

REPORT
OF THE
Public Accounts Committee
ON THE
Accounts of 1928-29

Volume II—Evidence

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SIMLA
GOVERNMENT OF INDIA PRESS
1930

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Evidence taken at the first meeting of the Public Accounts Committee held on Thursday, the 26th June 1930, at 11 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

Mr. G. KAULA, Controller of Civil Accounts.

Present during the consideration of the Finance Department Resolution, etc. :

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary. *Witness.*

Present during the examination of Posts and Telegraphs Appropriation Accounts only :

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. JAGAT PRASAD, Accountant General, Posts and Telegraphs.

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

Mr. T. RYAN, Joint Secretary, Department of Industries and Labour.

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

Rai Bahadur P. N. MUKERJEE, Deputy Director General, Posts.

Chairman.—We shall first consider the Finance Department Resolution on our last Report.

1. *Mr. Das.*—Para. 3. Regarding the discussion of the Report in the Assembly, I do not think it can be usefully discussed in the coming session, particularly when most Members will be absent, and when some Members would not even know of the existence of this Committee or its functions.

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Chairman.—You will be there, Mr. Das, and Mr. Mitra will be there.

Mr. Das.—Unfortunately, I will be there.

Chairman.—I think Mr. Neogy will be there.

Mr. Das.—Well, Mr. Neogy has asked me to convey his message that he will not be able to attend this Committee as he is pre-occupied with difficulties in his own constituency. My only point is whether we can usefully help the Government to find a solution.

Mr. Mitra.—Why should we forego the constitutional right which has been given to us? These political fights may go on for another ten years. Do you think that for that reason we should forego the small rights that have been given to us?

Chairman.—Our attitude as Government is that we must carry on our business whatever is happening outside. It was unfortunately impossible to discuss the Report in the last Delhi session, but I had given a pledge that an opportunity would be given to discuss it in the Assembly, and I must carry out that pledge. If there is nobody there who takes any interest, we shall have a very short discussion, but I think I must give an opportunity for that discussion.

2. *Mr. Das.*—Para. 4. As the Finance Department have agreed to prepare a quarterly statement showing the action taken up to date on each case and to send it to the Members of the Public Accounts Committee for information, I have nothing to say on this.

3. *Mr. Mitra.*—Para. 5. You say here that it would be most advantageous if a specially experienced officer from the Finance Department could personally visit all the estimating offices and hold occasional conferences with them. Is a man being trained for this purpose?

Chairman.—Yes.

4. *Mr. Mitra.*—Para. 7. What was the particular case you were thinking about? Was there any statutory provision in that case?

Sir Arthur McWatters.—The position in that case was that, as the rules now stand, the concession was held to be not illegal, but there were certain revised telegraph rules under consideration under which it would become illegal so that in any case it was cancelled. The view of the department was that the particular case caused a good deal more trouble than it was really worth, but actually it was not an illegal concession.

5. *Mr. Das.*—In this connection I should like to point out that the Military Department enjoys large concessions from the Railways. Last year we questioned the Financial Commissioner and he could not tell us what was the amount involved in the concession which is granted to the military people.

Chairman.—I think we had better leave that question till we get the Financial Commissioner before us.

Mr. Das.—I would draw the attention of the Finance Secretary to this matter, and I hope he will look into it.

Chairman.—We will make a note of that.

6. *Chairman*.—Para. 10. You have had a Memorandum by the Auditor General on this question of the “new services” in one of the Appendices, Appendix IX.

Mr. Burdon.—Perhaps it will be convenient to take it up in connection with the Memorandum.

7. *Mr. Das*.—Para. 12. What action does the Finance Department propose to take to see that the undertakings are commercially successful?

Chairman.—It all depends. If the accounts show a general deterioration in results and there is a worsening in the efficiency of management, then of course the Finance Department will call attention to that and suggest that appropriate inquiries might be undertaken. We always try to take action on the recommendations of the Committee. I think if you will go through the records of the action taken on last year's Report, you will find that we have taken effective action. But you have got to deal with each proposition differently. It means following up the results and trying to find out whether there are points which require attention.

8. *Maulvi Abdul Matin Chaudhury*.—Was it not decided that we should get audited figures?

Chairman.—That was my idea. My feeling was that we come so long after the event that our criticism is not often of very great value, and I hoped that we could get some sort of statement out which would put us more up to date.

