.—EXPENDITURE CHARGED TO CAPITAL.				
7. Capital—New Construction.				
{ Voted ..	6,46,70,000	3,91,72,000	2,54,98,000	..
{ Non-voted ..	3,30,000	2,49,000	81,000	..
8. Capital—Open line works.				
{ Voted ..	16,10,65,000	14,93,27,000	1,17,38,000	..
{ Non-voted ..	85,000	90,000	..	5,000
15. Capital Strategic Lines				
{ Voted ..	53,70,000	35,60,000	18,10,000	..
{ Non-voted ..	35,000	52,000	..	17,000
Capital—Redemption of Liabilities involved in the purchase of Railways (Non-voted.)	3,41,55,000	3,42,74,000	..	1,19,000
Capital—Discharge of Debentures (Non-voted.)	1,06,52,000	82,62,000	23,90,000	..
Total .. { Voted ..	23,11,06,000	19,30,59,000	3,90,98,000	..
{ Non-voted ..	4,52,63,000	4,29,27,000	24,77,000	1,41,000
Total Railways ..	1,35,47,90,000	1,26,58,74,000	9,44,69,000	55,53,000
Voted ..	1,06,32,15,000	96,97,17,000	8,87,71,000	52,73,000
Non-voted ..	30,15,75,000	29,61,57,000	56,98,000	2,80,000

Number and name of Grant.	Grant.	Expenditure.	EXPENDITURE COMPARED WITH GRANT.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
PART IV—MILITARY.				
A.—EXPENDITURE CHARGED TO REVENUE.				
Army	<i>India</i> ..	45,48,51,055	45,60,77,450	.. 12,26,395
	<i>England</i> ..	9,88,04,770	9,70,42,766	17,62,004 ..
Marine	<i>India</i> ..	52,29,000	48,60,991	3,68,009 ..
	<i>England</i> ..	19,56,000	18,69,037	86,963 ..
Military Engineer Services	<i>India</i> ..	4,17,17,952	4,21,84,017	.. 7,66,065
	<i>England</i> ..	3,46,660	3,40,652	.. 652
Total Military .. Non-voted ..		60,28,98,777	60,26,74,913	22,16,976 19,93,112
Grand Total ..		2,74,52,84,569	2,55,16,14,092	20,26,87,365 90,16,888
Voted ..		1,53,74,85,700	1,36,03,24,719	18,37,99,685 66,38,704
Non-voted ..		1,20,77,98,869	1,19,12,89,373	1,88,87,680 23,78,184

APPENDIX IV.

Memorandum No. 3334-F., dated the 1st July 1927, furnished by the Finance Department, with reference to para. 30 of the resolution which appears as Appendix I to the Report of the Public Accounts Committee on the accounts of 1924-25.

The undersigned is directed to invite a reference to paragraph 30 of the Government of India, Finance Department, Resolution No. D.-1089-A., dated the 1st June 1926, and to explain the difficulties of applying the term "detailed estimates" as used in that paragraph in its technical sense. It has always been realised that it is mere waste of time and money to prepare detailed estimates of a work before it is more or less certain that funds for the work in question are likely to be available, especially as the Central Government is occasionally required to pay local Governments for preparing such estimates whether the work is immediately proceeded with or not. The real intention of the orders in paragraph 30 of the Resolution referred to above was that no scheme should be included in the Budget estimates which had not been administratively approved or to which the requisite sanction of the Finance Department had not been given. The Government of India have, therefore decided that the expression "detailed estimates" should be held to mean "approximate estimates as contemplated in paragraph 180 of the Public Works Department Code". This decision has been communicated to all concerned and the facts are now reported for the information of the Public Accounts Committee.

APPENDIX V.

Memorandum furnished by the Accountant General, Posts and Telegraphs with further explanation of item IX on page 95 of the Posts and Telegraphs Appropriation Accounts.

The attention of the Public Accounts Committee is invited to item IX—Miscellaneous Posts and Telegraphs Advances on page 95 of the Appropriation Accounts of the Posts and Telegraphs Department for 1925-26, and the explanation against that item on page 97.

2. In the course of the investigations into the large outstandings of Rs. 92,109 it was discovered that to this head had been debited certain advances taken by Postal officials for the payment of contractors for repairs to postal buildings. The departmental rules permit a Superintendent of Post Offices, on the sanction of the Head of a Circle, to draw as an advance the money sanctioned for repairs to postal buildings, and the procedure is freely adopted in the case of repairs to Post Offices. These advances were, at one time, charged off finally in the accounts, but owing to the obvious disadvantages of this method of dealing with them it was decided that they should be taken to a Suspense head. The Branch Postal Audit Offices have, therefore, rightly taken the outstanding advances of this nature to head "IX—Miscellaneous Posts and Telegraph Advances" under "56—Capital Outlay not met from Revenue".

3. In paragraph 29 of the Audit Report on the accounts of the Posts and Telegraphs Department for 1923-24 attention was drawn to the fact that though it was a *sine qua non* of this arrangement that the balance which remained unexpended at the end of the official year should be repaid to Government by the officials who took the advance, as a matter of actual practice there were considerable outstandings at the end of every year. In paragraph 42 of the Audit Report on the accounts of the Posts and Telegraphs Department for 1924-25 a reference was made to the same irregularity which had again occurred despite the issue of a circular in November 1924 by the Director General, Posts and Telegraphs. Again, in the accounts of 1925-26, it has been found that advances the total of which amounts to a considerable sum, have neither been accounted for nor have been repaid to Government at the end of the year. The total of these advances amounts to nearly Rs. 28,000 in one circle and nearly Rs. 11,000 in another circle. The Director General has issued another circular on the subject in August 1926. It is surmised that in a good many cases the advances are drawn in anticipation of requirements to avoid lapse of Budget grant. Owing to the fact that these advances are taken to head "IX" under "56—Capital Outlay not met from Revenue" and are there held under Suspense, the expectation of departmental officers is disappointed. The attention of the Public Accounts Committee, however, is drawn to the ignorance or defiance of instructions which seriously reflects on the efficiency of control in the Posts and Telegraphs Department.

APPENDIX VI.

Memorandum No. 575-B., dated 18th June 1927, furnished by the Railway Department with reference to para. 6 of the Minutes of the 13th Meeting of the Public Accounts Committee held on the 6th February 1925.

In considering the Audit Report of the Accountant-General, Railways, on the accounts for 1922-1923, the Public Accounts Committee noticed with concern the number of cases of losses of cash in transit on railways, and desired that the question of avoiding the necessity of moving about large amounts of cash to and from headquarters by arranging to pay in receipts into a branch of the Imperial Bank or by some similar method should be considered.

2. The matter was considered by the Railway Board in consultation with the Controller of Currency and it was decided that station earnings should, as far as possible, be paid into the nearest treasuries including the branches of the Imperial Bank of India where they were conveniently situated. Orders were accordingly issued in July 1925 to the Railway Administrations to endeavour to arrange for an extended use of this system.

3. The Railway Administrations have given considerable attention to the question and are fully alive to its importance. There are however practical difficulties in the way of applying the system to all stations. Its extension to the smaller stations may result in some risk in the transportation of money by road from the station to the Treasury. There is also the waste of time involved in handing over money to the treasuries.

concerned, and the necessity of extra police guards for escorting the cash to the treasury.

4. The Railway Board have ascertained that the system has been introduced wherever practicable, and that arrangements have also been made in some cases to collect the earnings of a number of small stations at a conveniently situated central place which happens to be the headquarters of a treasury.

5. On the East Indian Railway, for instance, prior to the Railway being taken over by the State, the cash of all stations was conveyed to Calcutta and paid into the Imperial Bank. The system was overhauled in the year 1925, but the payment of station cash into local treasuries by all stations was considered inconvenient as in many cases the Treasury Office was at some considerable distance from the station. It has now been arranged to collect station cash by means of Travelling Cash Safes and pay into Treasuries as follows :—

Stations ..	Delhi to Allahabad ..	at Allahabad.
Stations ..	East of Allahabad to Dinapore	at Patna.
Stations ..	East of Dinapore to Asansol ..	at Asansol.
Stations ..	Burdwan to Kiul ..	at Monghyr.
Stations ..	East of Asansol to Howrah ..	at Calcutta.
Stations ..	West of Lucknow to Saharan- pur	at Moradabad.
Stations ..	Moghalaerai to Lucknow ..	at Lucknow.

6. That the measures taken by the Railway Board in this connection have been efficacious is proved by the fact that the number of cases of loss of cash in transit in 1924-25 and 1925-26 and the amount involved have both been considerably less than in previous years. The amounts are shown below :—

Year.		No.	Gross amount.		Net amount after deducting amounts recovered for adjusted.	
			Rs.		Rs.	
1922-23 ..		12	80,178		49,013	
1923-24 ..	..	23*	99,828		64,892	
1924-25 ..	..	7	22,987		8,522	
1925-26 ..	..	2	1,965		965	

*Includes 8 cases of the B., B. and C. I. Railway relating to previous years.

7. The question of extending the system of payment into the nearest treasuries will be reviewed periodically by each Railway Administration.

APPENDIX VII.

Memorandum No. F.392/26-Jails, dated the 13th April 1927, furnished by the Home Department with reference to para. 62 of the Report of the Public Accounts Committee on the accounts of 1924-25.

With reference to paragraph 184 of the report on the Audit and Appropriation Accounts for the year 1924-25 relating to Grant No. 54-Andaman and Nicobar Islands, the Public Accounts Committee remarked in paragraph 62 of their report on the accounts for the same year that the action of the Deputy Commissioner in taking advantage of his official position to compel the Treasury Officer to make a payment to him without proper authority was highly irregular and reprehensible. The officer in question has submitted a personal explanation in a letter No. 1352, dated the 7th September 1926, copy attached, stating the circumstances in which the irregularity was committed and praying that in the light of the information supplied by him, the censure passed on him and the Treasury Officer, Port Blair, may be removed or at least modified.

2. The Home Department have again considered the position in the light of these papers, and, while the action of the Deputy Commissioner and of the Treasury Officer concerned was undoubtedly irregular, are inclined to think that the irregularity in question was due at the outset to the former not having been informed on appointment of the maximum limit attached to the post. Further, the audit authority contributed to the difficulties of his position by not replacing the provisional pay-slip issued in July 1924 by a pay-slip in proper form, by unduly delaying the audit of his bills and by omitting to authorise him to draw pay up to the admissible maximum when the irregularity was first discovered.

3. It will be observed that the Deputy Commissioner believed in the first instance that Fundamental Rule* 24 authorised him to draw his increment as soon as it fell due, and he ceased to draw it as soon as he was aware of the limit of salary attached to the post. On the fuller information now available it does not appear that he used his official position, as has been suggested, to compel the Treasury Officer to take action which both of them knew to be improper. Both officers, however, and more especially the Treasury Officer should have known that the rule on which they relied did not overrule the provisions of article 51, Civil Account Code, Volume I, which prescribes that increased salary may not be drawn until authority has been received from the local Accountant-General.

It is thought that in the circumstances the Public Accounts Committee may desire to modify the strong strictures contained in paragraph 62 of their report, and the matter is therefore brought to their notice. This memorandum is presented with the cognizance of the Auditor General.

ENCLOSURE TO APPENDIX VII.

Letter from the Deputy Commissioner, A. and N. Islands, Port Blair, No. 1352, dated the 7th September 1926, to the Secretary to the Government of India, Home Department, Simla.

With reference to the remarks made in para. 184 on pages 128 and 129 of the Report on Audit and Appropriation Accounts of the Central

*Copy attached.

Government (Civil), 1924-25, I have the honour to request that I may be allowed to make a personal explanation.

1. It is implied that 'although I was aware that my pay as Deputy Commissioner, Port Blair, was subject to a maximum limit of Rs. 1,950 including overseas pay of Rs. 250 yet I deliberately insisted on the Treasury Officer paying me more than I was entitled to draw.

The actual facts are that when I was offered the appointment of Deputy Commissioner, Port Blair, in June 1924, I was not informed that there was any limit to the pay of the appointment, and I did not know and had no reason whatever to believe that such was the case until I received the Accountant-General, Central Revenues' letter No. G. A.-1/4115, dated the 9th November 1925.

I then immediately ceased to draw any pay and moved the Government of India through the Chief Commissioner to raise the limit so as to enable me to draw the pay I would ordinarily be entitled to.

2. When I was appointed to be Deputy Commissioner, Port Blair, my pay including oversease pay was Rs. 1,900. Eight months later, in February 1925, an increment of Rs. 100 became due.

Relying on the authority of Fundamental Rule 24 and being unaware that there was any limit to the pay of the appointment I thought that I was entitled to draw the increment when due "as a matter of course", and when the Treasury Officer pointed out that a pay slip must first be issued by the Accountant General, Central Revenues, I replied that the words "as a matter of course" could have but one meaning, and that a new rule must be held to supersede an older one with which it was in direct confliction.

In the light of subsequent knowledge I have admitted and expressed regret for the irregularity that arose from my failure to realise that notwithstanding Fundamental Rule 24 it was necessary to await the receipt of a pay slip from the Accountant General, Central Revenues, before drawing an increment, but I would submit that the Treasury Officer may be pardoned for doubting his own knowledge of English and of procedure, and for accepting my explanation, when confronted by two rules, apparently incompatible, but both promulgated by high authority.

3. The Accountant General, Central Revenues, although unable to authorise me to draw an increment of Rs. 100 which would have raised my pay beyond the maximum sanctioned for the appointment, might presumably have authorised me to draw that maximum.

My increment became due on the 7th February 1925.

Article 51 of the Civil Account Code lays down that letters of authority (Pay Slips) will be issued "as soon as possible".

The Accountant General, Central Revenues, stated in his letter No. G. A.-1/4115, dated the 9th November 1925 that the payment of my increment of Rs. 100 per mensem had occasioned an overdrawal of only Rs. 50 per mensem. He thereby admitted that with effect from the 7th February I might have drawn an increment of Rs. 50 per mensem without exceeding the maximum.

If he had, in conformity with Rule 51 of the Civil Account Code, issued authority "as soon as possible" for that reduced increment to be paid to me, and had explained why the full increment was withheld, his letter would have reached the Treasury Officer before I had cashed my next Pay Bill, and this case would never have arisen.

I would submit that this is an additional reason for taking lenient view of the Treasury Officer's irregularity.

4. Finally it is implied that I contumaciously continued to draw the increment after the payment had been "challenged" in audit, for it is remarked that letters to the Treasury Officer asking why these payments had been made "had little effect".

I submit that they had the natural effect of causing the desired explanation to be submitted.

The explanation submitted was that I was drawing the increment on the authority of Fundamental Rule 24.

When a telegram was received asking the same question a third time I wrote a demi-official letter No. 186, dated 21st October 1925, to Mr. Das Gupta asking him what Fundamental Rule 24 meant if it did not mean that an officer could ordinarily draw his increment when due "as a matter of course", and requesting that he would be so good, if any further authority were required, as to let me know when I might expect to receive it as it was already nine months over-due.

The correct interpretation of Fundamental Rule 24 was never furnished to me, and no authority to draw the whole, or even a part of my increment was sent to me until July 1926—seventeen months after it became due.

To sum up. I submit that I have shown :—

1. That I did not know and that I had no reason to suspect that the pay of my appointment was subject to any maximum limit, and that when that fact was brought to my knowledge I immediately ceased to draw the excess.
2. That the irregularity committed by the Treasury Officer and myself was due to the fact that Fundamental Rule 24 is in conflict with Article 51 of the Civil Account Code and that it was natural to assume that the newer rule superseded the older one.
3. That if the Accountant General, Central Revenues, had himself followed Article 51 of the Civil Account Code and had issued, without undue delay, a Pay Slip authorising me to draw the maximum pay fixed for the appointment this case could never have arisen.

If the Government of India are of opinion that the facts as I have explained them constitute a less serious irregularity than that which is described in the Publication referred to I would request, that, if they think fit, they will take steps to have the implications withdrawn, and the censure passed on the Treasury Officer and myself removed, or at least modified.

ENCLOSURE TO APPENDIX VII.

FUNDAMENTAL RULE.

24. An increment shall ordinarily be drawn as a matter of course unless it is withheld. An increment may be withheld from a Government

servant by a local Government, or by any authority to whom the local Government may delegate this power under Rule 6, if his conduct has not been good or his work has not been satisfactory. In ordering the withholding of an increment, the withholding authority shall state the period for which it is withheld, and whether the postponement shall have the effect of postponing future increments.

APPENDIX VIII.

Memorandum No. 16 (1)-A., dated the 7th October 1926, furnished by the Foreign and Political Department with reference to Question 749 on page 140 of the Report of the Public Accounts Committee on the accounts of 1924-25, Volume II.

The following table shows details of the amount of Rs. 2,62,680 :—

	Rs.
(1) Famine relief advances	2,07,791
(2) Takavi advances	44,410
(3) Advance for Fruit Farm in Quetta ..	6,383
(4) Outstanding advance from a Political Officer	3,650
(5) Petty items	446
	2,62,680

2. As regards item (1), the write off of this amount was sanctioned by the Agent to the Governor General, Baluchistan, in July 1923. The amount was not, however, adjusted in the accounts for a long time for want of funds. Towards the end of September 1925 a ruling was issued by the Government of India with the concurrence of the Auditor General to the effect that the amounts written off should be adjusted in the accounts of the year in which the write off was sanctioned. The question of adjustment of this amount was then taken up by the Accountant-General, Central Revenues, who decided not to defer the adjustment of the amount for want of funds. As the accounts of 1923-24 had been finally closed, the adjustment was made in the accounts for 1924-25.

3. Items (2) and (3) were sanctioned to be written off by the Agent to the Governor General in October 1924. Item 4 was sanctioned to be written off by the Government of India in May, 1924. The Agent to the Governor General included provision for these in his Budget estimates for 1925-26, and the Accountant-General, Central Revenues, was authorised by the Foreign and Political Department to include the amount in the Budget estimates. The provision was, however, excluded by the Finance Department through a misapprehension. When the matter was brought to the notice of the Finance Department subsequently in July 1925, they agreed to the issue of the orders referred to in the previous paragraph about the adjustment of these sums in the accounts of 1924-25, and they noted that if that involved an excess over the sanctioned grant for the year, they would explain the matter to the Public Accounts Committee that, owing to a misunderstanding, the charges could not be provided for.

APPENDIX IX.

Memorandum furnished by the Foreign and Political Department with reference to Question No. 765 on page 143 of the Report of the Public Accounts Committee on the accounts of 1924-25, Volume II.

GRANT NO. 51—BALUCHISTAN.

The Public Accounts Committee asked for enquiries to be made why, in view of the fact that there was an excess as a whole in the Baluchistan budget for 1924-25, the special grants were sanctioned under Account IX—Education—B—Grants-in-aid to non-Government Secondary Schools. It was pointed out to the Public Accounts Committee that, but for the adjustment of write-offs, amounting to Rs. 2,62,680 under Account XII-Miscellaneous, the budget as a whole would have shown a saving.

2. The excess of Rs. 18,634, under Account IX—Education B—Grants-in-aid to non-Government Secondary Schools, was covered by reappropriation during the year 1924-25. The special grants, amounting to Rs. 16,150 sanctioned during the year are made up as follows :—

	Rs.
(a) Khalsa School. Building Grant ..	6,000
(b) D. A. V. High School. Ordinary Grant ..	2,050
D. A. V. High School. Special Grant ..	4,000
(c) Convent School. Ordinary Grant ..	2,100
Convent School. Special Grant ..	2,000

The grants under (a) and (b) were given under the Baluchistan Education Code in connection with the programme for the expansion of education in Baluchistan. The grants under (c) were given under the Code of Regulations for European Schools.

APPENDIX X.

Memorandum No. F.148/IV/26-Police, dated 18th August 1926, furnished by the Home Department with reference to Question No. 352 on page 63 of the Report of the Public Accounts Committee on the accounts of 1924-25, Volume II.

In connection with their examination of the Audit and Appropriation Accounts of the Central Government (Civil) for 1924-25, the Public Accounts Committee wished to have further information on the points noted below :—

- (a) Grant 15—General Administration, Account V—Home Department Head A—Secretariat. 1. Pay of Officers, *non voted*, excess Rs. 3,758 ;
- (b) Grant 15—General Administration, Account V—Home Department Head D—Intelligence Bureau. 3. Allowances, hono-
raria, etc., savings Rs. 17,627 ; and
- (c) Grant 19—Police, Head D—Other expenditure, supplementary grant Rs. 7,97,000, savings Rs. 35,420.

The information desired has now been collected and is given below.

2. The excess in the Home Department was explained by the Accountant General, Central Revenues, as due to a change in personnel, involving a transfer of charges from the voted to the non-voted heads, and the Com-

mittee desired further information as to the change in the personnel. This was the conversion of one of the three posts of Assistant Secretary in the Department to a post of Under Secretary with effect from the 29th May 1924 and the appointment of an Indian Civil Service officer (Mr. T. C. S. Jayaratnam), to the post.

3. In regard to the saving in the Intelligence Bureau, the explanation given by the Accountant General, Central Revenues, was that the expenditure on account of travelling allowance was less than was anticipated. The amount of touring that officers in the Bureau have to do depends entirely on the political circumstances of the year, and as these cannot always be accurately predicted, a certain amount of uncertainty in the budget estimates in respect of expenditure on account of travelling allowance cannot be avoided. In some years expenditure on this account has been considerably exceeded.

4. The supplementary grant of Rs. 7,97,000 under Grant 19 was in respect of the newly created Western India States Agency. The Agencies of Kathiawar and Palanpur, which were under the political control of the Government of Bombay till the 10th October 1924, were taken into direct relation with the Government of India from that date, and were formed into the Western India States Agency. The expenditure on the police forces in the two Agencies was accepted as a charge on Central Revenues with effect from the year 1921-22, and a supplementary grant was obtained by the Foreign and Political Department to meet (a) the sum due to the Government of Bombay on account of these police forces for the period from the 1st March to the 9th October 1924, and (b) the cost of the police force in the new Agency for the remainder of that financial year. The saving of Rs. 35,420 referred to in the Accounts occurred in the latter ; but provision on this account was made on the basis of five-twelfths of the estimated cost of the police forces in the two Agencies for 1924-25, and more accurate figures could hardly have been provided.

APPENDIX XI.

Note dated 31st August 1926, submitted by the Controller of the Currency with reference to Question No. 786 on page 146 of the Report of the Public Accounts Committee on the accounts of 1924-25, Volume II.

It has been ascertained from the Accountant General, Bengal that a sum of about Rs. 16 lakhs was wrongly posted in the India portion of the Bank accounts (incorporated in the Accountant General, Central Revenues' books) under "Interest on 1932 Bonds" instead of under "Interest on 1933 Bonds". This explains the excess of 16 lakhs under "Interest on 1932 Bonds" as compared with the normal interest figure shown in the Finance and Revenue Accounts.

2. As regards the excess of about 17 lakhs under "Interest on permanent debt" as shown in the Appropriation Account for 1924-25, I enclose a statement showing the distribution of the total excess amongst the different loans. It will be seen from the statement that the excess is not due to any abnormally large variations, but is made up of a number of small items, e.g., 5 of 1 lakh each, 1 of 2 lakhs, 2 of 3 lakhs and 1 of 4 lakhs. In each case, the excess is only a small fraction of the grant and the total excess is less than even a hundredth part of the total grant.

3. On a comparison of the actuals for several years with the corresponding Revised Estimates, I find that considerable variations between the

actuals and the estimates have not been uncommon, as shown in the figures given below :—

			<i>Interest on permanent debt.</i> (In lakhs of Rs.)		
			Revised estimate.	Actual.	Excess.
1920-21	..	..	12.17	12.42	25
1921-22	..	..	13.52	13.74	22
1922-23	..	..	14.22	14.38	16
1923-24	..	..	16.66	16.74	8
1924-25	..	..	17.34	17.51	17

4. I shall take the above factor into account in framing the Revised Estimates in future.

ENCLOSURE TO APPENDIX XI.

1924-25.

19—INTEREST ON ORDINARY DEBT.

Interest on various loans.

Name of Loan.	Budget proportion 1st 9 months.	Budget proportion last 3 months.	Total grant.	Actuals 1st 9 months.	Actuals last 3 months.	Actuals 12 months.	Excess.	Proportion of excess to total grant.
1926	1.19	91	2.10	1.19	94	2.13	3	1/70
1930	94	82	1.76	94	82	1.76	..	..
1931	40	28	68	38	30	68	..	..
1927, 1932 and 1933.	3.19	52	3.71	3.21	52	3.73	2	1/186
1920, 1921, 1922, 1923, 1925 and 1928.	92	68	1.60	92	71	1.63	3	1/53
1929-47 ..	58	55	1.13	60	54	1.14	1	1/113
1945-55 ..	1.44	3	1.47	1.45	3	1.48	1	1/147
1916-17 ..	40	..	40	40	..	40	..	..
1842-43 ..	40	33	73	39	35	74	1	1/73
854-55 ..	54	47	1.01	56	46	1.02	1	1/101
1865	1.13	6	1.19	1.18	5	1.23	4	1/30
1879	6	6	12	5	7	12	..	..
1900-01 ..	60	52	1.12	63	50	1.13	1	1/112
1896-97 ..	9	10	19	9	10	19	..	..
Scindia ..	6	..	6	6	..	6	..	..
Rampur ..	2	..	2	2	..	2	..	..
Indore ..	5	..	5	5	..	5	..	..
	12.01	5.33	17.34	12.12	5.39	17.51	17	1/102

APPENDIX XII.

Memorandum No. T.-389-Admn.-156-26, dated the 16th June 1927 furnished by the Auditor General with reference to paragraph 69 of the Report of the Public Accounts Committee on the accounts of 1924-25.

The Public Accounts Committee in dealing with the Appropriation Accounts of the Accountant General, Posts and Telegraphs, for the year 1924-25 noticed two important cases in which expenditure had been charged in the accounts of the Posts and Telegraph Department which was not properly chargeable against that Department [paragraph 44 of the Audit Report and page 43—A. I (i) of the Appropriation Report of the Accountant General, Posts and Telegraphs]. In commenting on these cases the Public Accounts Committee remarked on the apparent want of touch between the Accountant General raising the debit and the Accountant General, Posts and Telegraphs, who accepted it. Although no definite recommendation was made, the feeling of the Public Accounts Committee appeared to be that the Accountant General of the Department in which the expenditure is brought finally to account should be personally responsible for the propriety of the charges which he accepts—*vide* remarks of the Chairman (Sir Basil Blackett) in Questions 239 *et seq* of Volume II (Evidence) of the Report of the Public Accounts Committee on the accounts of 1924-25.

2. In the course of departmental action in connection with the double charge nearly 7½ lakhs of rupees on account of printing and stationery made against the accounts of the Posts and Telegraph Department in 1924-25 I asked the Accountant General, Posts and Telegraphs to make proposals after consultation with the Controller of Printing, Stationery and Stamps, to prevent a repetition of such a mistake. The Accountant General's proposals which have been placed before me have been based on two principles—

- (i) that in order that a correct Profit and Loss Account of a commercial department may be presented, the allocation of charges raised against it should be checked in full, and
- (ii) that in order that the Accountant General, Posts and Telegraphs, should discharge his personal responsibility for the correctness of the charges he accepts, the check of the allocation of these charges should be conducted by his own staff.

The essential feature of the scheme which is most likely to be suitable is that the Accountant General, Posts and Telegraphs' inspection staff should verify the allocation of charges against the Posts and Telegraph Department in the registers of the Presses of the Deputy Controller, Forms, and of the Deputy Controller, Stationery.

3. It is necessary here to explain to the Public Accounts Committee that there is an officer (Examiner of Press Accounts) and a staff directly under the control of the Auditor General who exercises a test check on all the accounts of the Department of Stationery and Printing. It is a part of this officer's duties

to check the allocation of charges raised against commercial department but as his staff is limited, his check of allocation of charges is necessarily restricted to a small percentage (10 per cent). It is necessary to emphasise that the Examiner and his staff are expert in this particular branch of accounts, are familiar with the methods of working of the Stationery and Printing Department, and are accustomed to working with the staff of that Department.

4. In the course of the discussions the Controller of Printing, Stationery and Stamps, pointed out that the problem is not one for the Posts and Telegraphs Department only. If the principles mentioned above are universally valid other commercial departments must demand that they should be permitted to verify the accuracy of the allocation of the charges brought against them. If a procedure is adopted for the check of allocation of charges against the Posts and Telegraph Department, the Accounting Officers of other Departments will attempt to introduce the same or a somewhat similar procedure. The result will be that representatives of all Commercial Departments will attempt to check the accuracy of the demands raised against them by reference to the Controller's books, and this inspection by Departmental Officers will necessarily occur at about the same time. Any such attempt on the part of all commercial departments is bound to lead to serious congestion and confusion in the various offices under the Controller of Printing, Stationery and Stamps.

5. It is suggested to the Public Accounts Committee that it is both undesirable and unnecessary that there should be a check by each commercial department of the allocation of the charges brought by the Department of Stationery and Printing when there is an independent authority—the Examiner of Press Accounts, working directly under the Auditor General,—who can undertake this check on behalf of all departments. It is submitted that an investigation by an officer and a staff with special experience of press accounts is more economical to the Government of India considered as a whole, than one conducted by an inspection staff without any particular qualifications for the duty. Further a check conducted by the Examiner of Press Accounts is likely to cause the minimum of interference with the convenience, and the working, of the various offices under the Controller of Printing, Stationery and Stamps.

6. This view involves a certain departure from the principle described in paragraph 1 above which appears to have been tacitly accepted by the Public Accounts Committee, and before making definite proposals on the subject it has been thought advisable to explain the matter to the Committee. If the Committee concur in the view expressed in this memorandum, detailed proposals will be laid before the Government of India.

APPENDIX XIII.

Memorandum No. T-693-Admn./K. W.-616-26, dated the 2nd August 1927, furnished by the Auditor General with reference to paragraph 111 (80) (page 90) of the Audit and Appropriation Accounts (Central Civil) for 1925-26.

1. In paragraph 201 of the Audit and Appropriation Accounts for 1924-25 prepared by the Accountant General, Central Revenues, was reported under the heading "Heavy losses or risks of loss in connection with collection and dressing of stone" a case connected with the Grant for Delhi Capital Outlay which was still under the investigation of the administrative authorities concerned. For facility of reference the paragraph of the Report is reproduced as Annexure I to this Memorandum.

2. The Manufacture Account appended to the Appropriation Account (page 582) showed the year's figures of the account for "Collection of stone for Central Buildings" as follows :—

				Rs.
1. Opening balance	..	..	..	1,00,060
2. Value received during the year	..	..	..	41,94,044
3. Total	..	..	..	42,94,104
4. Value issued during the year	..	..	..	16,90,410
5. Closing balance	..	..	..	26,03,694

The following note was appended to this account :—

"Stock verification brought out a deficit to the extent of about Rs. 18.60 lacs. It is stated that the loss was due to machinery charges and wastage of stone having been more than what was anticipated. The matter is under enquiry, *vide* paragraph 201 of the Report."

3. The Committee on Public Accounts dealt with this case in their report (paragraph 64) in the following terms :—

"We understand that a special investigation is in progress in regard to the accounts of the Stoneyard, where supervision seem hitherto to have been lax. The results of the investigation should be important."

The evidence taken by the Committee, as recorded at pages 182 to 186 (Questions 970 to 1000), is reproduced in Annexure II to this Memorandum.

4. The result of the investigation not being known to Audit when the Audit and Appropriation Accounts for 1925-26 were published, this case was commented upon in that Report [paragraph 111 (80), page 90] in the following terms :—

"The Committee was made to understand that final investigation was in progress in regard to the accounts of the Stoneyard. They

- hoped that the results of the investigation should be important. The New Capital Committee appointed a Sub-Committee to examine and report on the report submitted by the Accounts Officer. The findings of the Sub-Committee and the report of the Accounts Officer have not yet been communicated to audit."

This was on the 8th May 1927.

5. In the Appropriation Accounts for 1925-26, (page 492), the manufacture account described as "Collection of Stone for Central Buildings", stands as follows :—

			Rs.
1. Opening balance	..	..	26,03,694
2. Value received during the year	..	..	27,82,783
3. Total	..	..	53,86,477
4. Value issued during the year	..	..	46,23,149
5. Closing balance	..	..	7,63,328

The appended note reads as follows :—

"A physical verification of the balances of stone was made by the Accounts Officer, Central Accounts Office and Mr. Croad, Executive Engineer, during the course of the year. As a result of this verification and of the preliminary examination of the accounts, it was found necessary to adjust a deficit of Rs. 27,86,000 on the operation for the period ending 31st December 1925. This was adjusted in the accounts for 1925-26. A subsequent and more detailed examination of the accounts seems to indicate that there is still a deficit that will have to be adjusted against the works concerned."

6. On the 20th June 1927, the New Capital Committee passed the resolution wherein they recorded their conclusion that the whole of the stone paid for had been satisfactorily accounted for and that no question thus arose of the raw material having been over-measured. They also made observations on certain defects of procedure which in their opinion were established and commented on the action or failure of certain officers and ordered that a copy of their comments be communicated to two of them. No other disciplinary action was ordered to be taken, presumably in view of the conclusion that the whole of the stone paid for had been satisfactorily accounted for and that there was no evidence to show that there had been any financial loss to Government. The resolution of the Committee [No. 1424 (a)], omitting names, is reproduced as Annexure III to this Memorandum.

7. The decision of the New Capital Committee is based primarily on the following reports :—

- (1) The report of a detailed, though he himself admits it was incomplete, investigation by the Accounts Officer of the Committee. (Not printed, being a voluminous document.)
- (2) The report thereon by a Sub-Committee of the New Capital Committee. (A summary of the conclusions of the Sub-Committee is printed as Annexure IV.)

It must be remarked in this connection that one of the members of the Sub-Committee appointed to examine the Accounts Officer's report was a former Superintending Engineer whose own responsibility, in certain matters, was one of the subjects of the investigation. This officer holds now the high position of the Chief Engineer and it will be seen that in that capacity he has had to express opinions to which must have been attached, both in the Sub-Committee and in the New Capital Committee, the weight due to his position as the highest technical expert in New Delhi.

8. The Committee had the further advantage, as they said in their resolution, of examining in person, at considerable length, four of the responsible officials connected with the operations of the Stoneyard. The evidence, however, is not available to Audit, as it is understood, on enquiry, that no record was kept of the oral evidence. In the absence of this evidence Audit must base its comments on the two reports referred to above. The Committee on Public Accounts may like to consider and record their views on the question whether in such important matters the explanations tendered by officials, whose actions and conduct in connection with accounts matters are the subject of serious investigation, and any other evidence tendered by them, should or should not be reduced to writing and placed on record.

9. There is another formal report (extract reproduced in Annexure V) which must be mentioned. This is the report of a Superintending Engineer (Mr. A. Croad). It will be seen on reference to sub-para. (a) of paragraph* 201 of the Audit and Appropriation Accounts for 1924-25 that this officer was placed by the local Administration itself on special duty for a few months, for verification, by personal count or measurement, of all balances of stone dressed and undressed, at the quarries, in the Stoneyard, and at the site of works. This was the officer who, in the words† of Mr. J. L. Sale, then officiating Chief Engineer, was put on special duty for four months to try and go into the accounts from the beginning to locate the wastage in stone. Thus, it was mainly the report of this very officer that led to the later detailed investigation. It is true that the Chief Engineer now states, as has been reported by the Accounts Officer, "that he had not at any stage accepted Mr. Croad's Report." Audit cannot, however, ignore this formal result of the enquiry of a Superintending Engineer who was placed on special duty for a few months. In sub-paragraphs 2, 5 and 6 of paragraph* 201 (a) of the Audit and Appropriation Accounts for 1924-25 was specially brought to notice what was then felt to be the unwillingness or failure of the Public Works Department authorities to furnish Audit with the report of this officer. As the result of the statutory action taken by the Auditor General, under rule 17 of the Auditor General's Rules, the Chief Commissioner, Delhi, was pleased to inform the Auditor General in a letter dated 19th May 1926, that the Chief Engineer had been given necessary instructions. Yet it was stated in a communication dated the 15th June, addressed by the Finance Member to the New Capital Committee to the Accountant General, Central Revenues, that "there is no report of inspection or investigation made by the Superintending Engineer other than a few pencil figures which have already been incorporated in

* Annexure I.

† Answer to Question 970, Annexure II.

(the Accounts Officer's) note, a copy of which was duly placed in the hands of the Audit Officer." Sometime later, however, the original report of the Superintending Engineer (which, as its evident from Appendix V, consisted of several pages) was duly received by Audit. The Committee on Public Accounts may wish to emphasise that documents essential for the conduct of audit should be made freely available to the Audit authorities.

10. To turn, now, to the substance of the case, it will be seen that the main object of this enquiry was to locate the causes of the enormous difference which appeared at one time between the balance of rough stone which, according to the accounts, should have been in existence in the Stoneyard and the balance which was actually in existence there. The enquiry should have elicited whether the whole of the large difference represented reasonable wastage which should have been adjusted suitably in the accounts in the past but which was not so adjusted, or whether any other causes contributed towards the largeness of the difference and whether such causes indicated mere technical errors of procedure or book-keeping, or were more serious and suggested possible losses or risks of loss to the tax-payer.

11. Expressed in quantities of rough stone, the figures which could not be reconciled and the difference which needed investigation on the 1st April 1925 were as follows :—

						Cubic feet (lacs).
Book balance	..	..	..	..	..	7.61
Physical balance	..	..	..	..	..	2.42
Difference	..	..	..	..	..	5.19

The corresponding figures for later dates are also given below for facility of reference :—

				On 1st September 1926 Cft. lacs.	On 1st March 1927 Cft. lacs.
Book balance	..	..	..	12.5	11.99
Physical balance	..	..	..	1.3	.07
Difference	..	..	..	11.2	11.92

12. The Accounts Officer's report attempts to examine the difference in quantities. His enquiry, though based on the initial accounts connected with quantities, did not apparently extend to a check with reference to the vouchers on which the audited accounts are based. The following extracts from his report will make this point clear :—

"9. The scope of the investigation has not been defined. Certain preliminary enquiries have, therefore, been made with a view to seeing what work is really involved. * * * The recompilation of the accounts in a proper form has not yet been put in hand. The labour involved will be enormous, hampered as we will be by the absence of proper records and initial accounts, and before embarking on this work, I would prefer to submit notes on my investigation into the three questions alluded

to above. After a consideration of these notes, it may be decided to dispense with the recompilation of the accounts. In the alternative it may be decided to do the work on such lines as will necessitate the appointment of a special establishment for the purpose. It must be borne in mind that with the one clerk at present given for the purpose, little spade work can be done."

" 35. Having described the process of keeping the quantity accounts, I now proceed to deal with the accounts themselves. * * *

* * *. The quantity accounts have been scrutinised, examined, and corrected, but have not yet been checked by reference to vouchers, nor have they been recompiled for the reasons stated in paragraph 9 of this note. If necessity arises, this can be done, but it is felt that any such labour might be rendered entirely fruitless if we do not in the first instance get the Chief Engineer's verdict on the results disclosed by the accounts. If, however, the Chief Engineer is not prepared to accept the results it would be necessary to do the work in complete detail in order to locate any possible fraud or defalcation."

It is necessary to mention this point as it shows that the Account Officer himself does not claim to have made a full and final investigation.

13. For the reasons given by the Sub-Committee in the opening paragraph of their report (reproduced below) it is proposed to make no attempt to follow in detail the report of the Accounts Officer :—

" Our Sub-Committee has held several meetings and we have examined in detail the note of the Central Accounts Officer, which forms the basis of our enquiry. This note is so exhaustive that, were we to attempt to follow it in similar detail, a report by us of the same or even greater length would be inevitable. Such a report would, to a great extent, defeat its own object, and we consider that we shall do better to deal on broad lines with the main questions raised by him and to explain briefly the conclusions which we have reached and the considerations upon which these conclusions are based."

It will suffice to deal on broad lines with the main questions which have been raised by him. As the Sub-Committee have touched upon these questions in stating their own conclusions, I proceed at once with a statement of the conclusions of the Sub-Committee. This will give a clear enough idea of the questions raised by the Accounts Officer and of the opinions expressed thereon by the Sub-Committee.

14. A brief summary of the conclusions of the Sub-Committee is given below. A fuller summary, as already stated, is given in Appendix IV to this Memorandum—

(a) Arrangement for taking measurements :—

(1) The staff employed for taking measurements at the quarries was not sufficiently responsible and this exposed Government to undue risks of loss.

(2) It was doubted that a proper and satisfactory check on the measurements of the quarries was exercised in the Stoneyard.

(3) That no loss has resulted does not condone the deficiencies of the system.

N.B.—The Chief Engineer dissented and held that a sufficient check actually took place.

(b) There had been no over-measurements of the rough blocks.

(c) There was no evidence that stone received from the Government quarry had been illicitly mixed up with stone received from the neighbouring private quarries worked by the same contractor and thus paid for at a higher rate. More adequate supervision should, however, have been provided to render such action impossible.

(d) The general organisation of the quarries and the stoneyard was, in certain respects, defective :—

(1) The Administrative and accounts functions of the stoneyard should not have been entrusted to the technical expert.

(2) The charge of the quarries should have been held by a reliable gazetted officer.

(e) There had been a departure, not definitely authorised, from what was originally intended to be the specification of the stone to be supplied.

(f) Similarly, there had been a change from the system of admitting in measurement (for the purpose of payment) only the largest cube which could be obtained from dressing the block of rough stone to measuring the actual cubic contents of the whole block.

(g) The wastage factor should be calculated in a way different from that adopted hitherto, and if this be done the quantity accounts up to the 28th February 1927 would give a wastage percentage of 41* only.

(h) The percentage of actual wastage, viz., 41, thus arrived at, is not excessive.

(i) A rough agreement is established between the total quantity of stone received and its products and by-products.

(j) (1) Assumed and calculated figures were apparently certified to be the quantity in stock in the yard.

(2) Stock should actually have been taken at intervals and the book balances corrected to agree with the physical balances.

(k) No useful object would be served by recompilation, as contemplated by the Accounts Officer, of the accounts of the stoneyard *ab-initio*.

(l) The rates at which stone has been issued, should be revised and extra charge made accordingly in the accounts of the building works to which the stone was issued

* Against 49 per cent otherwise.

15. A comparison of the foregoing summary with the conclusions of the New Capital Committee, as stated in their resolution, will show that the Committee were in general agreement with the Sub-Committee, except in the following important respects:—

- (1) The Committee expressed no views on points (g) and (h), viz., the method of calculating the wastage factor and the excessiveness or otherwise of the wastage percentage (41) as calculated by the Sub-Committee. It may be assumed that the views of the Sub-Committee on these points were accepted.
- (2) The Committee, apparently in view of their conclusion that the whole of the stone paid for had been satisfactorily accounted for, held that, though the arrangements for taking measurements were defective in certain respects, the check may reasonably be considered at this distant date to have been on the whole adequate.
- (3) As regards (e) and (f) the Committee held that there was no evidence to show that the system of measurement or of specifying the dimensions of stone was altered during the period of supply. The Committee at the same time endorse the finding of the Sub-Committee that attempts were made during the inception of the operations to provide stone of specified dimensions but that this attempt appears to have been abandoned almost immediately.

16. As a result apparently of their own examination of some of the documents brought to their notice, the Committee took up the new point in clause (3) (a) (iii) of paragraph 2 of their report, wherein they stated that at the time of examining stone on receipt in the Stoneyard no check was exercised to reject stone which might have been above or below the prescribed dimensions. They also noticed that revised measurements (the result of check measurement) were not substituted for the old measurements of the stones in all cases.

17. Their resolution is silent as to any preventive action to be taken with a view to guard against recurrence even of those defects of procedure and irregularities which are admitted to have existed.

18. As to disciplinary action, they recorded their disapproval that one of the incumbents of the post of Quarry Superintendent who is the only one still in service, and whom they name in their resolution, should have signed a statement of actual measurement (whereon payments were based) "which went beyond the acceptance of a subordinate's measurements." Although the majority of the Sub-Committee had held that there was a somewhat similar failure, on the part of the Stoneyard staff, to exercise the check said to have been exercised, the New Capital Committee made no observations on the conduct of that staff. In respect of the officer in charge of the Stoneyard, they held that no blame attached to him; he is a technical expert who should not have been employed on work of a non-technical nature; but they did not say if any superior administrative authority should be held responsible for employing this admittedly un-qualified official in a position of administrative and financial responsibility without regard to the interests

of the tax-payer. They held the Stoneyard officer to blame in signing certificates to the effect that he had personally measured and counted the stock in the stoneyard when he had in fact not so checked every item of the stock. They held at the same time that there was no *mala fides* on this officer's part and that in signing the certificate he had no deliberate intention of misleading his superior officers. As to the officer who held the position of the Superintending Engineer (and now holds the office of the Chief Engineer), the Committee mentioned merely his failure to take a complete count of stock, and in this respect they held that no blame attached to him and that he was not remiss in investigating the matter as soon as his suspicions were aroused.

19. Taking the rate of Re. 1 as representing roughly the cost of one cubic foot of rough stone, it will be seen on reference to paragraph 11 of this Memorandum that the investigation in this case related to a discrepancy (which might possibly have been a total loss) between the accounts and actual balances of rough stone amounting to Rs. 5 lacs on 1st April 1925—which rose to Rs. 12 lacs on the 28th February 1927. The enquiry, therefore, related to a very serious matter.

20. The New Capital Committee expresses the opinion that the whole of the stone paid for has been satisfactorily accounted for. It may reasonably be assumed that this opinion has influenced the Committee very largely in dealing with those officers who have been held responsible for the defects which the Committee considers to have been proved. Thus this decision is so important that it merits detailed examination.

21. The eventual products of the rough stone are (a) dressed stone, (b) other incidental shaped stone such as kerbs, etc., (c) ballast, and (d) dust. The last has no value. The value assigned to (c) is much less than that assigned to (b) which again is much less than that assigned to (a). Thus, while all the stone cut may be satisfactorily accounted for, it cannot be said that it has been used to the best advantage unless from it has been obtained the maximum amount of dressed stone possible, i.e., unless the wastage (using this term as meaning the difference between dressed stone and rough stone) is kept as small as possible. To realise the importance of this factor it may be pointed out that about 60 lacs of rupees have been paid for the rough stone. If the wastage has been 5 per cent. more than it might have kept this represents a loss of about 3 lakhs of rupees. Now, whatever was the intention of the original agreement for some years past the rough stone has been accepted as hewn from the quarries after the process which is technically known as quarry squaring. It is to be noted, however, that Mr. Sale, in giving evidence before the Public Accounts Committee last year definitely stated that stone is taken in any shape that it comes from the quarry. It is not rough shaped first of all. The difference is that quarry squaring involves trimming by hammering. Thus the loss in the preparation of the final dressed stone must vary according to the shape of the original blocks. Loss also inevitably occurs in sawing and planing and in dressing the sawn and planned pieces to the final shapes of the stones actually used in construction. Thus I suggest that the best way to make an estimate of the permissible wastage of stone in New Delhi construction would be by a series of experiments of the wastage at each of the stages indicated above. This roughly was the method adopted by Mr. Croad—see his report in Appendix V

who was on special duty for four months. There is no evidence that any other series of experiments on the same lines has been made.

His conclusions may be summarised as follows :—

The loss in the preparation of the final dressed stone is 30 per cent. of the finished product. This represents 23 per cent. of the rough stone.

22. But he refers to 6,34,000 cubic feet of useless pieces and assumes that this is equivalent to 4,22,000 cubic feet of solid stone. It is difficult to determine whether this represents stone rejected for dressing, or pieces left after dressings. Later in the note he refers to it as rejected stone : on the other hand, if it was merely rejected it was not necessary for Mr. Croad to say that the original solid stone from which it came should be taken as two-thirds of the volumes of the pieces. If it was all rejected stone the Public Accounts Committee may well ask why 14 per cent. of the stone in the yard, which presumably has all been paid for, should be so bad as to be unfit for dressing.

If it was all pieces left after dressing, then Mr. Croad's estimate of wastage of 23 per cent. has to be compared with the Sub-Committee's estimate of 49 per cent. It has to be remembered that 26 per cent. of 60 lakhs of cubic feet of rough stone represents 15·6 lakhs, so that this difference in estimate represents the difference between the value of 15·6 lakhs of cubic feet of dressed stone and the same volume of kerbs, ballast and dust.

The Public Accounts Committee may reasonably ask why the New Capital Committee and its Sub-Committee have repudiated Mr. Croad's report.

23. Loss may also have been caused to Government in other ways. Thus, one possibility of loss is to be found in the interpretation of the original agreements. It is to be noted that no agreement has been attached to any of the reports either of the New Capital Committee or of its Sub-Committee. The original memorandum supplied to tendering contractors prescribed that stones were to be supplied squared not dressed and also minimum dimensions in each direction. Maximum dimensions for length and width were also prescribed. Stones not satisfying one of the minimum dimensions were to be rejected. Stones outside a maximum dimension were to be accepted but the excess was not to be paid for.

These conditions regarding dimensions were quickly abandoned if they were ever enforced with the result that contractors were paid for more cubic feet of stone. There is no indication that the rate per cubic foot was changed in view of the relaxation of specification.

(Mr. Grindal's report runs to 102 pages of typewritten foolscap, it has not been printed.) The following is an extract from Appendix D to that report. Only the relevant portion of the memorandum has been reproduced. There are 10 other conditions which have not been reproduced.

Memorandum for guidance of contractors quarrying red sandstone at Banshi Paharpur

1. A list will be given to contractors showing the depth and width on bed the stones to be quarried. No stone measuring less than the smaller of the two dimensions at any point will be accepted nor will any quantity in excess of the larger dimension be paid for. As regards length, a minimum length will be specified and total number of running feet of each dimension.

2. The stone will be supplied *squared but not dressed*.

24. Another possibility of loss is in the inaccuracy of the check measurements on the basis of which supplies have been paid for.

25. Again stone received from a Government quarry may have been paid for as stone received from a quarry worked by the contractor himself (i.e., as stone for the supply of which a higher rate was payable). It is argued that this must have been prevented by the agent of Dholpur State responsible for the collection of the royalty on the stone shown in the Government accounts as removed from contractors' quarries on which they would have to pay royalty. It is not right to rely for the safeguarding of Government interests merely upon the supervision exercised by a subordinate of an Indian State.

26. Thus, while it may not be proved that there has been monetary loss to Government, I submit that it has equally not been proved that there has been no loss, and it has been proved that there have been numerous opportunities for loss.

27. Finally the Public Accounts Committee may well ask—

- (a) what measures have been taken to ensure more efficient supervision over the quarries ;
- (b) whether the agreements now in force are sufficiently precise as to—
 - (i) the form in which the stone may be supplied,
 - (ii) the method of measurement for payment, and
 - (iii) the rejection of stone deemed unfit for dressing ;
- (c) what check is now exercised over the degree of compliance with those portions of the agreement indicated in (b) above ;
- (d) what measures are taken to ensure that stone taken from a Government quarry is not paid for as stone taken from a contractor's quarry ;
- (e) whether proper stone store accounts are now maintained, what arrangements have been made for a periodical check of the balances and whether all these matters will, in future, be supervised by a really responsible authority ; and finally
- (f) whether a more thorough attempt will be made to estimate a reasonable figure for wastage if the stone available is cut to the best advantage. The Public Accounts Committee may wish to suggest that the promulgation of such a standard to work to will be ultimately advantageous to Government.

ANNEXURES.

ANNEXURE I.—Extract paragraph 201 of the Audit and Appropriation Accounts (Central Civil) for 1924-25.

ANNEXURE II.—Extract from the evidence recorded at pages 182 to 186 (questions 970 to 1000) of Volume II of the Report of the Committee on Public Accounts on the accounts for 1924-25.

ANNEXURE III.—Resolution No. 1424 (a), dated the 20th June 1927, of the New Capital Committee, as amended by Resolution No. 1458, dated the 29th July 1927.

ANNEXURE IV.—A summary of the conclusions of the Sub-Committee (Messrs. Harris, Rouse, and Rajagopalan of the New Capital Committee) as expressed in their report, dated the 31st May 1927.

ANNEXURE V.—Report, dated the 4th March 1925, by Mr. A. Croad, without accompanying statements, etc.

ANNEXURE I.

**EXTRACT PARAGRAPH 201 OF THE AUDIT AND APPROPRIATION ACCOUNTS (CENTRAL CIVIL)
FOR 1924-25.**

201. (a) In November 1924, orders were issued by the local Administration placing an officer of the rank of Superintending Engineer on special duty for a few months, for verification, by personal count or measurements, of all balances of stone, dressed and undressed, at the quarries, in the stone-yard and at the site of works, in connection with a big manufacture operation.

The local Administration was requested in February 1925, that on completion of the verification the result may be communicated to Audit. No reply was given to the reference and the information called for was not furnished to Audit. At the end of October 1925, the Secretary to the local Administration had to be addressed personally, who replied that, at the request of the New Capital Committee, he was forwarding his report to that Committee.

On 31st December 1925, the Chief Engineer forwarded to Audit a copy of the review report by the Departmental Accounts Officer on the accounts of the manufacture operation referred to above and of his comments thereon, as submitted by him to the New Capital Committee. The Superintending Engineer's report (result of verification) which had been called for in February 1925, was, however, not sent to Audit.

The Accounts Officer, on taking into account the balances found by the Verifying Officer, had made a report that there was an enormous discrepancy which it was very difficult to account for. The money value of the discrepancies amounts to several lakhs of rupees. The Chief Engineer did not accept the calculations of the Accounts Officer and recommended to the New Capital Committee that the investigation of the accounts from the commencement of the operations be made under the supervision of an officer of the Audit Department. In December 1925, the New Capital Committee requested the Accountant General to depute an officer and staff for the work, but on reconsideration in May 1926, decided that a preliminary investigation of the accounts be undertaken, in the first instance, by an Accountant under the directions of the Accounts Officer.

The unwillingness or failure to furnish audit with the report of verification, even after a personal request to the Chief Engineer, is a serious matter and is brought specially to notice.

The matter was brought to the notice of the Auditor General and he has recently requested the Chief Commissioner [under rule 17 of the Rules framed under section 96D(1) of the Government of India Act] to send the Superintending Engineer's Report for inspection by audit. He has also requested the Chief Commissioner to issue general orders to all responsible officers working under him to comply with requisitions made by audit for books, papers, writings, etc., relating to accounts.

(b) In reviewing the accounts of a manufacture in September 1925, the departmental Accounts Officer stated that on the basis of an alleged actual count, the Divisional Officer had a balance of about 8 lakhs Cft. of rough stone valuing about Rs. 8½ lacs in the Stone-yard on 1st April 1923. He reported that, on the basis of the above opening balance, there was an enormous deficit in the quantities of stone in hand on the 1st April 1925, which it was very difficult to account for.

The New Capital Committee having called for the report of the Chief Engineer on the subject, he made the following observations :—

“ It is true that this balance is said to be based on an alleged count, but as a matter of fact, it was taken from the stock register which showed an entirely fictitious balance, owing to the fact that up to 1923, either no wastage, or an inadequate wastage, had been allowed for. There is not room in the Stoneyard for the balance which is said to have existed.”