Maulvi Abdul Matin Chaudhury.—We want something more up to date while we are considering these questions.

Chairman.—When I went into this question and discussed it with the Auditor General, I came to the conclusion that there would not be very much practical value in it and that we might get more trouble and confusion than the attempt was worth. Anyhow, I would like you to hear the Auditor General on that point.

Mr. Campbell.—We have attempted this year to get out the 1929-30 Accounts in time for this Committee. It is however a very difficult question, because we cannot take up the audit until July or August. Then again, in most concerns we come across items which considerably alter the accounts; sometimes items are shown under overhead charges, sometimes under capital and sometimes under depreciation and so on, and these cause misunderstanding if we compare the unaudited accounts with the audited accounts for the past two or three years.

Chairman.—It is improving every year. I want the Committee to be quite clear. I don't regard this as the last word on the subject. I was talking to the Auditor General yesterday, and I gathered that the Director of Commercial Audit had already been working a good deal on those lines, and I hoped we would be able to make a great improvement in this matter. What I feel is at present a good deal of information is given, but it is very difficult for members of the public to get at a glance a comparison of the results. What you want to do is to compare a series of years. The whole system of commercial audit and commercial accounts in most cases has not been going on long enough to get any valuable comparison, but I should like to assure the Committee that this is a matter

which I propose to follow up further with the Auditor General and to work in the spirit of what you said, so that I don't regard this as the last word on the subject.

Mr. Mitra.—The Director himself says that at the end of July generally he may get the figures. Unfortunately, this year we are sitting in June, but generally we sit in August, so that if the accounts are finished in July, as the Director says, we can get more accurate figures.

Chairman.—I think if I had heard this discussion before this Resolution was drafted, I might have drafted it a little bit differently. We might make a note of this that although this is the conclusion for the moment, it is not the last word on the subject and that we propose to discuss it with the Auditor General and the Director of Commercial Audit with the idea of speeding up as much as possible.

Mr. Campbell.—It is all a question of speeding up the compilation of the accounts at the end of the year.

9. *Mr. Das.*—Para 17. On behalf of the Committee, we welcome this decision of the Government, because it will greatly facilitate our work.

Chairman.—I am going to make one exception this year in the matter of Secretaries appearing before this Committee. The Secretary in the Home Department is very busy, and I have told him that I thought the Committee would not require him personally to attend.

10. *Chairman.*—Now we shall deal with those items in the Appendices which concern the Finance Department. Appendix II, item 28.

Sir Arthur McWatters.—We have since agreed to do this from 1931-32.

11. *Sir Arthur McWatters.*—Appendix III, Item 1. We have been awaiting replies from the various Local Governments on these amended leave rules. Punjab and Bengal have not yet replied to us. As soon as we get their replies, we shall proceed with the matter.

Mr. S. C. Mitra.—This question was raised in 1923 ?

Sir Arthur McWatters.—It has been going on for a long time ; it was also considered at the Conference of the Financial Representatives in 1928. We want to work as far as possible on the same lines as the Local Governments and the matter will be taken up as soon as we hear from all of them.

12. *Mr. Burdon.*—Item 2. This has been agreed to, but it requires an amendment of the Act.

13. *Mr. Burdon.*—Item 3. It has been rather a troublesome and intricate thing. We have got a lot of criticisms and they have been met. The whole procedure has been considerably simplified and clarified, and at the present moment, I am only waiting for the final criticism of the Punjab Government. I think in any case that in the course of a few months I shall be able to get the whole thing out. It is only following what is done in the case of Appropriation Accounts in England.

14. *Sir Arthur McWatters.*—Item 4. The principal point at issue here was the question of proceeding against an officer who had gone on pension in regard to any losses of Government money through his action before he went on pension. We drafted certain rules which appeared to us to carry out what this Committee wished, but we were faced with

certain difficulties. One difficulty is caused by Section 96-B (3) of the Government of India Act, and we are examining the legal point involved. We are also considering certain comments made by the Public Service Commission.

Mr. Mitra.—Every year such cases happen. How long will you take to come to a general decision on such matters ?

Sir Arthur McWatters.—I am actually dealing with the case at the present moment. In any case, the matter will have to go to the Secretary of State.