Thereupon, the New Capital Committee ordered that the Divisional Officer be called upon to explain how he came to certify on the 31st March 1923 to the existence in the Stoneyard of a balance of Rs. 8 lakhs worth of stone when the Chief Engineer reports that this amount of stone cannot be accommodated in the Yard. The result is awaited.

(c) Besides the enormous discrepancy in the quantities of stone referred to in clause (a) above, the Public Works Department expects a considerable amount of loss on the working of the manufacture operations. A loss of about Rs. 2,83,000 was adjusted in the accounts for 1924-25 by charge to works on which stones had been issued, and the local Administration has made a provision in the estimate for the manufacture operations for a further loss of Rs. 27,86,000 on operations to end of December 1925. Further particulars are being ascertained.

ANNEXURE II.

EXTRACT FROM THE EVIDENCE RECORDED AT PAGES 182 TO 186 (QUESTIONS 970 TO 1000) OF VOLUME II OF THE REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS ON THE ACCOUNTS FOR 1924-25.

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 staff 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.

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. No body 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 weigh 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. *Colonel 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 in 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 on a 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 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.

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ANNEXURE III.

RESOLUTION No. 1424 (a), DATED 20TH JUNE 1927 OF THE NEW CAPITAL COMMITTEE AS AMENDED BY RESOLUTION No. 1458, DATED THE 29TH JULY 1927.

The Committee have carefully considered the report of the Sub-Committee and have examined in person at considerable length Mr. A, Mr. B, Mr. C, and Mr. D. They have also carefully studied all documents brought to their notice which were thought to have a bearing on the matters under consideration.

2. As a result of their deliberations they have arrived at the following conclusions :—

- (1) That the whole of the stone paid for has been satisfactorily accounted for and that no question thus arises of the raw-material having been overmeasured.
- (2) (a) That there is no evidence to show that the system of measurement or of specifying the dimensions of stone was altered during the period of supply. The Committee at the same time endorse the finding of the Sub-Committee in paragraph 12 of their Report that attempts were made during the inception of the operations to get the contractors to provide stone of specified dimensions, but that this attempt appears to have been abandoned almost immediately for reasons mentioned by the Sub-Committee.
- (b) That there is no evidence to show that there has been any financial loss to Government due to mixing of stone from various quarries, or that higher rates have at any time been paid for stone than were contemplated in the contracts. The Committee at the same time, endorse the conclusion in the last sentence of paragraph 9 of the Sub-Committee's Report.
- (3) (a) That the system of measuring stone before despatching it from the quarries and of check measuring it on receipt at the stoneyard was in certain respects defective in that—
 - (i) No independent records were maintained of check measurements made either by those despatching or by those receiving the stone.
 - (ii) Revised measurements were not substituted for the old measurements on the chalans in all cases.
 - (iii) While the system in force at the stoneyard was directed to checking the measurements of each stone as it was received no check was exercised at this stage to reject stone which might have been above or below the prescribed dimensions.
- (b) That in view of the fact that as a result of the tight measurements there was no actual loss to Government on the aggregate quantity of stone received, the check may reasonably be considered at this distant date to have been on the whole adequate.
- (c) That the Superintending Engineer would have been better advised to entrust the initial record of measurement as required by Article 281 of the P. W. A. Code to executive subordinates instead of to work munshis. They realise however, that, under the conditions prevailing, it might not have been possible to give effect to this procedure and that a strict compliance with the requirements of Code rules would have resulted in an appreciable increase in expenditure which might not have given corresponding results. They have accordingly decided not to take any action against the S. E. concerned.
- (4) (a) That the action of Mr. " C " in regularly giving a certificate ' measured by me ' on all measurements made at the quarries, irrespective of whether they had been made by him or by the munshis working under him was unjustifiable ; and the Committee while admitting in extenuation that the same form of certificate had been used in similar circumstances by his predecessors (who are no longer in Government service) cannot but record their disapproval that he should have signed a statement which went beyond the acceptance of his subordinates' measurements
- (b) That no blame attaches to Mr. " B " in respect of this irregularity. At the same time, the Committee consider that it was a mistake to employ Mr. " B " who

was specially recruited from England as a technical expert for the stoneyard on work of a non-technical nature without giving him adequate assistance for this purpose or providing for adequate supervision over his non-technical work.

(5) (a) That Mr. 'B' is to blame in signing certificates to the effect that he personally had measured and counted the stock in the stoneyard when he had in fact not so checked every item of the stock. The Committee are satisfied however, that there was no *mala fides* on Mr. B's part and that in signing the certificates he had no deliberate intention of misleading his superior officers.

(b) That in respect of the failure to take a complete count of stock, no blame attaches to Mr. 'A' at that time Superintending Engineer—who was not remiss in investigating the matter as soon as his suspicions were aroused.

6. That a copy of 4 (a) and 5 (a) should be communicated respectively to Messrs. 'C' and 'B'.

7. That the procedure suggested by the Sub-Committee in paragraph 24 of the Sub-Committee's Report be accepted and the Accounts Officer authorised to make the requisite adjustments accordingly.

ANNEXURE IV

**A SUMMARY OF THE CONCLUSIONS OF THE SUB-COMMITTEE OF THE NEW CAPITAL COMMITTEE
AS STATED IN THEIR REPORT, DATED 31ST MAY 1927.**

(a) With the general system of dealing with rough stone when taking it over from the contractor at the quarries and when receiving it later in the stoneyard, the Sub-Committee had no fault to find, but (the Chief Engineer dissenting), they were not altogether satisfied as regards the details of the operations. In their opinion the initial measurements at the quarries were entrusted to a class of establishment to which responsibility of this nature (involving payment of many lacs of rupees) should not have been given. The system adopted exposed Government to undue risk of loss and in their view, the fact that such loss had not resulted, did not condone the deficiency of the system. As to the check exercised in the stoneyard, the Sub-Committee apparently doubted that a proper and satisfactory check was exercised. In view of the inferior agency utilised for making the initial measurements, great care should naturally have been taken to render the check in the stoneyard as efficient as possible. The Chief Engineer held that a sufficient check actually took place and that complete remeasurement of every stone was unnecessary, but his colleagues held that the check exercised was not a complete one or such as the circumstances of the case required.

(b) Accepting the system of measurement adopted as correct, the Sub-Committee were satisfied that there had been no over-measurement of the rough blocks. This was apparently based on two reasons. Firstly, a few blocks which had been received in the yard before the Account Officer's enquiry commenced were measured independently by the Consulting Engineer to the Government of India, a member of the Sub-Committee, and the volumes calculated from these measurements compared favourably with those entered in the corresponding quarry chalans. Secondly the Sub-Committee relied on their conclusion, referred to in (i) below, that it was possible to account roughly for the whole quantity of stone actually received.

(c) Dealing with the question whether stone received from the Government quarry had not been illicitly mixed with stone received from a neighbouring private quarry worked by the same contractor and thus paid for at a higher rate, the Committee held that there was no evidence of this having occurred. They considered, however, that more adequate supervision should have been provided to render any such action impossible.

(d) On the general question of organisation, the Committee held that it was in certain respects defective. Their remarks on this subject are reproduced below :—

“ We consider that a reliable gazetted officer should have been placed in charge of the quarries, and that the measurements of the stone and the preparation of the chalans should have been conducted under his supervision. As regards the stoneyard, we hold that in view of the magnitude of the transactions, it was a mistake to entrust its administration and accounts in addition to its complete technical supervision to an officer with no previous experience of the former matters. We consider that Mr. B should have been employed (as he was until 1918) in the capacity in which he was engaged, namely, as a technical expert, and that the general organisation and accounts of the yard should have been in the hands of an officer of the Public Works Department, of rank not lower than that of Executive Engineer ”.

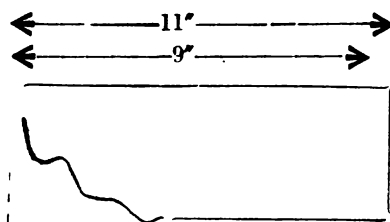
(e) As to the question whether the stone had all along been supplied by the contractor according to the specifications originally intended, the Sub-Committee held that there had been a departure from what was undoubtedly the intention when the original work orders were approved, and for this departure they could trace no definite authorisation. It would also appear that the Sub-Committee felt that on a work so concentrated and with all parts so easily accessible as the work in Delhi, it was difficult to believe that the officers who from time to time recommended and sanctioned increases in the rates were not fully cognisant of the (changed) nature of the stone which they were receiving, even though no record of the change in specification may have been placed on paper.

(f) It appeared to the Sub-Committee that the system of measuring (for the purpose of payment) the largest cube which could be obtained from dressing the block of rough stone, was departed from at a very early stage, and they viewed the change from this system

to the prevailing system of measuring the actual cubic contents.....as the inevitable corollary to the change of specification referred to in clause (e) above.

(g) As regards the wastage factor, the Committee, differing from all other officers who had expressed opinions on the subject at any stage, recommended that dressed kerbs, tiles, and other useful pieces (hitherto treated as by-products, the reason being that stone had been utilised for these purposes because it was available and would otherwise have been wasted, although a cheaper material would have sufficed) should be treated as primary products, like dressed stone itself. On this basis, and making allowance (as they considered necessary for some peculiarities (mentioned below) of the system of measuring dressed stone, they held that against the total quantity of 57·56 lacs cubic feet of rough stone utilised up to the 28th February 1927, primary products to the extent of 33·86 lacs cubic feet, could be accounted for, and that the resultant wastage which amounted to 23·70 lacs cubic feet to be accounted for as by-products, or as dust, gave a percentage of 41 only. The peculiarities of measuring dressed stone are described below in the words of the Sub-Committee itself :—

- “ 17. Before we proceed to the actual quantity accounts, there are two other points which must be made clear. The first is that, when a stone is cut to a moulding, the part chipped out to form the moulding is neglected and the measurement issued and paid for is that of the original cube, i.e., the dotted line on the



left of the sketch above. The portion chipped out will, of course, appear in the physical balance but as it forms part of the volume paid for it is not included in the 'wastage' as we would define the word ”.

- “ 18. The second point to be explained is that, in Delhi, the value of the stone issued to the buildings is based on the measurements of the stone as given in the drawings and not on that of the actual stone supplied. Thus, referring again, to the above sketch if the drawing shows a nine inch stone but the actual stone is 11 inches deep, nine inches only are charged for ; it is, of course, more economical to issue the stone in its original rough depth than to trim off the last two inches, but the result is that there is, in reality, more stone in the buildings than the accounts show. It has been calculated and we accept the figure as a sufficiently close approximation, that the buildings contain 8 per cent more stone than is shown as having been issued to them ”.

The latter only was allowed for in the calculations referred to above.

(h) The Sub-Committee consider that the percentage (41) of wastage, thus calculated is not excessive. The only reason which they assign in support of this opinion is that in the case of Portland stone which can easily be quarried in regular blocks to seize a wastage of 25·per cent in dressing, or of 30 per cent if the stone is required for complicated buildings, is usually allowed.

(i) Comparing the reduced wastage arrived at as above with the quantities of ballast and chips, which can be accounted for, they held that the by-products exceeded the wastage to be accounted for by 2·30 lacs of cubic feet, even if no allowance be made for stone dust (estimated by the Chief Engineer at about 3 lacs of cubic feet) which must have accumulated in the yard during the operations. Here, though the Committee realise that the discrepancy might probably be due, in part, to the allowance made by them for certain peculiarities of measurement [vide clause (g) above], they seem inclined to the view that this comparison substantiates the contention of the stoneyard staff that the rough stone entering the yard had been under—rather than over—measured.

(j) They comment upon the inadequate attention paid to the importance of periodical stock-taking, upon the adoption of an arbitrary percentage for the wastage and its applica-

tion to dressed stone, and upon fictitious certificates of the existence of quantities in the yard, and they expressed the opinion that had stock been taken at intervals and the book balances corrected to agree with the physical balances, the wastage factor would have been known at an early stage of the proceedings, and the accounts could have been adjusted accordingly.

(k) On the point raised by the Central Accounts Officer in the extract from his report which is reproduced in paragraph 12 of the Memorandum, the Sub-Committee were of the opinion that no useful object would be served by recompilation of the accounts of the stoneyard *ab initio*, which would involve an enormous amount of labour and be based, at best, on incomplete records.

(l) The wastage factor should be fixed on the basis of the information now available, the rates at which the stone had been issued should be revised, and extra charge should be made accordingly in the accounts of the building works to which the stone was issued, and thus the Suspense account of the yard should be ultimately "cleared" (corrected).

(m) Special attention may be invited to the note, dated 31st May 1927, appended by the Chief Engineer, to the report of the Sub-Committee. The points on which he differed from his colleagues have already been referred to. His note, therefore, mainly amplifies some other points. Of these only one or two may be mentioned here. The Chief Engineer states that the "measurement of any block of stone by different observers produces different results in almost every case and consecutive measurements even by the same observer will show considerable variations". He holds, therefore, that a check (in the stoneyard) of the original measurements at the quarries was possible only if a complete measurement was taken of a large quantity of stone (say the contents of a complete rake) and the totals compared. He adds that even this method would have been liable to challenge by the contractor if the result was unfavourable to him, and would have necessitated a complete re-measurement which would almost certainly have proved that the labour had been wasted. The Chief Engineer does not state pointedly, but the inference obviously is that check measurements were unnecessary; yet he holds that certain checks are applied because he maintains that the results have proved that the checks applied were adequate.

ANNEXURE V.

REPORT DATED THE 4TH MARCH 1925, BY MR. A. CROAD, WITHOUT ACCOMPANYING STATEMENTS, ETC.

S. E. II.

I made a quick rough check of all stone lying in the yard on the 14th November and subsequent days.

The major portion of the rough stone is lying in a big stack not closely packed and nothing but a rough measurement would be possible unless the stone were extracted piece by piece and neatly stacked, this would take a very long time and at the same time would interfere with the delivery of stone to the yard—a thing to be avoided especially now as the working season is in full swing. I therefore took the measurements of the stacks and applied a percentage of $33\frac{1}{3}\%$ for voids—this I reduced to 20 % for a neatly placed stack.

I found out the figures for stone under dressing from the munshis in charge of the sections and I think the figure is about correct.

The figures obtained are as under :—

1. Stone under dressing	..	..	..	..	10,850	10,850
2. Stone being placed	..	..	..	..	1,424	1,424
3. Stone at saws	..	..	..	..	1,300	1,300
4. Dressed stone	..	..	..	..	5,280	6,336
Complete covered capitals	..	..	..	..	33	2,000
Complete covered in hand	..	..	..	..	2	120
Druns	..	..	..	..	104	3,120
Dehra Dun Stone	..	..	..	..	2,000	2,400
5. Rough stone	..	..	..	..	..	193,000
					S. ft.	
6. Slabs	..	..	..	..	53,316	8,886
7. Chalans 10th to 14th	..	..	..	..	4,413	5,295
8. Bad stone Bahrauli	..	..	..	..	..	9,000
						<hr/> 243,731
				say		<hr/> 244,000

The stoneyard accounts are made up on the 10th of each month so the exact monetary position can be determined.

Nowadays stone is only measured on arrival at Delhi so there is no object in going down to the quarries unless it is to measure 9,000 c. ft. lying at Barauli which is so bad that it is not worth transporting and therefore should be written off.

The situation of the quantities of stone received in the yard and issued is reported to be as follows on 10th November 1924.

Rough stone received	..	Red	..	..	19,00,000
		White	..	..	10,90,000
					<hr/> 29,40,000
Dressed stone issued	..	Red	..	..	13,47,895
		White	..	..	5,27,495
					<hr/> 18,75,390

Deducting equivalent rough stone as measured on the 14th from the rough stone received we must set this figure of 26,96,000*

$$*29,40,000 - 2,44,000 = 26,96,000$$

rough against 18,75,390 dressed this is a wastage of 8,20,610 c. ft., i.e., 43 % roughly on

dressed stone.

This wastage is to be accounted for in the following—

Ballast issued to date	12,84,130
Ballast in stock	6,58,000
	<hr/>
	19,42,130
Equivalent in stone $2/3 =$	12,94,000
Useless pieces issued to date	1,65,000
Useless pieces in yard	4,69,000
	<hr/>
	6,34,000
	<hr/>
Equivalent in solid stone	4,22,000
	<hr/>

So the total equivalent solid stone now either ballast or useless pieces is 17,16,000 c. ft

Deducting this from the rough we find that 12,14,000 c. ft. of stone actually went to make up the 18,75,390 c. ft. of dressed stone. This is explained by the over-all measurement which is taken when a dressed stone is issued.

The Q. and S. Officer explains that wastage is not so much nowadays because the first stone received in the yard being from the face of the quarries and subject to weathering was found to be full of small cracks and it disintegrated badly on being worked.

At present a wastage of 20 % on dressed stone is taken but this will have to be revised as it is too low.

As the big rough stone stacks contain both red and white stone and it is impossible to separate them they have been taken together.

Various checks on wastage are being made in the yard and will be reported on later.

In order to account for the excessive quantity of rejected stone and ballast the total issues by items have been examined by taking the issues over a period of 2 years and applying the same proportions to the total issue this works out at

Item I	2,88,600
Item II	5,20,300
Item III	8,31,600
Item VI	1,00,000
Miscellaneous	1,34,890
	<hr/>
	18,75,390
	<hr/>

Items II, III and VI which are the items in which there is most cutting forms 14.5, 18.75 or 77 % of the total issues.

A stone $7' \times 3' \times 2' 2'' = 45$ c. ft. on dressing became 2 lintals.

(1) $2' \times 6' \times 9'' \times 1' 4'' \times 1' 9'' = 31$ c. ft. Wastage 45 % of dressed stone.

Rough measurement $5' 3'' \times 3' \times 2' 4'' = 36.7$ on dressing became

(2) $3' 3'' \times 2' 5'' \times 1' 4'' =$	10.5
$3' \times 2' 5'' \times 1' 4'' =$	9.7
$4' \times 1' 3'' \times 9'' =$	3.7
$5' 6'' \times 1' 6'' \times 9'' =$	6
	<hr/>
	30

Wastage 22 % of dressed stone.

Rough measurement $5' 3'' \times 3' \times 2' 4'' =$ 36.7

• **Measurement as taken including excrescences**

(1) = 37.63 or say 3 %.

(2) Rough measurement $7' \times 3' \times 2' 2'' =$

45

Measurements including excrescences =

42.6

Loss of 6 %.

3. A rough stone size $9' \times 3' 1'' \times 1' 7'' =$

44.6 c. ft.

(a) makes 2 finished stones

Item III—Archit

$7' 7'' \times 3' \times 1' 6'' =$

34.2

Item II—C. Course

$3' 1'' \times 2' 5'' \times 1' 4'' =$

9.6

43.8

(b) A rough stone $5' 6'' \times 4' 4'' \times 1' 1'' =$

26 c. ft.

makes 3 finished stones

Item III—Coving $4' 9'' \times 4' 6'' \times 9$

21.1

Item II—Coping $4' 9'' \times 1' 3'' \times 7$

3.9

Item IV—Veneer $5 \times 3 \times 15$

2.2

27.2

Cutting on Great Ball cornice

finished size of stone $2'' \times 3' \times 2' 2'' =$

19.5 c. ft.

(a) Cutting away to make moulding $3' 2'' \times 2' 2'' \times 7'' =$

3.9 c. ft.

or cutting = 20 % of finished stone.

(b) Internal angle F. Course

finished size $3' 5'' \times 3' 5'' \times 1' 4'' =$

15 c. ft.

cutting $1' 5'' \times 1' 5'' \times 1' 4''$

2.5

$3' 4'' \times 2' \times 6''$

3.9

$2' \times 1' 9'' \times 6''$

1.7

8.1

cutting = 54 %.

Chajja stone—

Rough stone $10' \times 3' 8'' \times 4'' =$

12 c. ft.

Finished stone measurements $10' \times 3' 8'' \times 3'' =$

9

Actual measurements $3' 7'' \times 1' \times 3''$

$2' 9'' \times 10\frac{1}{2} \times 3''$

$3' 2'' \times 5' 10'' \times 3''$

6

Loss on measurement 25 %

Actual loss 50 %

In making a drum there is a 2" loss all round in roughing.

rough stone $3' 4'' \times 3' 4'' \times 3'' =$

32.6 c. ft.

rough dressed $3 \times 3 \times 3 =$

27

loss in roughing = 18 %.

loss in cutting from square to round :

$= \{ 3 \times 3 - \Pi (1.5)^2 \} 3$

$= (9 - 6.9) 3$

$= \text{C. ft. } 6.3$

In 27 c. ft. there is a loss of 6.3 c. ft. due to shaping = 23 %

Loss on drums and columns—

Roughing 18 % of finished stone.

Cutting 23 % of finished stone.

The method adopted to endeavour to arrive at some idea of the percentage of wastage and cutting compared with the measurement of dressed stone was as follows :—

Rough registers are maintained by the mistries in charge of the various gangs of stone cutters. These registers show the measurement of the rough stone issued to them either from the saws or the planes or direct from the yard. They also show the measurement of dressed stone turned out from the rough piece. It is therefore possible to trace the amount of wastage taking place in dressing a stone. There is also a certain amount of cutting on all moulded stones or stones which break back this cutting has been determined by having the stones measured on the work and the amount of time taken to determine this cutting has reduced the number of books subjected to observation but as these books have been taken at random and from a cursory examination of the rest seem to be quite the average we can say they are fairly representative of the remainder and of what is happening daily in the yard. It must be borne in mind that these registers were instituted to encourage the mistries to use the stone as economically as possible and their records therefore tend to make wastage less than it really is.

The average wastage on dressed stone after it has passed through the saws or planes is 17% to this must be added the wastage which occurs at the saws which includes a 3/8" out and useless pieces at the sides. Taking a cut every 6" means a wastage of 7 % on the rough stone or between 8 and 9 % on the dressed piece. To this must be added the loss due to squaring up which can safely be taken as 5% so the total wastage can be taken as 30%.

The cutting which means the part cut away to form the moulding or break back works out at 10·2% of the dressed stone this figure in no way affects the stoneyard measurements which naturally take the over-all measurement of the stone but it goes to account for to large quantities of ballast and useless stone which encumbers the yard.

On these figures 40% of the dressed stone figure represents the quantity of solid stone which may be expected as a bye product of the major operation in the stoneyard.

A. CROAD,—4-3-25.

APPENDIX XIV.

Memorandum for the Committee on Public Accounts on matters dealt with in paragraph 89 (page 63, Grant 86, Delhi Capital Outlay), of the Audit and Appropriation Accounts of the Accountant General, Central Revenues, for 1925-26.

The object of this Memorandum is to place, before the Committee on Public Accounts, a fuller statement of the matters, relating to the Administration of Stores in the Delhi Public Works Department, which form the subject of paragraph 89 of the Accountant General's Report on the Appropriation Accounts of the Grant for Delhi Capital Outlay for 1925-26, having been brought forward in that Report from paragraphs 194—200 of the previous year's Report.

2. The Committee of 1926 reported upon these matters, in paragraph 63, Volume I of their Report, in the following terms :—

“We are informed that a departmental enquiry is being instituted to enquire into the general questions raised by these paragraphs in regard to the collection of material in advance or in excess of requirements and the position of the store accounts. We trust that the enquiry will result in improved control.”

This report was based on the reply to Question 969, page 182, Volume II of the same Report wherein, on behalf of the New Capital Committee, Mr. T. K. Rajagopalan, the Finance Member of the Committee, on the 2nd of August 1926, stated as follows :—

“*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. Roché. The terms of reference for this enquiry will be practically on the lines proposed by the Auditor General.”

3. This departmental enquiry had already been ordered in the New Capital Committee's Resolution No. 1109 of June 1926 which is reproduced below :—

“1109. *Considered.*—(1) No. 979-N.C.C., dated the 29th May 1926, regarding the Finance Member's note on the Barakhamba Store case,

(2) No. 913-N.C.C., dated the 12th March 1926, regarding the Audit Officer's letter in connection with the accumulation of stores in certain Divisions,

(3) No. 927-N.C.C., dated the 19th March 1926, regarding the Audit Officer's letter in connection with certain shortages and losses in stores written off during 1924-25, and

(4) No. 983-N.C.C., dated the 31st May 1926, regarding the Audit Officer's report in connection with certain losses in electric lamps.

Resolved.—That an enquiry into these matters be instituted by a Departmental Officer and that the Government of India, Department of Industries and Labour, be requested to nominate the officer by whom the enquiry should be held.

That at the enquiry, the Chief Engineer and the Audit Department be represented.

That a similar enquiry be instituted in regard to any other irregularities that have been brought to notice by the Audit Office in respect to stores generally."

(The Audit Office letters referred to in the New Capital Committee's Resolution deal with the irregularities mentioned in paragraphs 194 and 195 of the Audit and Appropriation Accounts for 1924-25.)

4. On the 11th August 1926, the Accountant General, Central Revenues, sent to Mr. Rajagopalan, with reference to his statement before the Committee on Public Accounts, a draft of the following terms of reference that the Accountant General suggested as likely, in the opinion of audit, to lead to a useful enquiry :—

- "(1) To enquire into the working of the system of purchases, issues, custody, verification, valuation, and accounting of stores in the Delhi Public Works Department, with special reference to matters brought to notice in the Audit and Appropriation Accounts for 1924-25.
- (2) To make recommendations—
 - (a) for removal of defects, and for improvement of the system generally,
 - (b) for disposal of any unnecessary accumulation of stores, and
 - (c) for corrections in accounts due to overvaluation of stores.
- (3) To determine the extent of responsibility of—
 - (a) Divisional Officers, and
 - (b) Controlling Officers,
 in regard to serious financial irregularities in connection with stores, whether already mentioned in the Audit and Appropriation Accounts for 1924-25, or not.
- (4) To report upon the adequacy of the disciplinary and preventive action already taken by the local authorities, and of the recoveries made towards any known losses to Government."

5. Replying demi-officially the same day to this, Mr. Rajagopalan stated that the President of the New Capital Committee and the Members present when consulted informally were of opinion that the terms of reference had already been set out sufficiently in the Resolution No. 1109, dated the 8th and 9th June 1926 quoted above. With regard to paragraph (1) of the Accountant General's draft terms of reference Mr. Rajagopalan observed as follows :—

""

As regards item (1) of your draft terms of reference, however, I may tell you that the New Capital Committee felt strongly that the enquiry should be confined to the matters regarding stores actually brought out in your Audit Report or Audit and Appropriation Accounts, and that there is no question of enlarging its ambit to cover more general issues."

6. It will be seen from this that the New Capital Committee felt strongly that the enquiry should be confined to the matters specifically dealt with in the Audit and Appropriation Accounts and should on no account be extended to take in general issues.

It is doubtful if this meets the wishes and intentions of the Committee on Public Accounts as expressed in their Report, *vide* paragraph 1 above. An enquiry on the general issues suggested by the Accountant General in his draft would probably have led to more substantial results.

7. The enquiry was entrusted to Mr. W. Roché, Executive Engineer of the United Provinces, Public Works Department, on his reversion from the post of Officiating Consulting Engineer to the Government of India. The printed copy of Mr. Roché's Report is appended to this Memorandum for facility of reference.

8. It may be noted here that in paragraph (1) of his Report, Mr. Roché claims to have dealt generally with the whole question of stores, the result of the general examination being set out in paragraphs 42—44 of his Report while paragraphs 2—41 deal in detail with the irregularities pointed out in the Audit and Appropriation Accounts for 1924-25. His general conclusions are summarised by him in paragraph 44 of his Report. In his opinion :—

- (i) The question of economy played too important a part as regards the staff entrusted with the custody and purchase of stores with the result that "the organisation was inadequate to deal efficiently with the purchase and custody of the stores".
- (ii) "With the exception noted below the irregularities referred to in the Audit and Appropriation Report disclose no serious losses to Government. The exceptions are the excessive purchase at excessive rates of shellac, hides and leather laces. In the case of these articles a substantial loss was sustained. The Stores and Traffic Officer (Mr.) is primarily responsible for these losses."
- (iii) "Had, however, the system been such as to render effective the restrictions placed on this officer's powers of purchase by the Delhi Administration these losses could not have occurred. The system of accounts and audit then in force must, therefore, bear an equal share of the responsibility for these losses."

I am of opinion that the system of accounts and audit recently introduced together with the Chief Engineer's orders regarding purchase of stores are well calculated to prevent a repetition of the irregularities mentioned in the Audit and Appropriation Report."

9. The following are the special defects brought to light by Mr. Roché in paragraphs 2—41 of his report in respect of his enquiry in detail into the irregularities dealt with in paragraphs 194 to 200 of the Audit and Appropriation Accounts for 1924-25 :—

- (i) In the case of the following articles, the quantities purchased were excessive :—shellac, Buffalo hides, leather laces, and Linseed oil.
- (ii) The rates paid were excessive in the case of the following articles :—Kow wood handles, Buffalo hides, Shellac, Leather laces, Rivets, Red Lead, and Lead-wool.
- (iii) The system of accounts in force was such as to render detection of the fraud mentioned in paragraph 198 of the Audit and Appropriation Accounts for 1924-25, most difficult.

- (iv) The fact that the storekeeper wrote out the orders facilitated that interpolation of items in orders that is suspected to have occurred.

It is important that copies of orders be sent to the Accounts Office, as is now done. As long as steps are taken to ensure that copies sent to audit can not be tampered with, any danger of fraud should be eliminated.

- (v) The Divisional Officer failed in his duty in respect to the purchase of stores ; his action in splitting up orders to evade the limits imposed on him was most reprehensible.
- (vi) As copies of orders placed by the Divisional Officer were not communicated to audit, the Audit Officer could not exercise the necessary control to see that the limits on the powers of the Divisional Officer were being observed, and the system* of accounts and audit (according to Mr. Roché) must bear the full responsibility for this.
- (vii) The Storekeeper was unfit for the responsibility which his position involved.

10. At the instance of the New Capital Committee, their Finance Member further examined the extent to which the controlling officer was responsible for the payment of excessive rates. His conclusion on this point were :—

- (a) That the controlling officer possessed the data necessary for the proper scrutiny of rates.
- (b) That the controlling officer did not scrutinise the rates of purchases by the Divisional Officer.

The Finance Member stated also that on his enquiry as to why the Chief Engineer thought it proper to inform audit that there were no catalogues while the Superintending Engineer had the catalogues in his possession, he was told that the Chief Engineer thought that Audit was exceeding its legitimate province in asking for the catalogues.

11. The orders passed by the New Capital Committee on Mr. Roché's report are reproduced in paragraph 89 of the Audit and Appropriation Accounts for the year 1925-26.

The findings and the orders of the New Capital Committee may be summarised as under :—

- (a) The organisation was inadequate to deal efficiently with the purchase and custody of stores.
- (b) Apart from purchases at excessive rates of certain articles mentioned in Mr. Roché's report, the revaluation of stores may disclose losses.
- (c) In such a project, it was in the public interest that stores should be stocked without strict reference to a time-limit within which they could be utilized.

Note.—(Copies of such orders are not required to be communicated to audit anywhere under the system prescribed in the Code rules).

- (d) The risk was legitimately taken of experimenting with cheaper substitutes, when faced with an abnormal rise in prices in the materials ordinarily held.
- (e) The change of system recently introduced will improve the position considerably.
- (f) The Divisional Officer failed in his duty in respect to the purchase of stores, his action in splitting up orders to evade the limits imposed on him was most reprehensible. If he were still in their employ, the Committee would have taken suitable disciplinary action against him in the absence of a satisfactory explanation.
- (g) The explanation of the Superintending Engineer is not wholly satisfactory in regard to the supervision exercised by him over certain purchases made by his subordinate officer, within the powers delegated to the latter.
- (h) It is the provisional conclusion of the New Capital Committee that the irregularities of the Divisional Officer should have been brought to notice by audit at a much earlier stage, and had this been done, a continuance of the irregularities would not have been possible.

12. The orders of the New Capital Committee seem to suggest a few important points for the consideration of the Committee on Public Accounts and these are detailed in paragraphs 13 to 18 below.

13. *Clause (c) of the Summary in paragraph 11 above.*—It will be seen on reference to paragraph 88 of the Audit and Appropriation Accounts for 1925-26 that out of the stock, of book value Rs. 35.37 lacs at end of 1925, only stock valuing about Rs. 7 lacs, as worked out below, was likely to be used during the next 12 months :—

	Rs. Lacs.	Rs. Lacs.
<i>Total book value</i>		35.37
Deduct estimated loss	7.20	
Deduct surplus stores	7.66	
Deduct stores in excess of 12 months' requirements	13.69	28.55
Value of stock likely to be used in next 12 months ..		6.82

These figures seem to show that the irregularity of purchasing articles considerably in advance of requirements was not confined to a few articles mentioned by way of illustration in the Audit and Appropriation Accounts for 1924-25 ; yet the detailed enquiry was confined only to the purchases of those few articles only.

It may be pointed out that the figure of 35.37 lacs of rupees referred to is under reserve stock only, that is, it is exclusive of manufacture accounts of stone, bricks, marble, water supply materials, and of ballast, etc.,—referred to on page 492 of the Audit and Appropriation Accounts. It also excludes the value of materials (about Rs. 7 lacs) collected for specific works and not for general purposes.

This raises the question whether in a place like Delhi; it is necessary to collect materials in reserve stock so largely in excess of 12 months' requirements. If it is to be conceded that even at a place like Delhi it is necessary to collect materials (excepting articles to be obtained outside India) years in advance of requirements, probably much heavier collections in advance of requirements will be consequently justified in out of the way places. The rule on the subject as prescribed in the Public Works Department Code of the Central Government is reproduced below :—

“ Ordinarily, materials should be purchased only for works in progress, and petty stores obtained, if possible, from a supplier who should enter into a contract for them at schedule rates, and *no reserve of stock should be kept*. But in the case of any division in which, owing to its remoteness from markets or for any other reasons, it may be considered absolutely necessary that a reserve should be maintained, the local Government should sanction a maximum value of reserve stock, and, if this has been done, the Executive Engineer is authorized, subject to the approval or sanction of the estimate therefor, to purchase or manufacture to an extent sufficient to keep his stock up to that limit, the sanction of the superior authority being required only when it is desired to exceed it. The maximum should be kept at the *lowest point compatible with efficiency*, and the stock returns of divisions should be carefully scrutinized *by Superintending Engineers*, from time to time with reference to this point
.....”

14. *Clause (d) of the Summary in paragraph 11 above.*—This seems to refer mainly to porcelain conduits referred to in paragraph 20 of Mr. Roché's Report. If so, it would appear from item (ii) under observation (c) relating to the Stores Account on page 491 of the Audit and Appropriation Accounts for 1925-26, that the 'experiment' of purchasing these articles resulted in a loss of Rs. 50,000. The departmental Accounts Officer's report on these articles is reproduced below :—

“The porcelain conduit fittings referred to in Mr. Roché's Report were examined in company of the Executive Engineer, VII Project Division. The material was found to be stacked in an open room in Government House and were not susceptible of verification except at considerable expense. The articles seem to have no intrinsic value and the question of their disposal is being taken up separately.”

It is a question for consideration whether there was sufficient justification for launching on an experiment which ended in a loss of Rs. 50,000.

15. *Clause (f) of the Summary in paragraph 11 above.*—In view of the fact that the state of affairs had been brought by audit to the notice of the Chief Engineer as long ago as the end of 1924, it is for consideration why 'suitable disciplinary action' such as referred to now by the New Capital Committee could not have been taken against the Divisional Officer who was on duty under the Delhi Public Works Department, till 21st February 1926, when he was allowed to proceed on 4½ months' leave.

Did the Chief Engineer take adequate action ?

16. *Clause (g) of the Summary in paragraph 11 above.*—It is also for consideration if the disciplinary action taken against the Superintending Engineer is adequate.

17. *Clause (h) of the Summary in paragraph 11 above.*—This clause deals with the alleged failure of audit. In addition to anything that the Auditor General may have to say on this subject, the following points may perhaps receive the consideration of the Committee on Public Accounts :—

- (i) Whether the alleged failure of audit to discover irregular practice earlier, even if proved, absolves the Executive and the Controlling Officers from any share of their responsibility for scrutinising the executive acts of their subordinates.
- (ii) Whether sufficient action was taken on the consolidated statement submitted periodically by audit to the Chief Engineer showing the opening balances, receipts, issues, and closing balances of the value of reserve stock, and whether a review of such statements did not afford an opportunity for discovering that stock was being collected in considerable excess of or in advance of probable requirements.
- (iii) Whether sufficient facilities were furnished by the Chief Engineer to audit to see that the subordinate officers were not purchasing stores at rates in excess of market rates.

Paragraph 10 of this Memorandum shows the attitude of the Chief Engineer in regard to the scrutiny of rates by audit—, and it does not now lie with the executive to blame audit for not helping them earlier to do their duty.

The few instances dealt with in the Audit and Appropriation Accounts for 1924-25 are the result of a very limited test check by audit working, without any facilities being afforded to them and they merely indicate the purchases having been made at excessive rates, etc. It is for consideration whether a fuller enquiry was made to ascertain *all other cases* in which excessive rates were similarly paid.

- (iv) Whether it is not a fact that the authorities of the Delhi Public Works Department were unwilling to follow the system of accounts prescribed after long experience, for the Public Works Department, for all provinces, and whether the Chief Engineer did not insist on trying his own system of accounts which relied more on departmental checks than on audit control on the lines followed elsewhere. It may be relevant, in this connection, to quote the following extract from the Auditor General's evidence as recorded in answer to Question 983 at page 184, Volume II, of the Report of the Public Accounts Committee on the Accounts of 1924-25 :—

“ Sir Frederic Gauntlett.—Sir Hugh Keeling strongly resisted the adoption of the ordinary system of public works accounts.”

18. In connection with the alleged failure of audit, it may be of interest to scrutinise in particular the allegations made against audit in paragraphs 21, 33, 37, 39, 40 and 44 of Mr. Roché's Report, and to examine how far, according to the ordinary system of Public Works audit, that officer's complaints are justified. The allegations would have been justified

to the extent indicated below, if the ordinary system of Public Works Accounts and audit had been followed in the Delhi Public Works Department :—

Para. of Mr. Roché's Report.	Allegations against audit.	Remarks.
(21)	Failure in not noticing for 12 years that sanctions to writes-off of such stock were not communicated to Audit.	In the ordinary system of Public Works Accounts such an omission can be detected by audit at the time the money value of the loss is adjusted in accounts. In the Delhi Public Works Department, it was not the practice to make a value adjustment on account of losses of stock, though the quantity accounts maintained in Divisions were corrected.
(33) (40)	Copies of orders placed by the Stores and Traffic Officer were never sent to audit nor apparently were they asked for ; consequently there was a failure of audit in not bringing to notice that the Stores and Traffic Officer was evading the limits placed on his powers, by splitting up orders.	In the ordinary system of Public Works accounts such copies are neither sent to audit nor asked for by audit.
(37)	Under the system of accounts in force the fraud referred to in para. 198 of the Audit and Appropriation Accounts for 1924-25 could not be readily detected by the Public Works Department Officers or at the Audit Inspection as under the system of accounts then in force the Register of Stock did not show the opening balances for comparison with the closing balances.	Such a fraud was detectable both by the Divisional Accountant and by Audit, at the time of checking the opening balances of the Registers of Stock with the previous Register, in the ordinary system of Public Works Accounts.
(39)	Defective system of accounts for the materials collected at site of the Stone Yard manufacture operations.	The ordinary Public Works system ensured better control by comparing periodically the actual consumption of stores with what should have been the consumption on the basis of formulae determined by experts.
(40)	The Storekeeper filled in the orders for Stores and Traffic Officer's signature and the practice does not seem to have been previously objected to.	In the ordinary system of Public Works accounts, in accordance with Code rules, audit brings to notice departures from the Code rules.

. . . ANNEXURE TO APPENDIX XIV. . .

Report by Mr. W. Roche, I.S.E., on the alleged irregularities in connection with Public Works Department Stores at New Delhi.

(1) In accordance with Resolution No. 1109 of the New Delhi Capital Committee, I have enquired into the irregularities brought to notice by the Audit Office in respect to stores in the custody of the Public Works Department, New Delhi. The enquiry was held at New Delhi from 21st to 28th August. The Audit Department was represented by Mr. Harris, Deputy Accountant General, Central Revenues, and Mr. Gursaran Dass Mehta, Assistant Accounts Officer, Central Revenues. Mr. Grindal, Central Accounts Officer, also attended throughout the enquiry. The Public Works Department was represented by Mr. Sale, Officiating Chief Engineer, Mr. Donkin, Superintending Engineer (Electrical and Mechanical) and Mr. Wemyss, Stores and Traffic Officer.

The enquiry dealt generally with the whole question of stores and in particular with the irregularities referred to in paragraphs 194 to 200 of the Audit and Appropriation Report of 1924-25. The results of the enquiry can in my opinion be best placed before the New Capital Committee by first examining in detail the irregularities referred to in the Audit and Appropriation Accounts and then giving my conclusions regarding the general question of stores. Paragraphs 2—41 of this report deal in detail with the irregularities while paragraph 42 *et seq.* deal with the general question. The marginal references indicate the paragraphs and subparagraphs of the Audit and Appropriation Report under consideration.

(2) **Paragraph 194 (i), page 136.**—These stores were purchased for camps, etc., during the Royal Visit. They were then taken over as ordinary Public Works Department stores to avoid a heavy loss to Government which would have resulted had they been sold by auction which was the only alternative. Stores worth Rs. 87,000 were reported surplus by the particular Division in which they were on stock, they were not, however, surplus to the requirements of New Delhi as a whole as is shown by the fact that the balance of these stores now remaining in this Division is only Rs. 8,800.

(3) **Paragraph 194 (ii), page 136.**—The figure Rs. 65,000 represents the value of the materials at Site Account in 1925 for the construction of Gazetted Officers' bungalows, a project costing over a crore of rupees. The project is not yet complete, five more bungalows remaining to be built. The value of the materials at site is now Rs. 18,600. Materials must be collected in advance if building work is not to be delayed and Rs. 65,000 cannot be regarded as in any way excessive for a work costing over a crore of rupees.

The brass hinges costing Rs. 24,000 formed part of a consignment of fittings, etc., purchased from England. For the sake of economy it was decided to use cheaper hinges for the Gazetted Officers' bungalows and the brass hinges have been utilized on more important buildings. The balance now remaining in hand is under Rs. 1,500.

(4) **Paragraph 194 (iii), page 137.**—The excessive purchases only of the stores mentioned is dealt with in this paragraph, the question of excessive cost being dealt with under paragraph 196 of Audit and Appropriation Report. The late Stores and Traffic Officer (Mr. Posth) was responsible for these purchases and as he has left Government service it is now impossible to question him in detail, his written explanations are, however, on record.

Shellac.—Mr. Posth has explained that he was given to understand by the storekeeper (since dismissed) that large indents for shellac would soon be coming in in connection with woodwork and he placed the orders accordingly. This is to a certain extent corroborated by the fact that the proposed arrangement for woodwork was actually altered from a departmental one to a contract under which the contractors supplied their own materials. The orders were undoubtedly in excess of requirements and Mr. Posth who placed nine separate orders should have seen much earlier that the consumption of shellac did not warrant the orders he was placing.

Buffalo hides.—Mr. Posth has explained that he understood large indents were coming in for leather for making *chursas*. There is no doubt that the orders were very much in excess of requirements. There is, now, however, considerable doubt if Mr. Posth actually did sign the orders as they now stand. Cases of interpolations in orders after signature have been proved as far as they can be proved under the system of orders then in force. From an examination of the orders, I agree, that there are good grounds to believe that a considerable amount of the orders for hides were placed by the storekeeper adding items to orders after signature by Mr. Posth.

Leather laces.—Here again the orders placed were considerably in excess of requirements and the case is similar to that of the buffalo hides referred to above.

Linseed Oil.—Out of the 1,400 gallons purchased, 700 gallons have been consumed and the balance will eventually be consumed. The order was undoubtedly in excess of requirements. Mr. Posth explained that he anticipated heavy demands on account of woodwork as in the case of shellac.

Country Soap.—In this case, tenders were called for and a very favourable offer was received. Advantage was taken of the low question to place a fairly large order. The loss by evaporation valued on paper at Rs. 350 does not represent an actual loss to Government of this amount. Only the moisture had evaporated and the remainder, though lighter, still possessed its active qualities as soap and weight for weight would go further in use.

(5) **Paragraph 194 (iv), page 137.**—These lead sheets were purchased for joints in the stone columns at Government House. Work did not progress as rapidly as anticipated and they have been on stock for some time but are all required for the completion of the works. The sheets were purchased at the low rate of Rs. 37-8-0 per cwt., while the rate in 1925 is reckoned at Rs. 55 per cwt. There has thus been a considerable saving on the transaction.

(6) **Paragraph 194, page 137.**—At the foot of page 137 of the Audit and Appropriation Report general remarks are made regarding the amount

of surplus stock. These remarks are based on the Annual Certificates of Balances (Form 91). In this return the Divisional Officer enters the total of stock in excess of the requirements of the Division for the next twelve months but a foot-note shows that "any other period that the Local Government may have prescribed" may be substituted for twelve months. While a limit of 12 months' requirements might be suitable in an ordinary Public Works Department Division from a practical point of view, for a large work such as the New Capital, the limit is one which it would be practically impossible and certainly uneconomical to work up to. The varied nature of the work necessitates a very large amount of miscellaneous stores being in hand if work is not to be interrupted. The limit of reserve stock fixed for the New Capital is Rs. 50 lakhs, the actual balance was Rs. 39½ lakhs which is well within the reserve limit and certainly cannot be regarded as excessive for a work of this magnitude. The figure Rs. 3,59,000 for stores available for sale or transfer does not mean that this amount of stores is surplus and available for sale or transfer outside New Delhi. The figure is the aggregate of items reported by all divisions as surplus to the immediate requirements of the individual division reporting and available for transfer to other divisions where they can be utilized. I have examined the details of the figure Rs. 49,000 for unserviceable stores. Of this amount Rs. 20,000 represents the value of conservancy appliances which were in constant use and were unserviceable from fair wear and tear. The articles in my opinion should have been treated as Tools and Plant and not as stock. (A further Rs. 8,000 represents the value of stone excavated for the foundations of a building which was taken on stock and credited to the estimate for the building concerned as it was expected the stone could be used in other buildings. The stone was subsequently found unsuitable and was written off stock and its value debited to the estimate which originally received the credit.) There was no actual loss in the transaction. Deducting these two items the balance Rs. 21,000 represents the actual value of stores which have become unserviceable. I do not consider this loss an unduly large one.

(7) **Paragraph 194 (i), page 138.**—When the cement was received some of the casks were found damaged and instructions were issued that the contents of the damaged casks being of doubtful quality were not to be used on important works. This was used up on works of minor importance and as a result could not be consumed immediately. Of the 2,400 tons received all has been utilized except 61 tons which have perished. The total wastage is, therefore, 2.5 per cent. which is a very small loss on an article like Portland Cement.

The figures of Rs. 52,000 loss due to perishing and Rs. 32,000 loss due to revaluation are incorrect. As this case is a typical example of the difficulty of accounting for stores under the Public Works Department system with a fluctuating market and as it also tends to show the erroneous impression which may arise from an examination of the stores account for one particular year, I will give the history of this cement in full. It must be borne in mind that the market price of Indian cement fell from about Rs. 120 per ton to about Rs. 30 per ton between 1920 and 1924. In 1920, 2,400 tons of Portland Cement were purchased from England and cost Rs. 105 per ton. The issue rate was fixed at Rs. 130 per ton. All the cement except 500 tons was consumed and issued at this rate. On the 1,900 tons consumed in this period there was a stock profit of .

Rs. 47,500 owing to the difference between issue rate and cost price. In February 1924, the issue rate of English Portland Cement was reduced to Rs. 78-12-0 per ton and in April 1924 it was further reduced to Rs. 35 per ton to agree with the then current issue rates of Indian cement. The figure Rs. 32,000 given in the Audit and Appropriation Accounts as loss due to the revaluation of English Portland Cement appears to represent the loss on both English and Indian cement owing to revaluation. The actual loss on account of revaluation of English cement owing to the reduction of the issue rate to Rs. 35 per ton was Rs. 13,737. The total loss by perishing was 61 tons at Rs. 35 or Rs. 2,135. The total loss due to revaluation and perishing, therefore, amounts to Rs. 15,872 against a profit of Rs. 47,500 due to high issue rate previously referred to. The figure of Rs. 52,000 said to be loss due to perishing appears to be an item of loss on exchange. I may remark that both the items of Rs. 52,000 and Rs. 32,000 are included in the item of Rs. 94,000 shown as losses on Building materials in the statement on page 150 of Audit and Appropriation Report and this latter figure will be dealt with in its proper place.

(8) **Paragraph 194 (ii), page 138.**—These closets were purchased in 1920. Advantage was taken of the high rate of exchange to place a large order. It was then intended to fit these closets in clerks and servants' quarters. It was subsequently decided to omit these closets in quarters and replace them by pail depots a scheme for which has recently been sanctioned. The closets will all be utilized in connection with the pail depot scheme.

(9) **Paragraph 194 (iii), page 138.**—The pig lead was purchased for plumbing work in connection with the closets referred to in last paragraph. It has since been all used up on other plumbing work.

(10) **Paragraph 194 (iv), page 138.**—This steel work was purchased for the reinforced concrete foundations of the War Memorial. A detailed estimate of the foundation had been prepared but the plans of the proposed superstructure were subsequently altered. The alteration in design allowed a cheaper class of foundation to be employed. Although there was a loss of some Rs. 7,500 owing to the fall in price of steelwork the change in design effected a saving of some Rs. 3 lakhs.

(11) **Paragraph 194 (v), page 138.**—This is part of the case dealt with in paragraph 3 of this report. Pipes were used for the distribution of water to the works during construction and on completion the pipes were transferred to other works. Depreciation on the pipes while in use, estimated at Rs. 9,000 was charged to the works. The procedure was quite correct, and no question of purchase in advance or in excess arises.

A certain amount of glass purchased for Gazetted Officers' bungalows was in excess of requirements and was used up in Orthodox Clerks' quarters. A sum of Rs. 1,275 representing the fall in market price was correctly charged against the former estimate. The amount is a very trivial one in estimate costing over Rs. one crore.

(12) **Paragraph 194 (vi), page 139.**—Spun yarn was purchased in September 1920 for pipe laying which was in progress in 1921. Owing to a transfer of divisional charge the existence of this material was overlooked when the pipelaying was in full swing so it was not all used up. As regards the shortage this spun yarn was used as a bed to unload stone-ware pipes on at the railway siding. Some cables caught fire at the siding

and some yarn was also burnt but the writing off of the yarn burnt was overlooked at the time.

(13) **Paragraph 194 (vii), page 139.**—These iron trusses were used in the roof of the mortar mill shed during the construction of Indian Clerks' Quarters. On the completion of the work the trusses were transferred to other works and the depreciation charged against the estimate for Clerks' Quarters. The procedure was quite correct and there is no question of excessive purchase or purchase in advance of requirements.

(14) **Page 139.**—The question of stores in connection with the Royal Visit referred to on page 139 of Audit and Appropriation Report is dealt with in paragraph (2) of this report. The item of Rs. 5,000 referred to represents the value of stores taken over by the Health Officer (principally 13 sullage carts). The representatives of Audit hold that these stores left over from the Royal Visit should have been kept in store as a charge to the Royal Visit until required by the Public Works Department. From an accounts point of view this is no doubt correct but I consider that the practical difficulty of the storage and custody of the stores in the meanwhile and the probability of their being entirely overlooked when required made this course most undesirable. The course adopted was that the Public Works Department took over such stores as were likely to be of use and this appears on the whole to have been the best solution.

(15) **Pages 136 and 139.**—The question of the responsibility of the Superintending Engineer referred to in the opening and closing paragraphs of paragraph 194 of the Audit and Appropriation Report is dealt with in connection with paragraph 196.

(16) **Paragraph 195 (a) and (b), pages 139—140.**—The figures quoted were taken from a report by the Central Accounts Officer which was admittedly incomplete at the time. Complete figures for the Barakhamba Stores were put before me. This store depot contains practically all the valuable stores and is the depot referred to in paragraph 195 (b) of the Audit and Appropriation Report. For the five years 1920 to 1925 the total shortage and surplus were as follows :—

					Rs.
Shortage	..	..	..	..	73,572
Surplus	..	..	..	..	43,228
Nett shortage ..					<hr/> 30,444 <hr/>

This amounts to a nett shortage of about Rs. 6,000 per annum. The issues during this period amounted to Rs. 85 lakhs so the gross percentage of shortage (neglecting surpluses) on the issues was 0.87 per cent. while the nett percentage of shortage (including surpluses) was 0.36 per cent. A nett shortage of 0.36 per cent. over 5 years or 0.07 per cent. per annum is, I consider, a most satisfactory state of affairs and one on which the officers responsible are to be congratulated.

(17) **Paragraph 195 (c) (i), page 140.**—In 1921 and 1922 a total of 53,000 bulbs were purchased to meet the requirements of New Delhi and for the Royal Visits. Those required for the latter purpose were issued

after the boxes had been opened and only undamaged bulbs were issued. The total breakages thus fell on New Delhi and amounted to 7,400 or 14 per cent. of the total. In view of the fact that these bulbs had to be removed on several occasions owing to lack of proper storage accommodation the breakage was not unduly high for such a fragile article. The loss of 7,400 bulbs is solely due to breakage and does not include any bulbs taken back after the Royal Visit.

As regards the justification of purchasing so many bulbs I have examined the ordinary issues of bulbs in New Delhi and find that the average for the past three years was 15,000 per annum. In one of these years the consumption was as high as 24,000. The purchase of 53,000 bulbs in two years to meet the requirements of the Royal Visit in addition to ordinary requirements cannot be regarded as excessive.

(18) Paragraph 195 (c) (ii), page 140.—As a result of Royal Visits and other public functions a quantity of coloured bulbs, flags, etc., had accumulated in the Public Works Department stores. These were surplus stores not borne on the books of the Department and in most cases were of no intrinsic value. No separate account was kept of these stores as should have been done and the storekeeper submitted a survey report erroneously assuming that they were on the books of the Department. The write off was sanctioned but not against the Royal Visit head as stated. On the stores being verified the error was discovered and the write off cancelled. These bulbs had no connection with the 7,400 bulbs referred to in the previous paragraph. These surplus stores were hired for public and *quasi* public entertainments. All the coloured bulbs (9,000) have since been sold for 10 per cent. in excess of their issue value.

(19) Paragraph 195 (d), pages 140—141.—The suggestion made that coal should be verified on receipt is most desirable in theory but most difficult to carry out in practice during construction. Coal was received at six separate points and verification would have involved the purchase of several large weigh bridges capable of weighing full truck loads. This would have involved a very large expenditure for very little tangible result as the value of any deficit found on delivery could neither be recovered from the Railway nor from the supplier. The representatives of Audit agreed that the only practical result of such weighing would be to enable loss in transit to be separated from wastage after receipt. This appears a very small gain for the expenditure which would be involved. The actual shortage of 1,000 tons of coal in over 1½ years represented a loss of 3 per cent. on the quantity purchased. As this figure includes loss in transit it must be regarded as unusually small. Where coal will be supplied permanently, as at the power house, bins have been constructed so that the quantity of coal received can be verified.