Mr. Scott.—Do you mean losses which have arisen out of criminal cases or losses due to bad administration ?

Sir Arthur McWatters.—The main difficulty arises out of bad administration. The Public Service Commission to whom we referred this matter do not altogether see eye to eye with us and we have to examine the matter further.

Maulvi Muhammad Yakub.—What other measures do you suggest ? Last year there were several cases of Railway Engineers ?

Sir Arthur McWatters.—I am collecting a list of cases which have occurred to see how far the Public Service Commission's views are borne out by the facts. But as regards Railway Engineers, they don't draw a pension. They get a provident fund.

Chairman.—I don't think it is useful to discuss this any more. We will make a note that this Committee takes a serious interest in this matter.

15. *Chairman.*—Item 5. I don't know what action is taken on this.

Mr. Burdon.—The Secretary of State's point was this, that with the constitutional changes which may result from the Statutory Commission, we may have to entirely recast our accounts and he thought that it would be better to begin from that period rather than alter the whole thing now.

16. *Chairman.*—Item 12. Is it a question of altering the system ?

Mr. Burdon.—It is a question of altering the statutory responsibility of the Auditor General.

Chairman.—Have you considered it lately ?

Mr. Burdon.—As a matter of fact, the general point of principle concerned arises very prominently in that case of strengthening of the audit of Customs revenue which I have had under my consideration and upon which I have not yet arrived at a final conclusion. I think we ought to get some rather interesting evidence on the point. It is the extent to which audit should be made responsible and the administration should be made responsible for the devising of a correct system for the assessment and collection of revenue and for the efficient application of the system.

Chairman.—We ought to make sure that all these cases which have been held up pending the constitutional revision are brought under review at the first opportunity.

17. *Sir Arthur McWatters.*—Item 30. We took this up at the Finance Members' Conference and I am now in correspondence with Local Governments with regard to particular points.

18. *Chairman*.—We now come to the accounts of the Posts and Telegraphs Department. Mr. Sams, I think I can take you as the principal witness on behalf of the Department ?

Mr. Sams.—Yes, Sir.

19. *Chairman*.—I want you to go through the Auditor General's letter in the first place and we come right at the beginning to the most important part. He has called attention to the deterioration in the commercial results of the Department and he has used these words :—

“ I imagine the Public Accounts Committee will regard it as their first and most important interest to examine very closely and thoroughly the causes which have led to the unfortunate state of affairs revealed by these figures and will wish to ascertain definitely and form their own judgment upon the measures which the Government of India propose to adopt in order to improve the financial position of the Department.”

I should like to take that as my text to start with and ask you in the beginning to give the Committee such information as you can to inform them on these points ; because, I think the Committee will very strongly endorse the words which the Auditor General has used and they do feel it incumbent upon them to make these inquiries.

Mr. Sams.—In the first place I understand that a Committee is going to be appointed to look into the accounting part of the Department and it may be that when they have finished their labours the balance-sheet of the Department will show rather a brighter picture than it does at present. For instance, the question has been taken up of depreciation, *i.e.*, whether we are paying too much into the depreciation fund or not, and also the question whether we are not paying far too much to the Local Governments for revenue stamps, which, when it is worked out, comes to about one anna in six, which is to my mind, on the face of it, absolutely absurd. Then there is the question of pensionary charges, whether they are too high or not. Having done all that, I think we shall get a true picture of how the finances of the Department look.

20. *Chairman*.—Before you go any further I should like to make this point, that it is not so much the absolute position as the relative position from year to year which worries us. It is the process of deterioration, and that will not be affected by these adjustments.

21. *Mr. Mitra*.—May I make one fundamental point clear ? Is it accepted by the Department that it is a commercial department and should be self-supporting ? Or do you contend that as a public utility department it should not be paying ?

Mr. Sams.—It has been accepted by the Government of India that it should be self-supporting. That is the basic principle of the Department.

I admit that from the figures shown there has been a deterioration. I can only put that down to the fact that trade has been bad and our Department depends almost entirely on trade. It is the big business houses in Bombay, Calcutta, Rangoon and Madras who give us our money, Simultaneously with bad trade which has given us less revenue, we have, as the members of the Assembly already know, greatly increased our

establishment charges for which there has of course been pressure from the men themselves. We have admitted the justice of their claims and members of the Assembly have pressed us time and again to improve the conditions of service and the pay of the establishment. This has cost money. These two things taken together have resulted in loss.