(20) Paragraph 195 (e), page 141.—In 1919, steel conduits for electric wiring could not be procured in India or in England. It was thought that porcelain conduits could be successfully substituted and some Rs. 50,000 worth were specially manufactured in India. These were a complete failure as they proved porous and did not protect the wires from damp. They are being utilized as far as possible in unimportant sites where there is no danger of damp. There was no room available for the storage of these articles in any regular stores godown, so they had to be stored in unoccupied buildings. This

involved several removals as buildings were required for occupation. These removals and moving the conduits for verification resulted in a considerable amount of breakage of these fragile articles. No one can be held responsible for the breakages and the more frequent verification suggested would have resulted in more extensive breakages.

(21) **Paragraph 195 (f), page 141.**—Under Article 227 (d) Civil Account Code, Volume I, all sanctions to write off should be communicated to the Accountant General. As far as can be traced no write off was communicated to Audit from the start of the Delhi works until 1924 with the exception of a write off for Rs. 37,000 in 1922, which was forwarded with the proceedings which led up to it. If the local Administration is to blame for not having communicated these sanctions I am of opinion that the Audit Officer is equally to blame for not having noticed the omission for twelve years.

As regards the general question of balancing shortage and surplus referred to at the bottom of page 141 and top of page 142 it must be borne in mind that the stores at New Delhi are most complicated and some are of such a nature as to require an expert to distinguish between them. Unless a much more highly paid staff were employed mistakes in classification are certain to occur. The representatives of Audit stated that the principal Audit objection was to shortage of one article being balanced against a surplus of a totally different article. With this I entirely agree. We examined a survey report which was under preparation for submission to the New Capital Committee and it was agreed that the detailed information there given would enable Audit to make all necessary check.

(22) **Paragraph 195 (g), page 142.**—Paragraph 208 Public Works Accounts Code lays down that as soon as a discrepancy in stock is noticed the book balance must be set right, but a reference to paragraph 211 of the same code will show that the procedure laid down may be altered in the case of construction divisions where there may be a large concentration of stores. Rules relating to revised system of stock accounts for the Public Works Department, Delhi Province, were issued in 1922 with the concurrence of Audit. Paragraph 8 of these rules reads as follows :—It will be the duty of the Stock Verifying Officer, who will be attached to the Central Office to actually count, weigh or measure all articles in stock, and to record the result of such count in the Tally Card, and in the Stock Ledger form in the columns provided for the purpose. The procedure followed in the case under reference was in accordance with the rule quoted above. I cannot understand why this objection was brought forward in the audit and Appropriation Report when the procedure adopted was in accordance with the special rules laid down for stock accounts in Delhi Province.

(23) **Paragraph 196 I (i), page 143.**—The Stores and Traffic Officer (Mr. Posth) who made this purchase has explained that he had previously called for tenders and tried some samples of know wood handles from Peshawar offered at rates more or less similar to those quoted in the Indian Trade Journal, but they were found unreliable and that he purchased locally so as to have a hold on the contractor should the handles prove unsatisfactory. The figures from the Indian Trade Journal of 1st May 1924 are incorrectly quoted in the Audit and Appropriation Accounts and the representatives of Audit were unable to say if these rates were

“ ex-godown ”, “ F. Q. B. ” or delivered at site. I personally examined the handles and am of opinion that they could not have been delivered at Delhi at anything like the prices quoted by Audit. I am, however, convinced that the rates paid were excessive for these classes of handles.

(24) **Paragraph 196 I (ii), page 143.**—The excessive quantity is already dealt with in paragraph (4) of this report. The rate of 10 to 13 annas per pound quoted from the Indian Trade Journal is a Madras quotation and there is no indicate of the quality. The quotation is probably for hides in bulk for export. I have ascertained that the Indian Stores Department purchased hides in Cawnpore in 1924 at Rs. 1-8-0 per pound. To this must be added the freight to Delhi. It is probable that as the hides were intended for *charases* selected hides only were purchased. Freight and the special selection would probably account for a rate of about Rs. 2 per pound, against Rs. 2-12-0 paid.

I consider that the rate paid was excessive but not as wildly extravagant as would appear from the Audit and Appropriation Report.

(25) **Paragraph 196 I (iii), page 144.**—Mr. Posth has stated that when tenders were called for shellac in 1922 the lowest received was Rs. 5 per pound. I am, however, satisfied that the rate of Rs. 3 per pound paid in 1923 and 1924 was excessive.

(26) **Paragraph 196 I (iv), page 144.**—The leather laces purchased by the Indian Stores Department in 1924 at Rs. 2-6-6 per pound were “ Oak tanned ” and not crome laces. I am unable to find a reliable quotation for crome leather laces as purchased so cannot decide definitely if the rate paid Rs. 3 per pound was excessive. I am inclined to agree that the rate was somewhat too high.

(27) **Paragraph 196 I (v), page 145.**—Rivets of a certain size were urgently required for the construction of the stoneyard roof which had to be completed before the Rains, the size required was not in stock and the Superintending Engineer (Electrical and Mechanical) told the Stores and Transfer Officer to procure them locally so that the work would not be delayed. Another size of rivet had to be cut down by hand to obtain the required size and Rs. 35 per cwt. was paid for these cut down rivets. The Superintending Engineer also approved of the purchase of 2 tons of the required rivets from Calcutta at a rate of Rs. 17 per cwt. The order for Calcutta was never issued and the Stores and Traffic Officer continued to purchase rivets locally at Rs. 35. The quantity purchased was very much in excess of requirements. In the absence of Mr Posth I was unable to ascertain why he continued to purchase locally at a high rate and in excess of requirements and why he did not issue an order for these rivets from Calcutta as approved by the Superintending Engineers.

(28) **Paragraph 196 I (vi), page 145.**—Mr. Posth has stated that when tenders were called for previously Rs. 80 per cwt. was the lowest offer received and that the rate of Rs. 75 paid for red lead was not excessive. The Indian Stores Department made no purchases in 1924 but purchased in 1925 at varying rates up to Rs. 47-8-0. I consider that red lead delivered in Delhi should have cost about Rs. 50 per cwt. in 1924 and that the rate paid was excessive.

In June, the Assistant Storekeeper reported that red lead was required. Mr. Posth refused to purchase and noted that the existing stock

was ample for 6 months. It is difficult to understand in these circumstances how Mr. Posth made this purchase in August.

(29). **Paragraph 196 I (vii), page 146.**—No figures could be produced to show how the alleged loss of Rs. 1,000 was arrived at. It is stated that there would have been a delay of some months in obtaining delivery if purchased through the Stores Department which would have seriously dislocated work.

(30) **Paragraph 196 I (viii), page 146.**—

(a) These rivets are said to have been required urgently and indented for late. The price was high.

(b) This is the same case as is dealt with in paragraph 28 of this report.

(c) The correct rate for these bolts and rivets delivered in Delhi would be somewhere about Rs. 22 per cwt. There is nothing on record to show why Rs. 35 per cwt. was paid. The quantity is small.

(31) **Paragraph 196 I (ix), page 147.**—I have ascertained from the Indian Stores Department that the lead wool supplied at Sukkur was of Indian manufacture. The correct price for lead wool delivered at Delhi would have been about Rs. 52-8-0. The rate of Rs. 70 paid was excessive. The transaction is a small one amounting to some Rs. 350.

(32) **Paragraph 196 I (x), page 147.**—Early in 1925 it came to the notice of the Stores and Traffic Officer that certain firms had supplied goods without orders. The matter was reported to the Superintending Engineer (Electrical and Mechanical) who took steps to suspend the Storekeeper, close the store godown and check all stores therein. Superintending Engineer then conducted an enquiry into the matter. It was clearly established that some firms had delivered goods in the open yard near the godown no orders having been placed for the goods. Receipts for these goods had been issued by the storekeeper and some of the stores had actually been issued to works, which made settlement of the case a matter of some difficulty. Eventually such stores as had been used or were necessary for Government work were taken over, and the firms were compelled to remove the remainder. The storekeeper was held to be responsible and was dismissed without leave or gratuity. Owing to the timely detection of the irregularities there appears to have been no loss to Government but the irregularities regarding placing orders after receipt, etc., referred to in the Audit and Appropriation Report did occur and were necessary to rectify the position brought about by the storekeeper's action.

(33) **In paragraph 194 (a), page 139, and (b), page 148,** the extent of control applied by the Superintending Engineer in the matter of stores is questioned and in paragraph 196 (b) (page 148) it is suggested that the question of disciplinary action against the same officer be considered. To arrive at a decision in this matter it is necessary to consider the whole system of purchasing stores and of accounting therefor. Barakhamba was the central store depot for the whole work, it contained the main bulk of important stores, which were in charge of a special storekeeper. The storekeeper worked under the Stores and Traffic Officer who in turn was under the Superintending Engineer, Electrical and Mechanical. From the preceding paragraph of this report it will be seen that the main irregular-

city which has been proved was the purchase in excessive quantities and at excessive rates of certain stores of which shellac, hides, leather laces and rivets may be taken as the most important. Under the rules in force the Stores and Traffic Officer had powers to purchase articles of local manufacture up to a limit of Rs. 2,000 without calling for tenders. Imported stores were purchased with the sanction of the Superintending Engineer. All the irregularities brought to notice are in connection with articles of local manufacture ordered by the Stores and Traffic Officer and no irregularities are alleged in the case of imported stores purchased by the Superintending Engineer. The system of pre-audit was in force and all contract documents were required to be sent to the Deputy Accountant General, Central Revenues, for check of bills against contracts. Copies of orders placed by the Stores and Traffic Officer do not seem to have been regarded as coming in the category of contract documents, up to 1924 they were never sent to Audit nor apparently were they ever asked for. Departmental control was secured by fixing a limit to the Stores and Traffic Officer's powers of purchase but this control was evaded by splitting up the orders into ones within his powers. This is clearly shown by the quantities of the following stores actually ordered :—

	Rs.
Shellac	10,000
Hides	12,000
Leather laces	13,000
Rivets	3,300

Had copies of the orders been submitted to Audit it must have been apparent that the Stores and Purchase Officer was evading the limits placed on his powers by splitting up orders, and it appears to me strange that this defect in the system of check was not brought to light at Audit Inspections during the previous twelve years. Orders within the powers of the Stores and Traffic Officer never came before the Superintending Engineer nor had he any means of knowing that the limit of powers of purchase of that officer was being abused. The Superintending Engineer had a right to expect that the Audit Officer, who was the only person in a position to check, would see that the limits of the Stores and Traffic Officers' powers were observed. Had this been done these excessive purchases could not have occurred but in the absence of copies of the orders placed the Audit Officer could not exercise the necessary control. It has been suggested that under Article 65, Public Works Department Code, the Superintending Engineer was responsible that no accumulation of stock occurred in any division beyond its requirements. The position at Barakhamba was in practice a very different one from that visualized in the Code. The stores were not divisional as all other divisions were supplied therefrom. There was no divisional limit of reserve stock as contemplated in Article 360, Public Works Department Code. A limit of Rs. 50 lakhs for reserve stock for the whole Province was laid down, this was not exceeded and had the limit of Rs. 2,000 placed on the Stores and Traffic Officer's powers of purchase been effective no undue accumulation of stores could have occurred.

The Storekeeper was obviously unfit for the responsibility which his position involved. As regards the Stores and Purchase Officer, he was in charge of a very complicated mass of stores and had to supply the mis-

collaneous requirements of many divisions, he was also in charge of the laying and maintenance of some 50 miles of line and the traffic thereon. His Railway duties involved considerable periods of absence from the stores and I consider that it was most difficult if not impossible for him to have exercised the supervision and control which the stores demanded. I am convinced that an experienced Engineer Officer with no other duty than the purchase and supervision of stores was necessary to secure efficient control. There are, I consider, reasonable grounds to suspect that in the cases of excessive purchase items were added to orders after Mr. Posth had signed them, but the fact remains that the orders are signed by Mr. Posth. Loath as I am to condemn anyone unheard, I must hold that Mr. Posth failed in his duty in respect to the purchase of stores and that his action in splitting up orders to evade the limits imposed on him was most reprehensible.

As regards the Superintending Engineer I can find no indication that he in any way failed to exercise the supervision which was to be expected from him. The failure to enforce the limit of the Stores and Traffic Officer's powers of purchase was in no way due to any lack of care on his part and for this system of accounts and audit in force must bear the full responsibilities.

(34) **Paragraph 196-II, page 148.**—From an examination of the correspondence regarding the coal contract, it is apparent that the Chief Engineer took all possible steps to obtain approval to the cancellation of the arrears and the reduction in the rate for coal. In fact from 1923 onwards the Chief Engineer was striving in vain to get the whole contract cancelled. The Chief Mining Engineer refused to allow the same revision of the contract to the Public Works Department, Delhi, as was secured by the Railway Board, and in his letter No. 688 of 16th January 1925 ordered that coal should be paid for at each year's rate and that any arrears remaining on 31st March 1925 were to be paid for at the 1924-25 rate. This paragraph appears to have been introduced into the Audit and Appropriation Report without examining the full correspondence on the subject.

(35) **Paragraph 197 (a), page 149.**—Under paragraph 203 (a) Public Works Account Code, the market rates of stock should be filled in under the orders of the Divisional Officer by a person other than a ministerial subordinate, while in the Audit and Appropriation Accounts it is suggested that the works be done by an officer unconnected with the Stores Division. The representatives of Audit were unable to suggest any officer other than the Divisional Officer who could do the work. I can find no valid reason why the provision of the Public Works Accounts Code should be departed from.

The remarks that heavy losses would probably be disclosed by revaluation of stock in accordance with market rate appear to be based on a report dated 28th April 1926, by the Central Accounts Officer on the stock accounts for the year ending 31st March 1925. There would obviously be little use in fixing market rates more than twelve months after the period to which they referred. No action was taken pending receipt of the report for the year ending 31st March 1926. In my opinion this report is based on a misconception of the meaning of "Market Rate" as defined in paragraph 45 of Public Works Accounts Code. The porcelain conduits referred to in paragraph (20) of this report are quoted as a typical case. These conduits were specially manufactured and there is nothing

to show, nor does the Central Accounts Officer suggest, that if manufactured to-day they could be procured at a cheaper rate. As the wastage which has occurred through breakage must, under the rules, be included in fixing the "Market Rate", it is obvious that such an item would show no loss on revaluation at Market Rates as defined in the Public Works Accounts Code.

(36) **Paragraph 197 (b), pages 149-150.**—The figures quoted in this paragraph purport to show the loss to Government owing to the "Issue Rate" of stores in March 1925 being less than their "Book Value" (i.e., purchase price *plus* all overhead charges). The figures are taken from a report by the Central Accounts Officer but losses only are quoted, corresponding gains under other heads are disregarded. In the actual report from which the figures are taken the nett result is a loss of Rs. 5,722 which means that the total value of all materials at issue rate is for all practical purposes identical with the book value. I enquired from the representatives of audit why the losses only were referred to and was referred to paragraph 104 of the Manual of Instructions for the preparation of Audit and Appropriation Reports under which losses in excess of Rs. 5,000 should be brought to notice. I am, however, of opinion that the figures given in this paragraph of the Audit and Appropriation Report are most misleading and that if it was necessary to refer to the losses some reference should also have been made to gains and the nett result, i.e., the loss of Rs. 5,722 referred to.

It is suggested that the stores in hand should be valued by an expert unconnected with the Delhi Public Works Department. The representatives of Audit were, however, unable to suggest who that expert might be. I can see nothing in the state of the accounts to warrant a departure from the ordinary rules for fixing the "Market Value" of stock.

(37) **Paragraph 198, pages 150-151.**—The fraud referred to was discovered by the Ledger Verifier and the whole case was investigated by the Superintending Engineer. It was not possible to identify the particular person responsible for the fraud and the loss to Government was recovered from the storekeeper as he was responsible for the stores in his charge. The representatives of Audit requested me to enquire into the following points in connection with this fraud :—

- (a) Why the tally cards for the period were not available ?
- (b) Cause of delay in reporting the fraud.
- (c) If there were any defects in supervision or system which made such fraud possible.

As regards (a), the revised system of accounts under which tally cards were used was introduced with effect from April 1922 but the rules did not specify what should be done with completed tally cards, and old tally cards were destroyed as soon as completed on transfer of the balance to a new tally card. As a result of the discovery of this fraud tally cards on completion are now sent to the Central Accounts Officer.

As regards (b), the matter was first brought to light by the Ledger Verifier and reported to the Superintending Engineer by the Stores and Traffic Officer but neither officer was in a position to report the matter to Audit until the matter had been investigated and fraud proved. The Superintending Engineer submitted a report of his enquiry to Chief Engineer on 29th November but through an oversight a copy was not

forwarded to Audit. A copy of Superintending Engineer's report with Chief Engineer's orders thereon was, however, forwarded to Audit on 18th December. A delay of 19 days occurred in reporting the fraud to Audit.

As regards (c), it appears that the fraud could not be readily detected by the Public Works Department Officers or at the Audit Inspection of the office as under the system of accounts then in force the Stock Ledger could not be checked with any other account as the Register of Stock showed only closing balances and no opening balances. In 1924 the Chief Engineer drew attention to the error of this system and as a result the Stores and Traffic Officer now maintains a register in form No. 11 (in addition to the Stock Ledgers) and reports daily particulars of receipts and issues to the Central Accounts Officer who maintains a Stock Register in form No. 12.

I consider that the system of accounts in force was such as to render detection of this particular fraud most difficult while under the revised system now in force immediate detection would result.

(38) **Paragraph 199 (a), pages 151-152.**—The material in question was stored outside the godown while the tally card was kept in the godown. On the completion of a tally card no printed form happened to be available so the issue clerk omitted to maintain any tally card. He could easily have kept a tally card on ordinary paper until printed forms were available but did not do so. The mistake arose from the carelessness of the issue clerk (Mr. Mohamed Asan) who was dismissed.

The lack of safeguards referred to at the end of this paragraph of the Audit and Appropriation Report is that discussed under (c) of paragraph (37) of this report. As will be seen there the necessary steps have been taken to put the matter right.

(39) **Paragraph 199 (b), pages 152-154.**—This paragraph refers to the Stoneyard which is I understand the biggest of its kind in the world. The stores (oil etc.), intended for use in the stoneyard were charged direct to the work and treated as materials at site, a materials at site account being kept in the central office. Under paragraph 322 Public Works Accounts Code, no further accounts of these stores were necessary and it was only necessary to verify the unused balances annually. The registers in which alterations have been made were, therefore, registers which were not prescribed by the rules in force and which need not have been kept up. In the stoneyard itself the system of controlling the issue of stores and of accounting therefor was as follows :—The stores were in the charge of a stores clerk (work charge) who had under him two stores munshis and two chowkidars. Stores were issued on the written indent of the particular foreman who required them and a manuscript register was maintained in which was entered the quantity of each article and the name of the indenting foreman. The total of daily issues were transferred to a register in Form No. 11. The more important stores were checked monthly by the stores clerk with the balances in the register maintained by him and the Officer in charge of the Stone Yard (Mr. Cairns) examined the stores and store account occasionally. There was thus in practice a monthly verification of stores and a record of the daily receipts and issues was maintained while under the Public Works Accounts Code no register of daily receipts and issues was necessary and verification was only necessary once a year. Mr. Cairns informed me that from his previous know-

ledge of workshops he was adverse to having such stores as oil, petrol etc., lying round in the different branches of the stone yard and that he devised the system in force including the manuscript register to ensure that stores were only drawn to meet immediate requirements and under the authority of a foreman. The system appears one which was well calculated to obtain efficient control of the stores but it broke down in two respects. Firstly, only one stores clerk was employed and he could not be present at night when stores were issued and secondly the register of issues maintained in the stone yard was never checked with the materials at site account maintained by Audit. This system of accounts was in force from 1915 to 1924 and no objection was raised to it even at the Audit Inspection of the Stone yard in 1923.

In the months in which the figures in the register were altered some new machines had been installed and night work was in progress. The consumption of oils and petrol was heavier than usual and issues made at night were not entered in the manuscript register as the store clerk was not present. The night indents appear to have been mislaid or overlooked and as a result the daily totals brought forward into the register of issues were incorrect. At the end of the month on checking his balances the store clerk found his book balances wrong as compared with his actual balances and very foolishly altered the figures in his register to make the balances agree. There does not appear to have been any intention of actual fraud.

In the case of such a large concern as the Stone Yard, I consider, that a special system of stores accounts should have been laid down as is contemplated in paragraph 431 Public Works Accounts Code for large workshops. The following action has been taken to rectify matters :—

A permanent overseer has been put in charge of the stores at the stone yard, a revised form of register has been introduced which is now checked with the materials at Site Account in the Central Accounts Office. This should ensure the stores being properly accounted for.

(40) **Paragraph 200 (i), page 154.**—In paragraph 373 Public Works Department Code it is laid down that a storekeeper will have nothing to do with the disbursement of cash, the supply of materials, or the preparation of Bills, but this rule seems to be to a certain extent contradicted by paragraph 10 (4) of the Rules relating to revised system of Stock Accounts for the Public Works Department, Delhi Province, under which the storekeeper is required to submit monthly to the Divisional Office a statement of stock received in the godown but not paid for. It had always been the custom that the storekeeper filled in the orders for the Stores and Traffic Officer's signature and the practice does not seem to have been previously objected to. It was difficult to avoid this when urgent orders were placed by telephone by the storekeeper with previous approval and these orders had to be confirmed in writing by the Stores and Traffic Officer. The fact that the storekeeper wrote out the orders certainly facilitated the interpolation of items in orders which is suspected to have occurred. In my opinion the more important point is that copies of orders when signed should be sent to the Central Accounts Officer as is now done. As long as proper steps are taken to ensure that the copies sent to Audit cannot be tampered with any danger of fraud should be eliminated. If, however, it is still considered desirable that the storekeeper should not write the orders there should be no difficulty in entrusting the work to another clerk.

I have examined the thirty instances referred to of the issue of orders after receipt of goods. The explanations in most cases were that goods were ordered to be sent for inspection before acceptance, or delay in receipt of formal sanction after acceptance of tender, or urgent telephone orders confirmed in writing. The explanations show that the irregularity was in most cases unavoidable.

(41) **Paragraph 200 (ii), (iii) and (iv), pages 154-156.**—These relate to the same case as is discussed in paragraph (32) of this report. As already stated the matter was fully investigated by the Superintending Engineer and the storekeeper was dismissed. The alteration in rate referred to in (iii) (a) arose through the difficulty in settling the suppliers' claims. The Government Pleader recommended an amicable settlement if possible. A supplier claimed rates of Rs. 56 and Rs. 35 per cwt. for two different classes of bolts and nuts. It was overlooked that two different classes had been supplied and an offer of Rs. 25 all round was made and an order was prepared accordingly. The supplier refused to accept these rates and Mr. Posth arranged a settlement at Rs. 40 and Rs. 25. The Superintending Engineer refused to accept the proposed settlement and eventually settled for Rs. 30 and Rs. 25. The rate in the order was altered in accordance with each settlement proposed.

(42) In the preceding paragraphs I have had occasion to observe at times that the system of accounts made irregularities in some cases possible. I now propose to give a brief summary of the various systems of accounts which have been in force in the Delhi Province. The system of accounts for New Delhi was from the start one of pre-audit. In the instructions issued in 1913 regarding the system of pre-audit, stores were not specially dealt with except that it was laid down generally that the usual initial accounts and monthly returns of the Public Works Department will be maintained as far as necessary.

In 1915 instructions for a system of Stock Accounts were issued by the Audit Officer, Delhi Province. These came into force from 1st April 1916. The principal points of interests of these rules as regards stores are :—

- (a) Bills for stores had to be endorsed by the storekeeper before payment. This appears opposed to the spirit of Article 373 Public Works Department Code.
- (b) The amounts only and not the quantities were to be posted into forms Nos. 11 and 12.
- (c) The extract from Stock Abstract Book showing receipts, issues and balances submitted to Audit was posted in lump sums.

In 1918 the Audit Officer introduced a new form for "Accounts of monthly receipts and daily issues and balances of stock for the half-year". This form took the place of forms Nos. 9, (for issues only) 12, 13 and 42-A. In this new form quantities only were shown and money values were only shown half-yearly.

In 1922 "Rules relating to Revised System of Stock Accounts for the Public Works Department, Delhi Province" were issued. This revised system introduced ledgers for each article of stock and dispensed with the necessity of striking monthly totals of receipts and issues and posting them in ordinary half-yearly forms; stock verifiers and ledger verifiers were also introduced.

In September 1924 Audit and accounts were separated and a Central Accounts Officer was created.

In November 1924 the Chief Engineer addressed the Deputy Accountant General, Central Revenues, and stated that he was dissatisfied with the system of accounts and suggested *inter alia* that accounts of the quantities and monetary values for detailed items of stock be kept. As a result of the discussion following this letter a new system of stock accounts was introduced with effect from March 1926. Under this system the provisions of the Public Works Accounts Code are fully adhered to and some extra accounts kept, such as store ledgers and tally cards. The Central Accounts Officer maintains details of the quantity and monetary values of all stock by sub-heads. All orders for stores go to the Central Accounts Officer for scrutiny before the order is issued.

It will be seen that various systems of accounting for stores have been introduced during the progress of the work. This, I consider, was only to be expected in the case of a work of the magnitude of the New Capital. The provisions of the Public Works Department Code and Public Works Accounts Code have been framed for normal conditions and it is obviously unreasonable to expect that such rules could cover all the abnormal conditions which must arise in such a large work. Revised rules are necessary in such cases if the time of the Engineer staff is to be fully concentrated on their legitimate duties of getting the work done. Such revised rules can only be based on experience and as will be seen from the numerous changes made the rules were revised when experience showed the necessity for revision.

(43) In like manner the Chief Engineer has taken steps to control purchases as experience has indicated the necessity therefor. Under the present orders of the Chief Engineer the Stores and Traffic Officer is only authorized to enter into running contracts for the following articles :— cotton waste, kerosine oil, lime, sand, ashes and petrol. He is not allowed to enter into petty contracts for these items nor to purchase other stores except with the previous sanction of the Superintending Engineer. All contracts are sent through the Superintending Engineer to the Central Accounts Officer for scrutiny before the order is placed. Important items of stores such as cement, coal, etc., are purchased through the central office. A list of stores on hand in the Delhi Province is circulated to all Divisional Officers and no purchase is permitted of articles on this list. For articles not on stock Divisional Officers have full Code powers of purchase but all orders are sent to the Central Accounts Officer for pre-scrutiny. The Stores Verifying Officer now maintains an up-to-date register of market prices.

(44) My general conclusions regarding stores at New Delhi may be summarized as follows. In the first place I am of opinion that the question of economy played too important a part as regards the staff entrusted with the custody and purchase of stores at Barakhamba. I consider that it was impossible to obtain at the salary paid a storekeeper capable of exercising efficient control over the valuable and complicated mass of stores dealt with, assisted, as he was, by a weak and inexperienced staff. A much more highly paid storekeeper was necessary.