Mr. Coburn has prepared two statements which may be examined by the Committee.

You will see that taking a fairly conservative estimate and assuming that trade is fairly normal and taking a 20 lakhs annual increase we shall turn the corner in 1935-36. Taking a 25 lakhs increase we shall turn the corner earlier. If trade improves, our revenues will improve too and we shall turn the corner quicker. It must be realised that the increase in pay not only adds extra expenditure but there is also the increase of increments. There is a saturation point when the increases will stabilise but meantime we have to find an annual amount.

22. *Mr. Mitra.*—In what year will you reach that saturation point when there will be normality ?

Mr. Sams.—It will take about ten years to reach the position where the increments are counterbalanced by the savings.

23. *Mr. Scott.*—Suppose you take this year a 100. What will the increase be next year and so on for the next ten years ?

Mr. Sams.—It is very difficult to say because we do not know the number of retirements and casualties. When a man retires we replace him by a new man on the minimum of the scale.

Mr. Burdon.—The Committee will find the Accountant General's calculation on this at page 19 of the Report.

Chairman.—I do not myself think that these things have very great value and we cannot govern our action in any way according to any accurate calculation. It is useful to have a rough idea but if you try to work it out it is possible some quite new conditions may arise in the interval.

24. *Maulvi Abdul Matin Chaudhury.*—The increase in the pay of the staff can easily be met from the normal growth of revenue. The main difficulty, as Mr. Sams has pointed out, is with regard to some excessive payments which the Department is making to other Departments, for instance, to the Provincial Governments.

Mr. Sams.—The Finance Department is already looking into that question.

Maulvi Abdul Matin Chaudhury.—I think from 1914 to 1924 the contribution was only 10 lakhs ?

Mr. Sams.—It was 19 lakhs.

Maulvi Abdul Matin Chaudhury.—How did it jump up to 48 lakhs ?

Mr. Sams.—A rearrangement was made in the year 1924.

Maulvi Abdul Matin Choudhury.—On what basis of calculation ?

Mr. Sams.—It was done by the Finance Department.

25. *Chairman*.—There is one point I would like to make about it. It is important to get accurate accounts, but whatever you do in that way means taking money out of one Department's pocket and putting it into another. It does not benefit the public as a whole if we make a higher charge for certain services or give a smaller refund to provinces on account of revenue stamps. The question of charges against other Departments undoubtedly wants examination but what really matters to the public is that your figures should show an improvement from year to year and not deterioration from year to year.

Mr. Sams.—The Auditor General speaks of the measures we propose to adopt. I think I may say that the Department is run on an economical lines as possible. We never find any instance of extravagance but we try to put it down. We save a considerable sum of money by carefully calling for tenders for contracts and we do in fact accept the lowest suitable tender. In cases of emergency we have to restrict travelling allowance and contingency grants. I do not think it is particularly good for the Department but we have to cut our coat according to our cloth. As an instance of economy I may mention that we have 15 probationary Superintendents waiting for appointment as Superintendents. This we thought rather too much and we propose to cut it down to 8. As regards the measures we might adopt, I hope to try to stimulate telephone working in which last year we showed a profit. I have appointed an informal committee to go into the question of telephones generally with special reference to trunks, and I hope that when I get their report and recommendations, we shall be able to make an advance in that respect. There are two points where we could effect economy but we have been stopped perhaps on political grounds. One is the embossed envelope which is sold to the public free of charge. I would not touch the post cards but we could save about 5 lakhs on the sales of these embossed envelopes which the public get for nothing. The post card is used chiefly by the poorer people but the embossed envelope is bought by people who can afford to pay something extra.

Another point where we could increase our revenue is by increasing the parcel rate. At present the permissible parcel rate under the Finance Bill is 3 annas for 20 tolas but we are actually charging 2 annas. I see no reason why we should not increase the actual to the legal rate. The people who send parcels will not greatly feel paying an anna more and the big shops who send parcels will presumably get the extra postage out of their customers. Even allowing for a depreciation in the number of parcels we will gain to the extent of 18 lakhs a year.

Then our charges for press telegrams are extraordinarily low.

26. *Mr. Das*.—How do they compare with England ?