For economical purchase of stores, I consider that, a whole-time officer of the status of an Executive Engineer was necessary. The combination

of Railway work with the duties of purchase and scrutiny of stores made it impossible for the Stores and Traffic Officer to exercise the necessary control over stores or to be in proper touch with the market. Were it not that work at New Delhi is nearing completion and work on the Railway diminishing, I would strongly recommend that the Barakhamba stores should form a separate Division in charge of a really experienced Executive Engineer. As matters stand it is I fear too late to lock the stable door. The ledger verifiers and stock verifiers now employed should provide sufficient check over stores. In the case of the Barakhamba storeyard itself, I consider that undue economy was exercised in its construction. The full area necessary for heavy stores was not properly enclosed. Had this been done and a reliable gatekeeper employed the irregularities referred to in paragraph 200 (ii) to (iv) of the Audit and Appropriation Report could not well have occurred. If the avoidable losses on stores could be balanced against the saving in construction of the storeyard and in establishment for the past thirteen years I have little doubt that a substantial saving to Government would be shown. I have examined the Barakhamba Storeyard and am satisfied that on the whole the stores are well looked after. I was particularly struck with the absence of "Junk" after so many years of a big construction project.

I am of opinion that with the exception noted below the irregularities referred to in the Audit and Appropriation Report disclose no serious losses to Government. The exceptions are the excessive purchase at excessive rates of shellac, hides and leather laces. In the case of these articles a substantial loss was sustained. The Stores and Traffic Officer (Mr. Posth) is primarily responsible for these losses. Had, however, the system been such as to render effective the restrictions placed on this officer's powers of purchase by the Delhi Administration these losses could not have occurred. The system of accounts and audit then in force must, therefore, bear an equal share of the responsibility for these losses.

I am of opinion that the system of accounts and audit recently introduced together with the Chief Engineer's orders regarding purchase of stores are well calculated to prevent a repetition of the irregularities mentioned in the Audit and Appropriation Report.

(45) In conclusion, I desire to place on record my sincere thanks to all officers concerned with the enquiry for the frank and ready assistance given to me.

W. ROCHE,

Officer on Special Duty.

7th September 1926.

APPENDIX XV.

Memorandum furnished by the Deputy Secretary (Central Revenues), with reference to paragraph 26 of the Report of the Public Accounts Committee on the Accounts of 1924-25, and paragraph 14 of the Finance Department Resolution No. D.-1163-A., dated the 5th May 1927.

After careful consideration the Government of India have come to the conclusion that it is unnecessary to frame any special rules in respect of the Northern India Salt Revenue Department for the following reasons :—

- (i) There are no places in the Department which are so remote or in which conditions of labour and transport are so abnormal that the ordinary rules cannot be observed,
- (ii) the powers of the officers of the Department are already sufficiently well-defined,
- (iii) adequate audit arrangements (including local audit) have now been introduced in the Department which will render such irregularities as those connected with the Sambhar Improvement Scheme impossible in future, and
- (iv) there are no big projects in the Department at present and it is unlikely that there will be any in the near future.

APPENDIX XVI

Statements and accounts furnished by the Accountant General, Central Revenues, with reference to paragraph 35 of the Auditor General's letter No. T.-571-Admn./K.W. 34-27, dated the 14th July 1927.

Central Stationery Office, Calcutta.

Statement showing progress of realization of value of stationery stores sold during the year 1925-26.

						Sale of stationery stores.
						Rs.
1. Unrealised balance on 1st April 1925	..	..	..	..	..	86,469 (a)
2. Issues during the year	..	..	..	..	..	42,92,981
Total						43,79,450
<i>Recoveries made during the year.</i>						
3. Cash recoveries	..	..	..	..	..	6,21,413
4. Book adjustments	..	..	..	..	..	35,28,101
5. Unrealised balance on 31st March 1926	..	..	..	..	..	2,29,936 (a)
Total						43,79,450

(a) Rs. 6,681 and Rs. 11,170 have been deducted as credit balances of 1924-25 and 1925-26, respectively.

Checked with records and found correct.

D. N. BANERJI,
Head Accountant.

G. W. COSTER,
Deputy Controller,
Central Stationery and Stamps.

T. S. IYER,
Examiner.
Government Press,
Accounts.

CALCUTTA :
The 21st July 1927.

CENTRAL STATIONERY OFFICE, CALCUTTA.

Store Account for 1925-26.

Receipts.	Rs.	Issues.	Rs.
1. Balance on 1st April 1925 ..	32,47,614	(a) Government of India Press, Simla.	63,198
2. Purchases during the year—		(b) Government of India Press, Delhi.	72,384
(a) Paper	37,20,826	(c) Government of India Press, Calcutta.	5,59,184
(b) Binding materials ..	1,59,724	(d) Government of India Press, Aligarh.	3,83,103
(c) Drawing materials ..	1,08,628	(e) Forms Press, Calcutta ..	2,27,550
(d) Typewriters, calculating and other Machines and Accessories.	1,81,103	(f) Contractors for printing forms.	7,89,080
(e) Stationery articles ..	5,67,734	(g) Departments under the Government of India. Free.	3,97,389
(f) Other petty stores ..	2,90,874	(h) Departments under the Government of India Book adjustment.	7,08,020
(g) Freight and Packing charges on imported stores.	1,00,815	(i) Departments under the Government of India, Payment	6,84,161
(h) Landing charged on imported stores and Indian Stores.	91,166	(j) Provincial Governments ..	18,57,600
(i) Home and Insurance charges on imported stores.	32,247	(k) Public Bodies	44,296
(j) Customs duty as adjusted by Pay and Accounts Officer.	2,19,798	(l) Other issues (value of stores issued for manufacture of Stationery articles.)	2,23,992
(k) Receipt from other sources	14,069	(m) Rebate allowed on paper by local Mills and others.	7,039
		(n) Losses and writes off ..	*34,678
		(o) Closing balance on 31st March 1926.	26,82,927
		(p) For balancing the account	—3
Total ..	87,34,598	Total ..	87,34,598

Remarks.—Stock was verified by an Accounts Officer deputed by the Auditor General as per Government of India, Finance Department Memorandum No. 621-F.E., dated the 18th March 1926. The result was net excess of Rs. 2,659.

* Made up of (1) Value of unserviceable stores written off	23,409
(2) Deficiency in Stock-taking	11,269
Total	34,678

Checked with records and found correct.

D. N. BANERJI,
Head Accountant.

G. W. COSTER, T. S. IYER,
Deputy Controller, Examiner,
Central Stationery and Stamps. Government Press
Accounts.

CALCUTTA :
The 8th July 1927.

CENTRAL STATIONERY OFFICE.

Pro-forma Trading Account for the year 1925-26.

No.	Details.	Debits.	No.	Details.	Credits.
		Rs.			Rs.
1	Stock on 1st April 1925 (Cost price).	32,47,614	1	By issues (at the prices fixed for the year).	..
2	Purchase—		(a)	Government of India Press, Simla.	66,358
(a)	Paper	37,20,826	(b)	Government of India Press, Delhi.	76,003
(b)	Binding materials ..	1,59,724	(c)	Government of India Press, Calcutta.	5,87,143
(c)	Drawing materials	1,08,628	(d)	Government of India Press, Aligarh.	4,02,258
(d)	Typewriters, calculating and other Machines and accessories.	1,81,103	(e)	Issues to Forms Press, Calcutta.	2,38,928
(e)	Stationery articles	5,67,734	(f)	Issues to contractors for printing forms (for Posts and Telegraphs)	8,28,534
(f)	Other petty stores	2,90,874	(g)	Issues to Departments under the Government of India, Free.	4,17,258
3	Freight and packing paid in England for stores.	1,00,815	(h)	Issues to Departments under the Government of India, Book adjustment.	7,49,087
4	2 per cent Home charges.	21,498	(i)	Issues to Departments under the Government of India, Payment.	7,18,369
5	1 per cent. Insurance charges.	10,749	(j)	Issues to Provincial Governments.	19,50,480
6	Customs duty as adjusted by Pay and Accounts Officer.	2,19,798	(k)	Issues to Public bodies.	46,511
7	Purchases for the laboratory.	1,557	(l)	Other issues (value of stores issued for manufacture).	2,35,191
8	(a) Share of Controller's pay 20 per cent.	5,732	2	Sale proceeds of condemned stores.	6,094
(b)	Share of Deputy Controller's pay 75 per cent.	9,376	3	Sale proceeds of Tender forms and receipts from test fees.	2,116
(c)	Share of Assistant Controller's pay 25 per cent.	2,296	4	Recovery of cost of articles lost or destroyed.	269
9	Share of pension contribution (Officer's).	4,349	5	Value of excess in stock-taking.	14,491
10	Share of Establishment pay.	1,65,597	6	Rebate allowed by the local mills and Co.	7,039
11	Share of pension contribution.	41,399	7	Stock on 31st March 1926 (Cost price).	26,82,927
12	Contingent expenditure	1,28,200	8	Writes-off Stores lost in transit and damaged.	17,046
13	Cost of forms and stationery.	31,975	9	Losses on the year's working.	2,16,411
14	Upkeep of the Office building.	10,845			
15	Share of travelling allowance 20 per cent.	2,274			
16	$\frac{1}{2}$ per cent. cost of audit on English and Indian stores.	23,690			
17	$5\frac{1}{2}$ per cent. as interest on capital outlay.	1,94,008			
18	Value of deficiencies in stock-taking.	11,832			
	Total ..	92,62,513		Total ..	92,62,513

Examined with records and found correct.

D. N. BANERJI,

G. W. COSTER,

T. S. IYER,

Head Accountant.

Deputy Controller, Central Stationery

Examiner,

CALCUTTA :

and Stamps. Government Press

Accounts.

The 18th July 1927.

Statement showing progress of realisation of value of printing work done in the Government of India Press, Calcutta, during the year 1925-26.

Unrealised balance on 1st April 1925—

		Rs.	A.	P.	Rs.	A.	P.
Cash	1,921	11 6
Book adjustment	13,702	3 0
						<hr/>	15,623 14 6

Issues during the year—

Cash	18,795	5 0
Book adjustment	31,911	0 0
						<hr/>	50,706 5 0

Total	66,330	3 6
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Recoveries made during the year—

Cash	14,077	8 6
Book adjustment	45,234	14 0
						<hr/>	59,312 6 6

Unrealised balance on 31st March 1926—

Cash	..	..	..	..	..	6,664	15 0
Book adjustment	..	..	..	..	..	352	14 0
						<hr/>	7,017 13 0

NANILAL RUDRA,

20-7

Accountant.

F. HALL,

Manager,

Government of India Press, Calcutta.

Verified with the books and records of the Press and found correct.

T. S. IYER,

Examiner, Government Press Accounts.

PRO FORMA TRADING ACCOUNT.

Government of India Press, Calcutta, for the year ending 31st March 1926.

Dr.			Cr.		
		Rs.			Rs.
Cash charges	..	7,27,213	Cost of printing done (including stationery and binding materials) for Central Departments—Free.		12,60,578
<i>Adjustment.</i>					
Mechanical	..	32,909			
Stores	..	36,518	Posts and Telegraphs	..	2,30,895
Depreciation	..	1,15,142	Railways	..	26,621
Interest on Capital expenditure		71,414	Military Departments	..	3,70,539
Upkeep of Buildings	..	12,986	Other Central Departments on payments.		687
Interest on Buildings	..	34,028	Provincial Governments	..	25,205
Pension	..	70,208	Outside bodies and private work		25,054
Leave allowance out of India	..	9,408	Error in accounting under paper and binding materials.		—1,392
Stationery, proof paper, etc.	..	8,969			
Audit charges	..	8,452			
Foundry	..	12,679			
Work done at private presses	..	35,857			
Supplies to outside offices	..	24,822			
Freight	..	8,871			
Cost of paper and binding materials.		7,28,711			
Total	..	19,38,187	Total	..	19,38,187

NANILAL RUDRA,

20-7.

Accountant.

F HALL,

*Manager,**Government of India Press, Calcutta.*

Verified with the books and records of the Press and found correct. A sum of Rs. 1,392 was debited in excess under "Stationery and Proof paper, etc." This has been deducted to make up the account.

T. S. IYER,

*Dated 23rd July 1927.**Examiner, Government Press Accounts*

Store Account of the Government of India Forms Press, Calcutta, for 1925-26.

<i>Receipts.</i>	<i>Rs.</i>	<i>Issues.</i>	<i>Rs.</i>
Balance on 1st April 1925 ..	1,53,861	Issues to the different branches ..	7,036
Petty Stores ..	7,036	Issues of paper and binding materials.	2,44,707
Receipts from Stationery Office paper and binding materials.	2,38,384	Depreciation	11,139
		Losses of deadstock and stores (including unserviceable articles).	158
		Excess in value in stock of paper	—201
		Balance on 31st March 1926 ..	1,36,442
Total ..	3,99,281	Total	3,99,281

G. W. WEAKFORD,
Deputy Controller, Forms, Calcutta.

Verification of stock of paper and valuation
done by Fanindra K. Ghosh. Figures
compiled by Bholanath Das.

Checked with records and found correct.

T. S. IYER,
Examiner, Government Press Accounts.

PRO FORMA TRADING ACCOUNT.

Government of India Forms Press, Calcutta, for the year ending 31st March 1926.

Dr.				Cr.
		Rs.		Rs.
Cash charges	33,893	Cost of Printing done (including stationery and binding materials for Central Departments), Free.	1,53,233	
<i>Adjustment.</i>				
Mechanical	567			
Stores	7,036	Posts and Telegraphs	4,215	
Depreciation	11,139	Railways .. ..	..
Interest on Capital expenditure	7,746	Military Departments, ..	1,48,620	
		Other Central Departments on payments.	..	
Upkeep of Buildings .. ..	..	Provincial Governments .. ..	..
Interest on Buildings	2,680	Outside bodies and private work	..	
Pension	5,375	Add on account of Audit objections in Depreciation, Interest on Capital expenditure. Interest on Buildings and papers.	7,200	
Leave allowance out of India .. ..	..		
Stationery, Proof paper, etc. ..	25			
Audit Charges	100			
Foundry .. ..	..		
Work done at private Presses ..	..		
Supply to outside offices .. ..	..		
Freight .. ..	..		
Cost of paper and Binding materials.	2,44,707			
Total ..	3,13,268	Total	3,13,268	

Verification of stock paper and valuation
done by Fanindra Kumar Bose.

G. W. WEAKFORD,

Deputy Controller, Forms.

21-7-27.

Figures compiled by Bholanath Das.

Checked with records, and found correct.
There was a short debit of Rs. 7,200 in calculating amounts of depreciation; Interest on Capital and Interest on Buildings. This has been added to make up the accounts.

T. S. IYER,

Dated 23rd July 1927.

Examiner, Government Press Accounts.

Account of the Depreciation Fund of the Government of India Press, Calcutta, for 1225-26.

	Rs.
1. Opening balance	Nil.
2. Amount credited on account of the actual cost of depreciation for 1924-25, calculated on the value of Plant, Machinery and Furniture in use in the Press.	1,16,556
This sum agrees with the Press records.	
3. Credited on account of book value of Plant, Machinery and Furniture disposed of during 1925-26.	45,615
The figures shown in the Capital Account of Plant of <i>Pro Forma</i> account of Press is	77,718
<i>Deduct</i> .—Amount transferred from the Fund to meet the cost of renewals and replacements during 1925-26 is shown as	15,944
The Press has incurred the following expenditure from the Fund during the year :—	
By Foundry	60,342
By replacement of Dead Stock	15,944
	<hr/> 76,286 <hr/>

Account of the Depreciation Fund of the Government of India Press, Delhi, for the year 1925-26.

	Rs.
1. Opening balance	Nil
Credited on account of actual cost of depreciation for 1924-25 calculated on the value of the Plant, Machinery and furniture in use in the Press	50,950
The actual depreciation for the year 1924-25 as per Press Records is Rs. 59,307, but as the budget Provision for the year was Rs. 50,950 only the latter amount appears to have been credited to the Depreciation Fund by the Accounts Office.	
2. Credited on account of book value of plant, machinery and furniture disposed of during 1925-26.. .. .	7,356
but it appears from the Statement No. III of the Delhi Press that Rs. 37,184 was the book value of plant, etc., disposed of during the year.	
3. Amount transferred from the Fund to meet the cost of Renewals and Replacements during 1925-26	26,111

The Press has incurred the following expenditure from the Fund :—

	Rs.
By Mechanical Branch	8
By Foundry	4,182
By replacements	46,071
Total	<u>50,261</u>

A count of the Depreciation Fund of the Government of India Press, Aligarh, for 1925-26.

	Rs.
1. Opening balance .. .. .	..
Credited on account of the actual cost of depreciation for 1924-25 calculated on the value of Plant, Machinery and Furniture in use in the Press	14,716
This figure agrees with the Press records.	
2. Credited on account of book value of Plant, Machinery and Furni- ture disposed of during 1925-26	1,297
This figure tallies with the Press records.	
Deduct.—Amount transferred from the Fund to meet the cost of renewals and replacements during 1925-26	1,704
This figure agrees with the Press books, the closing balance, viz., Rs. 14,309 is therefore correct.	

Account of the Depreciation Fund of the Government of India Press, Simla, for 1925-26.

The following figures appear in the Press books :—

	Rs.
1. Opening balance	<i>Nil.</i>
2. Credits on account of the actual cost of depreciation for 1924-25 calculated on the value of Plant, Machinery and Furniture in use in the Press	35,544
3. Credit on account of book value of Plant, Machinery and Furniture disposed of during 1925-26	11,616
Total ..	47,160
<i>Deduct.</i> —Amount transferred from the Fund to meet the cost of renewals and replacements during 1925-26	—3,623
Closing balance ..	43,537

It is not known what amounts have been adjusted by the Accounts Office and they will, therefore, have to be verified and certified to by the Accountant General, Central Revenues.

Note dated 23rd July 1927 by the Examiner, Government Press Accounts, relating to Central Publication Branch, Calcutta.

The following defects were noticed in checking the statements showing progress of realisation and the store account of the Publication Branch for the year 1925-26.

(1) The following figures cannot be verified from the books as the compilation sheets shewing the details of working of the figures have not been preserved for audit :—

- (i) Unrealised balances on 1st April 1925.
- (ii) Issues during the year.
- (iii) Recoveries made during the year.
- (iv) Amount of Book adjustments.

It is not possible to verify the correctness of the figures unless separate compilations of figures are made from the different books and registers. As it is not possible for audit to undertake this work and it will take a long time to do this, the statement is returned unaudited. Besides, as explained below, the figures shown are quite unreliable and no useful purpose will be served by trying to verify incorrect figures. To facilitate audit check where figures are not readily available in the books, the compilation sheets from which the figures are obtained should be preserved for audit.

Stores Account of the Central Publication Branch.

2. *Receipts.*—The value of books in stock on 1st April 1925 was arrived at by working backwards from April 1926, i.e., by taking into account the receipts and issues during the period from 1st April 1925 to 31st March 1926 and taking the value of the stock found on 1st April 1926. This stock figure was, however, stated to be incorrect in preparing the balance sheet for the year 1925-26, as it was said that they were taken by irresponsible day extra men and duffries. The balance on 1st April 1926 is, therefore, incorrect, and consequently the opening balance worked out from this figure cannot be correct. The figures should have been arrived at by an independent valuation of the stock found in stock-taking. As this was not done, the whole statement is wrong and it is useless to audit such a statement.

Value of books received in stock during the year.

This figure was compiled from the day book of receipts. In the course of test audit it was noticed that the cost of all the publications which were returned by the parties to whom they were supplied during the year was not taken into account. Besides, there are numerous errors in the calculation of the prices of publications and the cost of many publications received during the year was not included in the above sum. A few of such errors are shown in statement A.

A Free Issues Ledger is maintained for the compilation of figures of the value of books issued free. According to this ledger the total value of free issues at cost price comes to Rs. 80,984-13-6 but Rs. 1,47,786 was shown in the statement. A test audit was applied to the figures shown in the Free Issues Ledger by a comparison with the General Ledger and the mistakes noticed are shown in statement B. As the mistakes are numerous the register is unreliable.

The amount shown under the head "Value of Books Issued on Book Debits" was an average amount based on the issues made during two months of the year. It is incorrect to take average figures in compiling this statement. Actual figures for the whole year should have been taken, as otherwise they do not represent actual transactions. The statement is returned unaudited as it is not possible to audit the figures.

STORE ACCOUNT OF THE GOVERNMENT OF INDIA PRESS, SIMLA, FOR 1925-26

Receipts.		Issues.	
	Rs.		Rs.
Balance on 1st April 1925 ..	7,11,857	Issues to the different branches ..	49,669
Purchase during the year,—		Issues of paper and binding materials	96,805
Plant and Machinery ..	22,799	Depreciation for the year ..	38,252
Type	180	Losses of deadstock and stores (including unserviceable articles written off)	8,558
Petty store	8,583	Balance on 31st March 1926 ..	6,11,753
Receipts from Stationery Office	53,673		
Freight charges on stores received from England	7,607		
Miscellaneous	338		
Total ..	8,05,037	Total ..	8,05,037

Certified that the figures in the statement agree with the books of the Press.

R. W. BRUCE, *Manager,*
Government of India Press, Simla.

T. S. IYER,
Examiner, Government Press Accounts.

ANNEXURE TO APPENDIX XV.

Copy of letter No. N.G.-2137, dated 4th August 1927, from the Pay and Accounts Officer, New Delhi, to this office.

With reference to your letter No. Rep.-141, dated the 1st August 1927, I have the honour to state that the closing balance of the "Depreciation Fund" of the Government of India Press, Simla, at the end of the year 1925-26, as per register of this office, stands at Rs. 32,435-14-0 as shown below :—

	Rs.	A.	P.
Actual amount of depreciation during 1924-25 (including the book value of plant, machinery and furniture is disposed of during 1924-25) to be credited to the "Depreciation Fund" as reported by the Manager, Government of India Press, Simla ..	36,059	0	0
		deduct.	
Amount transferred from the fund to meet the cost of renewals and replacement during 1925-26	3,623	2	0
Closing balance ..	32,435	14	0

This figure has been accepted by the Manager, Government of India Press, Simla. It has also been shown as the opening balance for 1926-27 in the statement of expenditure of the Government of India Press, Simla, during 1926-27, which has been received in this office, for verification, with letter No. 201/44, dated the 3rd May 1927, from the Manager, Government of India Press, Simla.

APPENDIX XVII.

Memorandum submitted by the Financial Secretary on the question of the grant to the Auditor General of facilities for direct communication with the Secretary of State (referred to in the Proceedings of the first Meeting).

In paragraph 33 of their report on the accounts for 1924-25 the Public Accounts Committee, after discussing a case in which there had been a difference of opinion between the Auditor General and the Government of India, stated as their conclusion that there would appear to be some *prima facie* arguments in favour of the grant to the Auditor General of additional facilities for communication with the Secretary of State and that the matter was one which should be carefully and sympathetically examined by the Government of India.

2. The position of the Auditor General is governed by the Government of India Act Section 96-D., of which provides that " an Auditor General shall be appointed by the Secretary of State in Council and shall hold office during His Majesty's pleasure. The Secretary of State in Council shall, by rules, make provision for his pay, powers and duties and condition of employment." These powers and duties are laid down in the Auditor General's Rules framed under that Section and the rules relevant to the present issue, which bear upon the relations between the Government of India and the Auditor General, are attached to this memorandum.

3. The rules and the discussions preceding the rules give no indication that it was ever contemplated that the Auditor General's independence should be such that he should be entitled to address the Secretary of State direct. He has at present, under those rules, full power to make such comments as he desires either to the Public Accounts Committees or to the Secretary of State by means of his annual reports, which are transmitted to the Secretary of State and laid before the Public Accounts Committees. He is empowered not only to make detailed comments on matters arising out of the accounts but also to offer such further comments of a general nature as he may think fit. His independence is thus fully safeguarded and there can be no necessity for the further concession of direct access to the Secretary of State on particular occasions.

4. The position of the Government of India and of Local Governments as the highest authorities within their respective spheres of influence in India would become exceedingly difficult if there co-existed in India some other authority with the power of criticism of their actions in direct reports to the Secretary of State. The latter authority has already recognised this point for when a question arose of direct transmission to the Auditor General from the India Office of despatches from the Secretary of State to the Government of India, he was not prepared to depart from the usual rule that these documents are forwarded to the Auditor General by the Government of India. There is another aspect of the case wherein the power of direct access might give rise to particular difficulties. The Auditor General has no powers of expenditure without sanction except such as may be delegated to him by the Governor General in Council. In respect of expenditure on his establishment he is under the administrative control of the Finance Department and has to go through the same procedure as any other head of a Department. Control over the Auditor General's expenditure as at present exercised would be seriously weakened if the Auditor General were in a position to refer direct to the Secretary of State when the Government of India found themselves unable, for financial reasons, to accede to his requests.

5. From the constitutional point of view also it would be a retrograde step to permit the Auditor General to address the Secretary of State direct from time to time on matters of

administrative audit. Under the constitution the Public Accounts Committee is invested with the duty of examining the reports of the Auditor General upon the actions of executive authorities. It would not be in consonance with this power that the Auditor General should be enabled to report on such matters direct to the Secretary of State before they had been considered by the Public Accounts Committee.

6. The Statutory rules provide that the Auditor General may require a reference to the Secretary of State for his sanction if the Auditor General considers this necessary. It would rarely happen that any authority would decline to take this action but if for good reason, it did so, the refusal would eventually come to the notice of the Public Accounts Committee and the Secretary of State. Even in the case which has given rise to the present question, the Government of India did not categorically refuse to refer the point at issue to the Secretary of State. They objected only to the form of reference in general terms and asked for a particular instance on which to make the reference. This supplied, they referred the question for the Secretary of State's orders, which has now been obtained and which support the view taken by the Government in this case. The Government of India, have, therefore, after fullest consideration, come to the conclusion that it is unnecessary and undesirable to grant additional facilities to the Auditor General for direct communication with the Secretary of State.

APPENDIX XVIII.

Memoranda by the Treasury regarding the Placing and Control of Contracts in England referred to in the Proceedings of the first meeting of the Committee.

Under the general system for supply of stores required by Government Departments two General Service Departments have been set up, namely the Office of Works and the Stationery Office. The Office of Works makes contracts for the provisions of buildings required for all Government purposes except (i) docks, barracks, etc., for the Fighting Services, (ii) some prison buildings, and (iii) buildings rented by the General Post Office and sites required for General Post Office buildings, and in addition, supplies cleaning materials and fuel and light, except to naval establishments, barracks, etc. The Stationery Office makes contracts for the supply of all types of office requisites, including office machinery, printing, paper, pens, pencils ink, etc., for all Government Departments, including the Fighting Services. The Stationery Office is also generally responsible for Government advertising contracts and receipt of advertisements in Government publications. Subject to these overriding general services, Departments make contracts for supplies which they require to use.

As regards the general system of making contracts complete responsibility must necessarily be thrown on Government Departments concerned for calling for tenders, for deciding as to the acceptance of tenders, and generally for securing the proper operation of the contracts subject always to the observance of certain general principles which have been laid down from time to time by the Treasury, often at the instance of the Committee of Public Accounts.

The most important of these are the following :—

- (1) There should be enquiry into the financial status of firms before contracts are given to them ;
- (2) Orders must not be given without agreement as to price ; save where this is unavoidable and exceptional ;
- (3) All prices quoted by contractors must be net ;
- (4) The conditions of contracts must be clear and definite and there must be no informal waiver of formal contract conditions ;
- (5) Competitive tenders must be invited whenever that course is possible ; there are exceptions to this rule notably in the case of experimental work ;
- (6) Large extensions of contracts without competition must be avoided ;
- (7) Uncovenanted advances may not as a rule be made without Treasury authority but general authority has been given for the inclusion in certain classes of contracts of provision for instalment payments ; or for payment of advances subject to discount and to the money having been earned ;

- (8) Contracts should provide in certain cases for deduction of liquidated damages in the event of delay in delivery by the contractor or for the recovery of excess cost incurred by obtaining alternative supplies in contractor's default ;
- (9) Provision must be made in contracts for safeguarding Government property entrusted to a contractor ;
- (10) Contractors must observe the resolution passed by the House of Commons on the 10th March, 1909, in regard to fair wages ;
- (11) Provision must be made for inspection of wages books, etc., in order that Departments may satisfy themselves that the conditions of contracts have been properly observed in regard to fair wages ;
- (12) A clause setting out the penalties for bribery of Government servants must be included ;
- (13) Members of Parliament, in their individual capacity, must be excluded from share in Government contracts ;
- (14) Treasury authority must be obtained for any variation of contracts in favour of the contractor or for any *ex-gratia* payment made to a contractor ; in this connection some delegation of authority has been given to the larger contracting Departments ;
- (15) The Comptroller and Auditor General has power to examine contracts and to bring before the Committee of Public Accounts any cases in which competitive tenders have not been sought, where high tenders have been accepted, or where other irregularities in procedure occur.

There are a few other general conditions, perhaps of not so great importance, but for the reasons that the Treasury has from time to time laid down general contract conditions, and that the Fighting Services are continually conferring together, there is a great measure of similarity between the contract forms of all Departments ; and from the fact that in notifying requirements to Departments, the Treasury has consulted the Treasury Solicitor in regard to the wording of suitable clauses, and that Departments in all stages of contract procedure, and in the preparation of forms of contract, freely consult the Solicitor as to the wording, the similarity of wording is more marked than might otherwise be the case (certain Departments have their own Solicitors but the Departmental Solicitors are constantly in touch with the Treasury Solicitor). Specimens are attached of contract forms for general stores in use by the Admiralty, Army Council and the Post Office respectively, and it will be seen that, in the conditions of tender, provision is made for the general observance of the conditions stated above.

As concerns procedure in different Departments, there are a number of stages in the requisition and provision of stores or supplies, which it may be desirable to set out in some detail.

In the majority of cases scales of consumption of supplies are laid down, for *e.g.* a ship in the case of the Navy, a Battalion or a Battery in the case of the Army, for a Department in the case of Stationery supplies, for occupied rooms of offices in the case of fuel and light supplies, etc., and it is the duty of Supply Officers to see that these scales are adhered to. In

in addition minimum stocks are laid down (with Treasury concurrence in the case of the more important) and Supply Officers have the further duty of maintaining the minimum stocks, and requisitioning on a central authority for additional stocks required to provide supplies on the scales laid down. Headquarters Supply Departments, on the basis of these demands, make up estimates of the total requirements of the year, and, with the concurrence of the Finance Departments, provision is made in estimates for the purpose of supplies in the quantities required to make issues, according to scales and to maintain minimum stocks.

When estimates have been approved survey is made of the requirement to be met and, taking the case of rifles, shell, ammunition, etc., for the Fighting Services as typical for the reason that functions are more clearly defined in their organisation than in smaller Departments, decision is taken by Supply, Finance and Contracts Divisions in conference as to the mode of supply,

- (a) by manufacture in Government establishments,
- (b) by purchasing on headquarter contracts,
- (c) by purchase on contracts to be made by local officers.

This allocation having been decided, necessary instructions are given to manufacturing establishments and local officers and the Supply Departments concerned requisition on the Contract Department for the purchase of quantities needed under allocation (b) and (c); the requisitions as a rule pass through Finance Departments for their concurrence before an order for purchase is given.

The Contract Departments of the larger offices are sections working under Directors of Contracts. They have the duty of preparing tender forms, considering tenders made, and accepting tenders for supply; tenders have to be delivered at a specified time, and steps are taken to see that no collusion occurs either between contractors, or between contractors and departments officers, at any stage in the consideration of tenders, or the carrying out contracts.

The Head of the Contract branch has full responsibility in ordinary cases, but in the following circumstances he is usually required, after consulting the Finance branch, to refer to higher authority, i.e., the Parliamentary Heads of his Department or the Treasury in important cases (a) where it is proposed to make purchase without resorting to tender, (b) where it is proposed to accept a single tender, (c) where it is necessary, in order to secure supplies, to place contracts which contain unusual contract conditions whether they are unusual from the point of view of material to be used, or method of payment to be adopted, including cases in which it is proposed (i) to place contracts on a cost *plus* percentage basis, or (ii) to pay instalments, (except of course in cases in which manufacture is spread over a long period before completion of deliveries, when instalment payments are the rule).

In addition to this procedure at headquarters, it is necessary, particularly in the case of the War Office, to allow the local purchase of considerable quantities of various kinds of stores, notably fuel and light supplies, provisions for troops and for hospitals; and the local Supply Officers, in co-operation with the local Finance Officers, have authority delegated to them to the degree necessary to enable them to make contracts for local supplies to local units, whether at home or abroad. The conditions under which these local officers work are in all essentials the same as

these operating in the Contracts Division at headquarters. There is in some cases a fixed limit as to value of Contracts which may be placed by local officers and they are required to refer to headquarters, cases of unusual contracts, or of departure from contract conditions.

Contracts having been placed, it is the duty of Supply Officers to supervise the delivery of goods and of Inspection Departments to secure that the quality of goods delivered is satisfactory ; and the Contract Departments of the larger Departments at least, are not as a rule called into consultation on matters arising during the carrying out of contracts, unless it is necessary formally to call on contractors for the proper implementation of their contracts, or unless cases of departure from contract conditions arise. In the smaller contracting Departments, it may happen that the well defined Supply, Contracts, Finance and Inspection Branches existing in the larger Departments are to some extent coalesced.

As regards the Fighting Services a Contracts Co-ordinating Committee exists of which the members are the three Directors of Contracts, with a Post Office representative co-opted in appropriate cases, and the Committee arranges so far as possible to assimilate methods of contract procedure to avoid competitive buying as between the services, (to make suggestions for standardising patterns) and arrange programmes of purchase for materials common to two or more services. The Committee is also available to advise the smaller contracting Departments on contract procedure. Lists of contractors who have proved unsatisfactory are maintained and amendments to the list are notified to all contracting Departments.

It will be seen that the Treasury, while responsible for the principles as regards conditions of contracts, and for regulating procedure, does not control contract administration in detail. But the Treasury has the further duty of dealing with any unusual conditions which arise.

Submissions have to be made to the Treasury in any case of departure from the terms of the contract which involves additional expenditure whether due.

- (a) to proposals by Departments that accrued liquidated damages should be waived in cases where Departments have incurred expense.
- (b) to cases in which contractors claim additional payments, either owing to departure from contract conditions, or to exceptional circumstances or losses, which have arisen in carrying out those contracts.
- (c) to advances of payments not provided for in terms of contract.
- (d) to compensation for cancellation of contracts. In the case of some Departments a measure of delegated power has been given. Decisions taken, whether under delegated authority by the Department concerned, or by the Treasury, are reviewed by the Comptroller and Auditor General, who may refer to them in his reports to Parliament on accounts of Departments. Unless or the amounts involved are exceptional the Committee of Public Accounts is content as a rule to accept Treasury decision without further investigation. Most of these cases result in technical misappropriation of funds provided by Parliament.

APPENDIX XIX.

Memorandum dated 9th August 1927, furnished by the Director-General, Posts and Telegraphs.

At their meeting on the 6th instant the Public Accounts Committee asked for information regarding the system of providing in the Telegraph Budget for Railway works.

2. The practice hitherto has been for individual railways to intimate their probable requirements in the coming year to the local telegraph officials. The Head of each Telegraph Engineering circle then makes out a consolidated list of Railway requirements as far as his Circle is concerned and submits it to the Director-General, Posts and Telegraphs. From these lists a statement showing requirements of all Railways is prepared and furnished to the Railway Board for approval and modification (if necessary). On receipt of the approved statement from the Railway Board extracts are furnished to different Telegraph officials who are required to calculate and report the estimated cost for each work to the Director-General to allow of provision in the Budget. In addition to provision for works thus specifically indicated by railways, provision was also made for a reserve, this being based not on any intimation from railways, but on the various engineers' own estimates of probabilities. It has also been the practice to reproduce in the budget of a year demands for works which were previously wanted by railways and provided for accordingly in an earlier year but not actually carried out in that year.

3. In the course of the year also changes in the railway programme are not uncommon, works provided for being abandoned and others being demanded (the anticipation of which latter renders it unsafe to surrender funds even when they appear to be surplus).

4. These conditions have made for the occurrence of large lapses on the telegraph grant. These tendencies have been specially discounted in the budget for the current year by the complete exclusion of the proposed provision for reserve, by a large "lump deduction" for probable savings, and by discontinuing the practice referred to at the end of paragraph 2 above.

5. It is understood that the Public Accounts Committee propose to speak on this subject to the Railway representative when he appears before them. It is suggested that there may be room for more accurate estimates by railways of their probable demands upon the Telegraph Department which are the basis of an important portion of the Telegraph Budget. (In 1927-28 more than half of the whole telegraph construction programme is for railways).

6. In view of the improvements already introduced in the budgetting system as indicated above and of a possible more accurate forecasting by railways of their probable requirements it is not desired at present to press the suggestion for a special convention as suggested by the Accountant-General, Posts and Telegraphs in paragraph 45 on page 42 of the Report on the account for 1925-26.

7. It is understood that in view of the particulars given at page 100 of the Audit and Appropriation Report on the accounts of the Posts and Telegraphs Department for 1925-26, the Public Accounts Committee will not require any further statistical information as to actual expenditure against Railway demands in 1925-26.

APPENDIX XX.

Proceedings of the first meeting of the Committee appointed to examine the Audit and Appropriation Accounts of the Army, Marine and Military Engineering Services for 1925-26 held on the 7th July 1927 at 10-30 a.m.

PRESENT :

- | | | |
|--|----------------------|----------------------|
| (1) The Hon'ble Sir Basil P. Blackett, K.C.B., K.C.S.I. | Chairman. | |
| (2) The Hon'ble Mr. A. F. L. Brayne, C.I.E., | Financial Secretary. | } Members. |
| (3) Mr. G. M. Young, Army Secretary. | | |
| (4) Sir Frederic Gauntlett, Auditor General. | | |
| (5) Mr. A. Macleod, Financial Adviser, Military Finance. | | } Were also present. |
| (6) Colonel G. W. Ross, D.S.O., Military Accountant-General. | | |
| (7) Mr. Ebdon, Director of Army Audit. | | |
| (8) Lieut.-Colonel A. G. Murray, Deputy Military Accountant General. | | |

The Committee first took up paragraphs 3-9 of the letter of the Auditor General to the Financial Secretary, dated the 18th June 1927 dealing with action taken on the report of the Special Committee on the accounts for 1924-25 and the corresponding paragraphs 3-21 of the Audit Report.

2. Paragraph 3 of the Auditor General's letter.—It was explained that all the points mentioned in the Audit and Appropriation Accounts were brought to the notice of the departmental officers and this was considered to be a more effective way of dealing with the subject than the proposal to issue a special resolution on the subject by the Financial Adviser. It was, however, considered that it would be *very* convenient if a full statement could be prepared for the use of the next *ad hoc* Committee of the various points raised by the three previous Committees and the action taken thereon in order that the work of each Committee may be linked up with that of the previous Committees and there may be a continuous record of activities of these Committees. The Financial Adviser agreed to prepare such a statement for the *ad hoc* Committee of next year. The question whether these statements should be printed up with the proceedings of the Committee was left for future consideration.

3. Paragraph 2 of the Proceedings of the Committee last year.—It was explained that the local audit staff (clerical portion) had been doubled and the cost met from savings due to the abolition of cost accounting and that the local audit work was now practically current. The question of increasing the numbers of officers for local audit work was under consideration.

4. *Paragraph 4 ibid.*—The preparation of the office manual could not be undertaken until the new form of accounts has been finally settled, and some experience gained of these new accounts.

5. *Paragraphs 4-17 ibid.*—No remarks.

6. *Paragraph 18 ibid.*—It was understood that the question of requiring Indian States to deposit in advance the approximate cost of contribution works carried out on their behalf was still under consideration. The Financial Adviser was requested to submit a note showing the present state of the case.

7. *Paragraphs 19-41 ibid.*—No remarks.

8. *Paragraph 42 ibid.*—It was explained that the required form had been introduced. The new system appears to be working satisfactorily as there have been no recent complaints.

9. *Paragraphs 43-45 and 47 ibid.*—No remarks.

10. *Paragraph 46 ibid.*—It was ascertained that there was little difficulty as regards recoveries from Local Governments and Indian States but municipalities and local bodies were apt to cause delay. The question of pre-payment is being pressed to a decision.

11. *Paragraph 48 ibid.*—Colonel Ross explained that the process of concentration in the commands had very satisfactory results particularly as regards transfer of officers in the Military Accounts Department. The Auditor General raised in this connection the question of transferring the Military Accounts Office from Peshawar to Rawalpindi with a view to providing accommodation for the contemplated Civil Accounts Office for the North-West Frontier at Peshawar. This question was affected by certain proposals understood to be under consideration for the erection of new offices for the military department in Rawalpindi. The Committee decided to request the Quartermaster General to explain the position and to enlist his assistance towards an early settlement of the question.

12. *Paragraph 49 ibid.*—No remarks.

13. *Audit Report for 1925-26, Part III, paragraph 4.*—The report of the Second Innes Committee has been received. The Committee was informed that certain recommendations have been given effect to while others are still under consideration.

14. *Paragraph 7, Audit Report.*—In reply to a question by the Auditor General whether the items tabulated in this paragraph represented a final settlement of outstanding items, it was explained that the information given in the paragraph was nearly complete. Only a few unimportant items are still outstanding and under consideration.

15. *Paragraph 14, Audit Report.*—The Committee decided to embody in their Report a short summary* of the recommendations made by the Ordnance Supply Committee and the action taken thereon.

16. *Paragraph 17, Audit Report.*—The Committee noted with satisfaction the success of the operations for central purchase of ghee. With reference to the Auditor General's query whether the system of central purchase might possibly be extended to other commodities, it was explained that all purchases in the Department were now made centrally except in a very few instances where local purchase was essential, as for example purchase of vegetables, etc.

17. *Part IV of the Audit Report and Sections 1-4 of the Appropriation Accounts—Paragraph 6 of Appropriation Accounts.*—The Committee noted with satisfaction that there was evidence of a much stricter and prompter control over military expenditure and a much closer approximation of estimates to actual expenditure. They further observed that many of the variations under particular heads of accounts were due to adjustments necessitated by a complicated system of cost accounting which had been abolished with effect from the current year. With regard to these and other similar criticisms on the Audit Report, the Committee were assured that such complications would not arise in future under the simplified system which was now in force.

18. *Paragraph 10 of the Appropriation Accounts.*—The presumption of the Auditor General that the larger outlay on stores is due not to larger consumption but to the fact that in preceding years the Army had been living on surplus stores was stated to be correct.

19. *Paragraph 23, Appropriation Accounts.*—The Auditor General raised the question whether it would be desirable to give in the accounts a statement of the *pro-forma* account of sale of surplus lands. It was pointed out that in view of the annual provision of Rs. 20 lakhs for expenditure on essential works, it had been decided to abolish the Suspense Account with effect from the 1st April 1928 crediting receipts direct to revenue. The matter had been reported to the Secretary of State and in view of the introduction of the ordinary accounting procedure, it would not be necessary to have a separate statement of the land sales appended to the Appropriation Accounts.

20. *Paragraph 33, Appropriation Accounts.*—The Committee agreed that it was necessary that the Financial Adviser, as Chief Accounting Officer of the Army and thus responsible for the accuracy of the Accounts should furnish an audit certificate. The Financial Adviser agreed to give a certificate in the case of future Appropriation Accounts under the new system.

21. *Paragraph 36, Appropriation Accounts.*—The Committee observed that the Military Budget as approved by the Governor General in Council was in essence a net grant. The tendency was therefore to work to the net grant and to allow the utilisation of funds available from savings or otherwise for the improvement of the efficiency of the Army provided that the net grant was not thereby exceeded. This had one real advantage in that it encouraged economy and kept the net Budget grant from year to year for the present at a steady level as the re-appropriation from savings to new and optional expenditure tended to obviate any increase in the net grant of the following year. This arrangement was intended, however, to be only temporary. The Auditor General agreed that it would be satisfactory from his point of view if the arrangements which implied complete powers of re-appropriation within the net grant were approved by the Secretary of State who appeared to have imposed restrictions on re-appropriations for new and optional expenditure.

22. *Paragraphs 47-50, Appropriation Accounts and paragraph 16 of the Auditor General's letter.*—The Committee endorsed the view of the Auditor General that it is undesirable to change the form of the accounts in any year unless it has also been found possible to alter the form of estimates for that year. The Committee however agreed that circumstances were special in 1925-26. The departure from sound principles was justified

by the necessity for separating cash heads and cost heads under the cost accounting system in order to facilitate the preparation of the estimates of 1927-28 on the new basis and afford a means of comparison with earlier estimates and accounts.

23. *Paragraphs 49-53, Appropriation Accounts and paragraph 17 of the Auditor General's letter.*—The Committee accepted as a general rule that provision should be made in the estimates under the head under which the expenditure would eventually be recorded in the accounts but recognised that there were certain instances where lump sum provisions could not be avoided.

24. *Paragraph 58, Appropriation Accounts and paragraph 18 of the Auditor General's letter.*—It was explained that the Controller, Military Accounts had made a mistake and that this mistake was due to the late receipt of information.

25. *Paragraph 26 of the Audit Report.*—The Committee decided to request the Adjutant General to explain the case referred to in this paragraph particularly the reasons for not enforcing pecuniary responsibility. The Adjutant General should also be requested to explain the general question of pecuniary responsibility of officers commanding in regard to losses of the kind mentioned in this paragraph.

26. *Paragraph 27 of the Audit Report.*—It was explained that the victualling agents had been abolished and a system of victualling establishments in Government employ under the Officers Commanding had been instituted.

27. *Paragraph 29 of the Audit Report.*—It was agreed that this was a war case which the Committee decided not to pursue further. They emphasised the comment of the Auditor General as to the danger of loss to Government if orders authorising payments are not scrutinised with the utmost care and if delay occurs in carrying through recognised account processes.

28. *Paragraph 30 of the Audit Report.*—It was explained that the irregularity was due to a defect in system and that the change in system, which has been introduced, provides sufficient safeguards against the recurrence of such losses.

29. *Paragraph 68 of the Appropriation Accounts.*—The Committee considered the comments of the Auditor General and recognised that the variations were largely due to unforeseen causes and to the exercise of stricter economy. It was explained that under the new system of accounting, purchase of stores and value of outturn transferred to head "Stock" would be recorded separately as suggested by the Auditor General.

30. *Paragraph 48 of the Audit Report.*—The Committee considered that the separate exhibition of the accounts of factories which, it was explained, would be given effect to from 1927-28, would mean a considerable improvement.

31. *Paragraph 37 of the Audit Report.*—The Committee endorse the comment of the Auditor General as to the necessity for prompt and thorough local inspections.

32. *Paragraph 39 of the Audit Report.*—The Committee note with satisfaction that steps have been taken to devise a system which will secure larger returns to Government and refer to their remarks on paragraph 14 of the Audit Report.

33. *Paragraph 40 of the Audit Report.*—The Committee decided to invite the Master General of Supply to make a statement on the steps taken

to revise the form of contracts with Government auctioneers, and to elucidate the point raised in the last sub-paragraph.

34. *Paragraph 41 of the Audit Report.*—The Military Accountant General raised the general question that he should first be consulted whenever the Director of Army Audit had occasion to comment on an officer of the Military Accounts Department. In this case it was ascertained that no such message had been sent by the Controller. The Auditor General agreed to the suggestion that in such cases there should be closer consultation between the Audit Department and the Military Accountant General. The Committee agreed that in the case reported in this paragraph, the Controller of Military Accounts should have advised the immediate refund of the amount into the bank as soon as he was consulted.

35. *Paragraph 43 of the Audit Report.*—The Committee was of opinion that a short statement of the main features of this case in a clearer and simpler form should be prepared for the Public Accounts Committee. The case had been exhaustively examined by a Special Committee under a Major General on special duty with the assistance of the Financial Adviser and two other officers of experience. The Committee desired that a summary of the recommendations made by that Committee and the action taken thereon should be supplied to them for their report. The Financial Adviser agreed to prepare and submit a statement.

36. *Paragraph 46 of the Audit Report.*—The Committee desired that the Master General of Supply should be invited to afford them a fuller statement of the details of this case.

37. *Paragraph 47 of the Audit Report.*—The Committee wished to record their appreciation of the successful results achieved by the audit and administrative authorities.

38. *Paragraph 54 of the Audit Report.*—It was explained that considerable difficulties had arisen owing to the ambiguity of the rules for the depreciation fund and that revised rules had now been sanctioned by the Secretary of State. These rules are now in force subject to the examination of certain points which had been raised by the Auditor General.

39. *Paragraph 64 of the Audit Report and paragraph 83 of the Appropriation Accounts.*—The faulty estimating commented on in this paragraph arose from the difficulty of computing the numbers likely to pass through rest camps. These organisations are however being abolished.

40. *Paragraph 65 of the Audit Report.*—The Committee noted that there had been a considerable loss in this case but such cases are not likely to recur under the present system.

41. *Paragraph 66 of the Audit Report.*—The Committee observed that these items were in themselves unimportant but they involved an important question of principle. They desired to record their opinion that Accounting Officers should always account in accordance with facts and that the use of the Suspense Accounts in the particular cases mentioned in this paragraph was entirely wrong, as it had the effect of hiding the true facts that excess expenditure had occurred in the year.

42. *Paragraphs 68-71 of the Audit Report and paragraphs 89-104 of the Appropriation Report.*—The Committee considered the variations between estimates and actuals. Here again they are largely due to adjustments under the cost accounting system which will disappear under the new

system. It was noted that there had been considerable additional purchase of stores owing to the policy of utilising savings to complete defective equipment and also to take advantage of favourable prices—a policy which it is proposed to report to the Secretary of State for approval. It was noted that adjustments such as those provided for losses, variations in pricing of stores, etc., are only partially provided for in the original estimates as it is not possible to foresee the course of adjustments during the year. As regards the remarks in paragraph 72 of the Audit Report, it was explained that the balance was mainly due to credits in the stock account at time of receipt in India of stores paid for in England in the previous year. The Auditor General suggested and the Committee agreed with him that when explanations are given as in paragraph 90 of the Appropriation Accounts for the increases, it would be convenient if the exact extent to which each of the causes contributed to the excess, is also indicated.

43. *Paragraph 91 of the Appropriation Accounts.*—The incorrect accounting was due to differences between the accounting and administrative authorities which have now been settled by revised instructions.

44. *Paragraph 113 of the Appropriation Accounts and paragraph 77 of the Audit Report.*—The Committee agreed that the charge should have been brought to account properly in the accounts of 1925-26 and not in those of 1924-25. The Committee was informed that the proper procedure is now being followed.

45. *Paragraph 115 of the Appropriation Accounts and paragraph 78 of the Audit Report.*—It was explained that the appreciation of the value of stores was mainly due to re-pricing and the addition of the customs duty to previous stock book rates. It was explained that a special expert staff was now engaged in revising prices at Army Headquarters taking into account the latest factors such as the new statutory rate of exchange. The Auditor General suggested that as under the revised system of accounting various adjustments had been done away with, the budget estimates should conform more closely to actuals in respect of any adjustments which remained. The Committee desired the Financial Adviser to consider carefully this suggestion of the Auditor General.

46. *Paragraph 133 of the Appropriation Accounts and paragraph 46 of the Auditor General's letter.*—The Committee were informed that the six lorries purchased on the 31st March 1926 were really required and had been promised, if money was found to be available.

47. *Paragraph 142 of the Appropriation Accounts.*—The Committee was of opinion that vocabulary prices should be based upon the exchange rate of 1s. 6d. per rupee except in cases where meticulous accuracy was necessary.

48. *Paragraph 170 of the Appropriation Accounts and paragraph 80 of the Audit Report.*—It was explained that the comparatively larger losses in the Lahore District were due to the existence of the Engineering Depot at Lahore where surplus stores were kept.

49. *Paragraph 94 of the Audit Report.*—The Committee concurred in the view that it was most undesirable to attempt to rush works through at the close of the year simply in order to utilise available funds. Such a procedure almost inevitably results in bad work and waste of money.

50. *Paragraph 96 (v) of the Audit Report.*—The question of drafting of contracts and of rules to provide for various matters connected with contracts has been fully examined by the Public Accounts Committee and their latest recommendations are contained in paragraph 18 of their report on the accounts for 1924-25. It is understood that the Finance Department are drafting the necessary rules, but the Committee desired that the question how far the Army authorities as a whole would automatically act upon any general orders or a resolution issued by the Finance Department and whether it was necessary that such general orders should be re-affirmed by the Financial Adviser, should be considered. It was explained that fresh contracts and variations in existing contracts were now always considered by the Financial authorities at Headquarters and in lower formations.

51. *Paragraph 99 of the Audit Report.*—It was explained that the faulty reappropriations of the class mentioned in paragraph 99 (i) (3) would not recur under the new system. The Committee then discussed at length the theory and practice of reappropriations. It was pointed out that while reappropriations for meeting new expenditure not provided in the Budget should be made before such expenditure is actually incurred, there were also other cases where *ex post facto* reappropriations were necessary in order to cover excess expenditure under one head by savings under other heads. Such excesses and savings are generally only known towards the close of the year when several months accounts are available. The Military Accountant General pointed out at this stage that there were certain heads such as purchase of stores under which it was possible to control expenditure and certain other heads such as pay and allowances under which it was not possible and that where expenditure is controllable excess over grants would not be permitted until funds are made available. In this connection the importance of grouping grants under minor heads controlled by administrative authorities was emphasised. It was stated that this was part of the intention of the new system of accounts. The Committee after full discussion desired that the Financial Adviser should draw up in consultation with the Auditor General a memorandum bringing forth all the points discussed for approval by the Committee and for inclusion in the report to the Public Accounts Committee.

As regards the class of reappropriation mentioned in 99 (i) (4), it was explained by the Military Accountant General that such simultaneous operations arose out of the fact that a grant was distributed among various officers and was operated on by them. The Committee also desired that the Financial Adviser should examine the suggestion in 99 (iii) of the Audit Report.

52. *Report of the Auditor upon the accounts of the Secretary of State for India in Council and the High Commissioner.*—The Committee considered that no special comment was necessary on these reports and desired that the Military Accountant General should pursue all minor points on which further action was necessary. The Committee observed that full details had not been given in several cases where defects had been pointed out by the auditor, and suggested that the auditor may be requested to give full references in all cases so that Indian authorities may be in a position to identify the transaction and take any further action necessary.

Proceedings of the second meeting of the Committee appointed to examine the Audit and Appropriation Accounts of the Army, Marine and Military Engineering Services for 1925-26, held on the 11th July 1927 at 3 p.m.

PRESENT.

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| (1) The Hon'ble Sir Basil P. Blackett, K.C.B., K.C.S.I. | Chairman. |
| (2) The Hon'ble Mr. A. F. L. Brayne, C.I.E., Financial Secretary. | } Members. |
| (3) Mr. G. R. F. Tottenham, I.C.S., Representing Secretary, Army Department. | |
| (4) Sir Frederic Gauntlett, Auditor General. | } Were also present. |
| (5) Mr. A. Macleod, Financial Adviser, Military Finance. | |
| (6) Colonel G. W. Ross, D.S.O., Military Accountant-General. | |
| (7) Mr. Ebdon, Director of Army Audit. | |
| (8) Lieut.-Colonel A. G. Murray, Deputy Military Accountant-General. | |

53. The Committee examined General Sir J. S. Shea, Adjutant General in India with reference to certain cases brought to notice in the Audit Report.

54. *Paragraph 26 of the Audit Report.*—The Adjutant General explained the principles on which cases of losses to Government were dealt with by the Army Authorities. A distinction was at the outset made between cases of actual fraud and those disclosing culpable negligence on the part of responsible officers. In the former case, legal advice was always taken as to whether there was a reasonable prospect of conviction. It was only in such cases that the matter was taken to a court martial. Where there was no prospect of the case being fully established before a court martial, it would be inadvisable to proceed with the case in that manner. As regards the effect of the decisions of court martials on the recovery of money, it was pointed out that the recovery of the whole amount was not always possible as the effect of the sentence on the delinquent's ability to repay the amount lost had to be taken into account. As regards the second kind of cases, namely, those disclosing culpable negligence, it was usual to investigate each individual case as soon as possible after inviting the officer's defence in the first instance. The form of punishment was discretionary, the main principle kept in mind being that it should act as a deterrent. The amount recovered from the officers depended on the circumstances of each individual case. It was recognised in dealing with cases of this category that if any effect was to be produced by the disciplinary action taken, it was necessary that such action should be taken while the case was fresh in the memory of the officers concerned and a limit of time was generally fixed within which the investigation should be concluded.

As regards the particular cases referred to in this paragraph of the Audit Report, the Adjutant General explained that the case had not been fully established against the officers concerned. The frauds were so cleverly planned that they had baffled even expert auditors. Moreover three years had elapsed between the perpetration of the fraud and the investigation of the pecuniary responsibility of the officers concerned. It was, therefore, not considered advisable to inflict any punishment other than severe censure. It was also explained that of the 15 months that elapsed between the report to Army Headquarters and the issue of the final orders, 11 months were taken up by another Department to whom the case had to be referred. The Committee while accepting the explanation, wished to place on record their opinion that cases where disciplinary action has to be taken against officers should be specially expedited in all Departments of Government. So far as the Army Department was concerned, the Adjutant General pointed out that they had taken special steps towards this end. Instructions have been issued similar to those issued at home providing for a monthly check on all officers with cash in their possession. Instances of types of fraud and the measures to be taken on discovery, and for the prevention of fraud had been collected and published in a book for the guidance of junior officers who were also instructed on their general financial responsibilities. Thus very complete measures had been taken to minimise the risks of loss in the Army.

55. *Paragraph 43 of the Audit Report.*—The Adjutant General explained that so far as he remembered, all the officers concerned in the case had been asked for an explanation and certain disciplinary action had been taken. The Financial Adviser, Military Finance, pointed out that the case of three officers was still open on the comments of the present Audit Report. The Adjutant General promised to look into the question. It was explained in this connection that it was entirely within the province of audit to comment upon the adequacy of disciplinary action taken by the Military authorities in any particular case.

56. The Quartermaster General, Major General Sir C. J. Deverell, was then examined with reference to the question of accommodation for the Civil Audit Office at Peshawar. It was explained that the officer on special duty in the Finance Department had recently obtained information from the administration of the North West Frontier Province that they had found a suitable site in Peshawar for the building of the Peshawar Civil Audit Office and that both the proposal for building a new Civil Audit Office on this site and the alternative proposal for transferring the Military Audit Office from Peshawar to Rawalpindi were under consideration. He had asked for the plans and estimates for the construction of a new office at Rawalpindi for accommodating the Military District Offices and had just been informed that the cost would be about Rs. 1½ lakhs while the book value of the Peshawar Office was about Rs. 1 lakh. The Committee observed that each authority appeared to be looking at the question from the point of view of his own Department and that in the interests of financial administration it was desirable that the question of accommodation of the Civil Audit Office should be pressed to an early conclusion. The Quartermaster General promised his help in expediting the case.

57. The Committee then examined the Master General of Supply, Lieut.-General Sir Edwin H. De V. Atkinson, on paragraph 40 of the Audit Report. It was explained that a Conference had been convened and steps have been taken to restrict the wide powers hitherto given to Government auctioneers in arsenals. It was further explained that irregularities of the kind mentioned in this paragraph would not recur in future.

58. He was also examined on paragraph 46 of the Audit Report on the case of bag-cleaning machinery, which related to a time before the creation of his office. He pointed out that there had practically been very little loss as all parts of the machinery had been utilised for new purposes except the engine which had been sold. It was clear that there had been some avoidable waste owing to the purchase of machinery before the building was ready, but this was a mistake which now would not occur.

59. The Committee next questioned the Master-General on the subject of the system of central purchase, which had been so successful in the case of ghee, and enquired whether there was scope for achieving further economy by extension of the system to other articles. He explained that the economy and convenience of the new system was constantly borne in mind. Practically all articles of general consumption were so purchased and the Department was doing its best in consultation with the Stores Department to extend the system of central purchase wherever possible.

60. The Financial Adviser, Military Finance, after examining the question regarding the prepayment by Indian States of contribution to works carried out on their behalf, reported that the Foreign and Political Department in consultation with the Army Department had decided to make no change in the existing procedure. The Committee left the question to be reopened if a concrete case of default occurred in future.

61. With reference to their comments on the subject of reappropriations in regard to paragraph 36 of the appropriation report made at the first meeting the committee were now informed that subsequent enquiry by the Auditor General indicated that the Secretary of State's restrictions were actually only to the effect that savings should not be applied to new purposes without the prior sanction of the Finance Department. It was thus not necessary to refer again for the Secretary of State's orders.

ANNEXURE A.

*Statement of the measures adopted on the recommendations of the Ordnance Supply Committee.***I. Measures given effect to :—**

- (a) New method of provision by means of a continuous review.
- (b) Placing of the Indian Army Ordnance Corps School on a permanent basis.
- (c) The organization of all arsenals into identical stock groups.
- (d) Clearance of old pattern armaments from arsenals to Agra Depot.
- (e) Clearance of old pattern small arms from Arsenals to Fort William Depot.
- (f) Special arrangements for 1927-28 for repair in Factories of the present accumulation of repairable rifles, machine guns, and vehicles in Arsenals.
- (g) Increase of D. A. D. O. S. and I. O. O. S.
- (h) Increase of Q. M. E. S.
- (i) The determination of Working Balances for every item of stock for the purpose of basing the normal budget figure in future.

II. Measures in process of being given effect to :—

- (a) Trial in selected arsenals of delegating store-holders' responsibility to Godown keepers.
- (b) Formation of the I. A. O. C. Accounts Committee to formulate a system of accounts for future introduction in arsenals.
- (c) Clearance of arsenals, by despatch of surplus stocks to Disposals Dump at Dum Dum.
- (d) Re-examination of War Maintenance Reserves, Mobilisation Reserves, and Special Reserves.

III. Measures only lately commenced :—

- (a) Proposals for the permanent establishment of the Indian Army Ordnance Corps.
- (b) Reduction of arsenal working stocks of machine guns, rifles, guns, and gun carriage parts, by transference of certain quantities to Factories for central storage.

IV. Measures not yet commenced :—

- (a) Proposals for the future permanent repair organization in Arsenals.
- (b) Formation of a touring Committee on Arsenal accommodation.

APPENDIX XXI.

Memorandum furnished by the Director General of Posts and Telegraphs with reference to paragraph 10 of the Proceedings of the second meeting of the Public Accounts Committee.

TELEPHONE POLICY.

The Public Accounts Committee in the course of their examination of the Audit and Appropriation Report on the accounts of the Posts and Telegraphs Department for 1925-26, on the 13th August, desired the Director-General to put in a statement of the policy of the department in regard to telephone development.

2. So far as local systems and telephone exchanges are concerned the department of its own initiative installs new systems wherever there is a public demand for such, provided that on a study of the capital expenditure involved, the probable number of subscribers, and other factors, there is a reasonable certainty of the new system's paying its way either immediately or in the near future. Every endeavour is also made to foster the growth of the telephone habit especially amongst the business community so as not only to stimulate demands for new systems but also to expand existing ones.

3. Where new systems and exchanges are demanded purely or largely to meet the requirements of the military, political, or local authorities (including public bodies and Indian States) compliance with the demands is made conditional upon the acceptance by the demanding authority of suitable guarantees designed to secure the department against possible loss on the installation and running of the new systems.

4. Similar principles are observed in connexion with the opening of new trunk circuits whether required for the improvement of communications between business centres or for military or political reasons. The forecasts of the revenue likely to accrue from such new circuits must obviously be of a more or less speculative nature but experience has shown that on the whole the department's anticipations in this respect are more than realised, and the receipts from telephone trunk circuits show a very satisfactory and continuous growth during the past few years.

5. As was explained verbally to the Committee it is frequently possible to make existing telegraph wires, which the improved modern methods of handling traffic have rendered surplus, available for telephone trunk circuits, at small additional cost. In other cases telephone circuits may be superimposed on existing telegraph lines. Although in cases of this nature the department is saved additional capital expenditure to a large extent, the Telephone Branch of the department has to pay a rental for the use of the existing wire so that the cost of affording new telephonic facilities by these means is unaffected by the resultant economies so far as that branch is concerned. The rentals charged for the use of existing wires for telephonic purposes do, however, go to reduce the working expenses of the telegraphs as a whole.

6. It is true that the opening of the trunk circuits between Delhi and Calcutta and Delhi and Bombay represented to a certain extent a departure from the policy outlined above as not being justified solely on financial considerations. It was considered however that the achievement of long distance telephony on this scale in India was worth some additional expense not merely from the advertisement point of view but also by virtue of the opportunities for research which such a circuit affords. For the reasons indicated in paragraph 5 of this memorandum the additional capital cost to the department as a whole involved in the inauguration of these two circuits was comparatively trifling and there is reason to believe that these circuits will eventually pay their way.

APPENDIX XXII.

Memorandum on re-appropriations in the Army Department, furnished by the Financial Adviser, Military Finance with reference to paragraph 6 of the Proceedings of the 8th meeting of the Public Accounts Committee.

In November of each year the various Military authorities at Army Headquarters furnish the Military Finance Department with their detailed estimates of requirements and receipts under the heads for which each is responsible, distinguishing between pay and other recurring normal established charges, fluctuating expenditure, such as travelling and rail transportation, purchase of stores, etc., and abnormal or non-recurring items, such as payments to surplus officers and credits by disposal of surplus stores. At the same time, the Secretary of State and the High Commissioner for India send the Military Finance Department their estimates of expenditure and receipts for heads concerning them.

2. In addition, the Chief of the General Staff forwards to the Military Finance Department a consolidated list of new measures for improving the efficiency and equipment of the Army, which H. E. the Commander-in-Chief has decided may be included in the Budget, if funds are available. The proposals connected with all or most of these measures will have already undergone the usual financial scrutiny in the Military Finance Department in other respects.

3. The estimates are checked and scrutinised by the Military Finance Department at various stages in their preparation, and the Military authorities are advised to accept such modifications as may be suggested by past experience and known circumstances, or by an examination of the relative importance and urgency of the various items. The total of the Military estimates, as thus modified, is then considered, with reference to the general financial position, by the Governor General in Council who sanctions a figure as the *Net Military Grant*.

4. The figure sanctioned by the Governor General in Council is almost invariably well below the total of requirements as estimated by the military authorities. The result is that in recent times it has been necessary each year to exclude from the Budget many measures which H. E. the Commander-in-Chief and his military advisers had considered essential in the interests of the Army, and for which provision could properly have been made if it had been possible to do so without exceeding the total grant. So long as this state of

affairs continues, it is considered legitimate and desirable to allow the Army, so long as they keep within their authorised activities and the total sanctioned Military grant, to utilise, in the course of the year, any savings in the Budget towards expenditure on some of the measures omitted from the original Budget or on other new measures which they consider essential. As a safeguard, the rules on the Military side provide that reappropriations of savings to meet new expenditure should in every case have the prior concurrence of the Military Finance Department.

5. When agreeing to reappropriations, the Military Finance Department see that money is not diverted to new expenditure simply because it is available, that windfalls are not utilised except for meeting pressing military needs *e.g.*, making good deficiencies in equipment, and that unauthorised activities are not permitted. This detailed procedure is in accordance with the orders of the Secretary of State for India received in 1920 which are as follows :—

“ I accept your (Governor General in Council's) proposals regarding the reappropriation of grants from “ Home ” to “ India ” and from “ normal ” purposes to new expenditure. I do so, largely because I think that for some years to come there will be numerous miscellaneous measures of military improvement for which it will be hard to find sufficient room at the time the annual Budget is prepared, and if unexpected opportunities occur it may be best that they should be fully utilised. I desire, however, to remind you that the diversion of funds on a large scale from some head of established charges (such as “ food and forage ”) to the furtherance of administratively new schemes implies some invasion of the rights of other departments and of the Legislature, and I think it should be laid down that the practice should not be carried beyond some suitable and moderate limit, except with the express sanction of the Finance Department ”.

6. As a further safeguard, it has now been decided that in the annual appropriation accounts prepared by the Financial Adviser (Military Finance) a distinction should be made between reappropriations of savings to meet the cost of new measures which have not been provided for in the original sanctioned Budget Estimates and those to cover excesses in normal expenditure elsewhere.

7. As regards reappropriations of savings to meet excesses in normal expenditure elsewhere, it is only necessary to mention that they also require the concurrence or sanction of the Military Finance Department and that with the development of the system of Budget and accounts introduced from 1st April 1927 and with fewer lump provisions under particular heads, the number will automatically decrease.

8. The total Military grant, which is placed at the disposal of H. E. the Commander-in-Chief, the Secretary of State for India, and the High Commissioner for India combined, by the Governor General in Council is divided between the three Major Heads Army, Marine and M. E. S. and between India and England. The total under each of the Major heads is again classified under main heads, sub-heads, minor heads and detailed heads. The grant for expenditure in India under each Major head is distributed amongst

the various controlling officers at Army Head-quarters who are the Chief of the General Staff, the Adjutant General, the Quartermaster General, the Master General of Supply, the Air Officer Commanding, Royal Air Force or other equivalent authorities. These officers control,

- (i) in the case of Army, ordinary the grant under each of the minor heads; and
- (ii) in the case of Marine and Military Engineer Services the total of the Major head.

9. Subject to the direction of the controlling authorities at Army Head-quarters, the control of some of the detailed heads of some of the minor heads of Army has been delegated to the control of General Officers Commanding-in-Chief, Commands, the General Officer Commanding, Burma Independent District and other subordinate authorities. The decentralisation under the Major head Military Engineer services extends somewhat further. The principle on which these delegations are made is that any expenditure which can be effectively controlled by the local officers in the first instance should be so controlled. Expenditure debitable to any of the detailed heads of Part A Standing Army and Part B Auxiliary and Territorial Forces of the Major Head Army, and to any of the detailed heads of the Major head Military Engineer services may be sanctioned by H. E. the Commander-in-Chief, the General Officers Commanding-in-Chief of Commands and the General Officers Commanding Districts from the special grants provided in the Budget under Sub-heads A, B and C respectively of Main head IV of the Major head Army. The control of the Major head Marine is centralised wholly at Headquarters.

10. The various classes of reappropriations are :—

- (1) Reappropriations between detailed heads of the same minor head in India.
- (2) Reappropriations between minor heads of the same sub-head and between sub-heads of the same Main head in India.
- (3) Reappropriations between Main heads of the same Major head in India.
- (4) Reappropriations between Major heads in India.
- (5) Reappropriations within the Major heads in the estimates of the Secretary of State for India and the High Commissioner for India.
- (6) Reappropriations between the three Major heads in the estimates of the Secretary of State for India and in the estimates of the High Commissioner for India.
- (7) Reappropriations between the estimates of the Secretary of State and those of the High Commissioner.
- (8) Reappropriations between the Indian Estimates and those of the Secretary of State for India and between the Indian Estimates and those of the High Commissioner for India.

11. For (1) in paragraph 10, the sanctioning authority is the Chief of the General Staff, Adjutant General, Quartermaster General, Master General of Supply, the Air Officer Commanding, Royal Air Force or one of the other

equivalent authorities at Army Headquarters, except to the extent to which power has been delegated to local military authorities as indicated in paragraph 9.

12. For (2) and (3) in paragraph 10, the sanctioning authority is ordinarily the Government of India in the Army (or Marine) Department.

13. For (4) in paragraph 11, the sanctioning authority is the Military Finance Department.

14. As regards (5) in paragraph 10, no rules of general application have yet been framed by the Governor General in Council; but the Finance Department has in the past given the Secretary of State and High Commissioner full powers specifically every year.

15. As regards (6) and (7) in paragraph 10, here again no general rules have been framed by the Governor General in Council; but the Finance Department has sanctioned in the past transfers when necessary.

16. As regards (8) in paragraph 10, the sanctioning authority is the Military Finance Department. The circumstances in which such reappropriations are made are fully stated in paragraph 35 of the Appropriation accounts for 1925-26. These reappropriations have necessarily to be made in the last month of the year, by which time the effect of all anticipated variations in the total of the Indian grant, the Secretary of State's grant and the High Commissioner's grant will be known.

17. In all cases, sanction to the expenditure itself is accorded by the competent authority, after the necessary funds are known to be available from the grant or grants at its control, or are placed at its disposal by a higher authority, formally or informally, by reappropriation or otherwise. This procedure does not apply to reappropriations of the nature referred to in paragraph 7, the need for which will in most cases become fully apparent only in the last month of the year; but, as already pointed out, the number of such reappropriations is expected to become smaller with the development of the new system of Army accounts.

APPENDIX XXIII.

Memorandum furnished by the Director General, Posts and Telegraphs with reference to paragraph 9 of the Proceedings of the third meeting of the Public Accounts Committee.

SURPLUS STORES—TELEGRAPH DEPARTMENT.

During the course of their examination of the Audit and Appropriation Report on the Accounts of the Posts and Telegraphs Department for the year 1925-26 the Public Accounts Committee desired to be furnished with a statement regarding the origin and extent of the surplus stocks of telegraph stores and the steps being taken to dispose of these surpluses.

2. The extent of the existing surpluses was very carefully examined last year with the result that their approximate book value so far as known was found to aggregate roughly Rs. 25½ lakhs divided into the following categories :—

					Rs. in lakhs.
Telephone apparatus	..	..	..	..	15
Wheatstone apparatus	..	..	..	..	6
Engines and dynamos	..	..	..	..	3
Miscellaneous stores	..	..	..	..	1½
Total ..					25½

There are probably other surpluses of various kinds that will be revealed as a result of further investigations but these are not likely to be of any considerable magnitude.

3. The manner in which each of these classes of surplus stores has accrued may be briefly explained as follows :—

Telephone apparatus.—Very large orders were placed immediately after the war for telephone apparatus because a great expansion of trade and industry was then anticipated. These anticipations not having been realised the Department found itself with a stock of these articles considerably in excess of its immediate requirements.

Wheatstone apparatus.—This represents the value of Wheatstone apparatus which accumulated in India during the period when the Wheatstone method was the normal method for the disposal of high speed traffic between main centres. Later on it was found that the Baudot system was more efficient and economical for general use and the Department finally decided to

abandon the system of Wheatstone working. It is proposed to undertake an experiment with Wheatstone apparatus in connection with Wireless communication between Madras and Burma, but only a comparatively small part of the surplus stock can be utilized in connection with this scheme.

Engines and dynamos.—The surplus of these is due to overpurchase just after the war when the installation of power plant in a large number of outlying telegraph offices was contemplated, but owing to the rapid development of public sources of electric supply it was subsequently found not to be economical to install departmental power stations.

Miscellaneous stores.—This surplus represents stores (including Telegraph instruments and Radio apparatus) which have been superseded by superior and more economical types.

4. In order to ensure that these surpluses should be disposed of in the most economical and satisfactory manner a standing committee was formed in July last year which was authorised to deal with the various categories of surpluses referred to above on the following lines:—

- (1) All stores that are entirely useless to the department should be disposed of to the best advantage at the discretion of the committee. Saleable stores should be advertised in suitable quarters and in regard to Wheatstone apparatus and any other articles likely to find a sale in Europe samples of the various articles should be sent to the Director General of Stores, London, with a view to obtaining tenders for the purchase of the stocks in India. On receipt of such tenders, if any, it would be necessary to consider whether they were sufficiently attractive to make it worth while going to the expense of sending the stores to England or elsewhere for disposal. A list of the principal classes and items of saleable surpluses should be sent to the Chief Controller of Stores, Indian Stores Department, who may be able to find a market for them.
- (2) The disposal of serviceable stores held in abnormally large quantities should be determined with reference to the following considerations:—
 - (a) Their liability to damage or deterioration.
 - (b) The probable prices that would be obtained from their sale.
 - (c) The extent to which their retention causes congestion, or otherwise interferes with the efficient and economic administration of the Store Yard.
- (3) In the case of stores of obsolete patterns that could be converted at small cost into those of current patterns, orders for conversion should only be given to the extent to which the converted articles could be utilised to meet immediate requirements. Where a surplus of the articles to which such stores might be

converted already exists, the obsolete pattern stores shall be retained or disposed of according to the decision applied to the correct pattern stores to which they correspond.

- (4) Proposals for writing down the current book values of any classes of stores should be submitted by the committee to the Director General for consideration, giving full details and reasons in support of such revaluation. The orders of the Government of India in these cases should be obtained.

5. Up to date the committee have disposed of the surplus stocks to the extent of Rs. 4,36,143 book value. With the steady increase of telephone development it is anticipated that the bulk of the surplus of telephone apparatus will be absorbed by the department within the next two or three years.

6. Action has already been taken to prevent any future accumulation of stocks. In place of the previous system of indenting for stores based on averages of the three years previous, and holding large balances at the end of each year, arrangements have now been made only to purchase and manufacture stores against forecasts for the definite requirements of the Budget year plus only a small margin for contingencies. It is further proposed to ask Government to authorise the Department to place orders for special kind of material, which are usually not readily available in the market, in anticipation of the Budget, as is done in the case of the Ordnance Factories. This will save the Department from having to carry large stocks at the end of the year. The improvements already effected will be seen from the statement attached which gives (1) value of purchases in India, (2) value of purchases in England, (3) Balance of stock, (4) value of stores issued year by year from 1917-18 to date. It will be observed that the decrease in the balance has been steady since 1924-25 and it is hoped that this considerable decrease will continue.

ANNEXURE.

Year.	Purchase of stores.		Balance of stores in the Department on 1st April (including Mobilization Reserve Rs. 20,51,199)	Issues to Works Apparatus Plant and Working Expenses.
	In India.	In England.		
	Rs.	Rs.	Rs.	Rs.
1917-18	9,45,277	27,92,476	61,38,217	33,93,641
1918-19	22,07,205	21,78,711	67,98,834	40,22,136
1919-20	18,00,621	86,06,918	77,30,536	92,61,980
1920-21	27,31,782	93,22,371	92,39,869	92,98,521
1921-22	27,59,968	98,65,571	1,58,70,529	77,57,421
1922-23	19,21,618	38,14,852	2,57,73,406	86,39,517
1923-24	8,67,772	12,11,959	2,57,01,436	72,97,255
1924-25	17,59,394	10,44,713	2,10,66,952	85,83,235
1925-26	22,20,754	9,93,192	1,60,82,239	62,29,814 + 2,60,679
1926-27	24,78,000	8,36,059	1,41,76,088	73,27,100 + 1,49,300
1927-28	29,65,000	7,50,000	1,09,81,588	69,01,800 + 6,01,700

APPENDIX XXIV.

Memorandum No. C. No. 2391-Salt/27, dated 25th August 1927, furnished by the Deputy Secretary (Central Revenues).

Sambhar Improvement scheme—Summary of the orders of Government

The Audit Report charged the officers who were responsible for carrying out the Sambhar Improvement Scheme with irregularities which fall broadly into the following classes :—

- (a) Defective estimating (which resulted in particular in the provision of excessive funds) ;
- (b) Unauthorised deviations, on a large scale, from the sanctioned estimates ;
- (c) Manipulation of accounts so as to conceal the deviations ;
- (d) Miscellaneous irregularities not falling under the above.

2. The detailed figures that form the basis of each charge are still the subject of investigation, and finally revised estimates have yet to be sanctioned. But this detailed investigation need not, in the opinion of the Government, delay their coming to a conclusion as to the general correctness of the criticisms made by the Auditor and as to the responsibility of the various officers concerned.

3. The explanations furnished by the Executive Engineer, the Commissioner and other officers have been carefully considered by the Government. In their opinion, the explanations practically admit the substantial correctness of the Auditor's criticism although the Auditor's detailed figure are called in question at a very great length. So far as the Executive Engineer Mr. Bunting is concerned, the Government admit freely that much of his work was necessarily experimental, that the experience gained in execution constantly demonstrated the need for modifications of the original scheme, that he was working against time and hampered by ill-health, that the necessity for simultaneously remodelling the factory and operating it created peculiar problems, which were aggravated by the failure of the monsoon, and that Mr. Bunting was handicapped by the quality of his staff and by labour difficulties. The Government also recognise the energy, initiative and resourcefulness that he displayed and the manner in which he met emergencies and tackled novel situations. There is no suggestion of malpractices and the Government see no reason whatever to suppose that Mr. Bunting has wasted public money or that his schemes have not proved beneficial. Figures have been furnished which show that they have stabilized the production of salt at Sambhar formerly so precarious and fluctuating, and the Commissioner's claim that they have helped to solve the labour problem there would appear to be well founded. They have rendered working more economical in some respects, and have obviated the necessity for pursuing the brine all over the lake area by means of hastily constructed temporary canals in the old manner. It is important to remember that it is the stabilisation of output and simplification of manufacture that they were designed to secure rather than any direct financial yield.

Nevertheless, the Government have been obliged to record their entire disapproval of Mr. Bunting's habitual disregard of rules and principles, the neglect of which must reduce the execution of public works, and the expenditure of public funds thereon, to a state of chaos and deprive the Government of any shadow of control over either. The Government of India are convinced that Mr. Bunting's motives were excellent, but they are surprised that Mr. Bunting should not have recognised that the laxity of his methods deprived not only the Government but himself of the protection that the orthodox procedure would have afforded against possible irregularities on the part of his subordinates. These conclusions have been conveyed to Mr. Bunting, who is no longer in Government service.

5. The Government also hold that the Commissioner as head of the Department is responsible for not having detected and checked the glaring irregularities that Mr. Bunting was committing. The sweeping changes that Mr. Bunting was introducing into the estimates should not have and indeed cannot have escaped the Commissioner's attention, much less the execution of extensive works without authority. The Government consider that responsibility must attach to the Commissioner for not realising and discharging more adequately his functions as the Head of the Department and studying Mr. Bunting's activities more closely and critically. It appears to them that he should have discovered some at least of the financial irregularities that were being committed and have taken steps to have them regularized. He should formally and explicitly have brought to the notice of the Government from time to time the necessity for the large modifications that the scheme was undergoing in the course of execution, and their financial implications. The work on the Sambhar Improvement Scheme commenced in May 1920 and finished in March 1924. During this period of 47 months Mr. Fergusson, the permanent Commissioner, was absent for 20 months, i.e., from April 1921 to November 1922. Mr. Strickland, the acting Commissioner, who had no previous experience of the Northern India Salt Revenue Department, was handicapped by his inexperience. Mr. Fergusson, on the other hand, was handicapped by the fact that by the time he returned from leave, a good part of the work had been done, including many of the important deviations from the original estimates. But allowing for these facts the Government of India, after considering the personal explanations of these two officers have been obliged to inform them that in the Government of India's opinion both officers must be held to have failed in the discharge of certain important responsibilities which, as stated above, rest upon the Head of the Department, although Mr. Strickland's failure in this respect must be regarded less seriously than Mr. Fergusson's.

6. Of the other departmental officers concerned the only officer who remains in service came to Sambhar towards the end of the period in question and merely continued a practice that he found in vogue. The Government do not propose to take any action against him.

7. While the Government are aware that formerly there were no arrangements for local audit, they are still not satisfied in regard to the failure of the Auditor to notice any of the irregularities committed and they are investigating this matter separately in consultation with the Auditor General.