Mr. Sams.—There the charge is slightly more expensive. A press telegram in India costs 48 words a rupee for express telegrams and 8 annas a rupee for ordinary telegrams, with address free. In the United Kingdom the cost is 60 words for a shilling. Ours is somewhat cheaper though we have a larger country to work.

27. *Maulvi Abdul Matin Chaudhury*.—Would not the raising of the price of the embossed envelope be a hardship on the public ?

Mr. Sams.—No, I think not. At any rate that is the suggestion which I make. We might follow the practice in England and sell a packet of 15 envelopes for a rupee.

Chairman.—Have you made any estimate of what you will get on the press telegrams ?

Mr. Sams.—That has not been worked out.

Another item is the lower rate for registered newspapers which is a quarter of an anna for 8 tolas, and that is about the cheapest in the world. In the United Kingdom it is a penny for 15 tolas and in the United States of America it is one cent. or half an anna for 10 tolas.

Chairman.—What could you make on that ?

Mr. Sams.—We have not worked it out.

28. *Chairman.*—Have you finished all your possible heads for increase of revenue ?

Mr. Sams.—I have another scheme in hand, and that is introducing a new form of cheap telegrams for greetings. It has been introduced in the U. S. A. and Canada and they are making a considerable sum of money. I am working it out and I hope by this means to tap a new source of revenue which will I hope in time bring in a considerable amount.

29. *Mr. Das.*—Have you investigated departmentally whether you can reduce the staff, whether subordinate or superior ? There is a complaint that Mr. Sams' own department at headquarters contains too many superior officials.

Mr. Sams.—Quite wrong, we have a very small staff at headquarters.

30. *Mr. Das.*—You have given effect to some of the recommendations of the Ryan Committee. Have you reduced thereby some of your expenses ?

Mr. Sams.—The work has increased and we have to keep on meeting the increase in the work. On the other hand the volume of telegraph traffic has been steadily dropping.

31. *Mr. Das.*—Is there any way to reduce the staff so that you can minimise your expenditure ?

Mr. Coburn.—Under standing instructions, the post office staff is fixed with reference to the volume of traffic.

Mr. Das.—But it is not becoming self-supporting.

Mr. Sams.—The volume of traffic has not caught up with the increase of pay.

32. *Mr. Das.*—From our experience can we say that the volume of traffic will ever catch up ?

Mr. Sams.—Yes, that is clearly shown in Mr. Coburn's statement.

33. *Mr. Das.*—You have provided a leave staff of 25 per cent. That was not the case some years ago ?

Mr. Sams.—It is 25 per cent. only in the R. M. S. and 17 per cent. in the case of other branches. The men themselves all clamour for more reserve staff and I do not think 17 per cent. is unreasonable.

34. *Maulvi Abdul Matin Chaudhury*.—Do you think the appointment of a retrenchment officer would help your department in any way ?

Mr. Sams.—I do not think myself there will be much result from it. We are ourselves very careful about spending money. The Incheape Committee effected a good deal of reduction only 7 years ago and I doubt whether a retrenchment officer would get very much result. The very fact that we have not much money to spend makes us careful. Here and there of course there may be means of retrenchment as I pointed out in the case of probationary Superintendents, and where we find room for retrenchment we retrench it. My own office for instance has been considerably reduced recently and the process is still going on.

Maulvi Muhammad Yakub.—Is there any room for reduction in your supervising staff ?

Mr. Sams.—No. It is in fact the other way. In the whole of India we have only 181 Postal Superintendents of whom about 25 are working in the P. M. G.'s offices.

Maulvi Muhammad Yakub.—How many Deputy Directors have you got ?

Mr. Sams.—Three. There is also a Deputy Director of Telegraph Traffic.

Maulvi Muhammad Yakub.—How is it necessary to maintain Deputy Directors between the Post Masters General and the Director General ?

Mr. Sams.—The Post Master General works locally in his circle and the Deputy Directors work with me in charge of separate branches.

Maulvi Muhammad Yakub.—Instead of keeping these Superintendents as Personal Assistants to P. M. G.'s., cannot you have non-Gazetted officers on a lower salary to work as Personal Assistants ?

Mr. Sams.—No. We could not get the same class of work. The Assistant P. M. G.'s. very often have to relieve the P. M. G. of some part of his work which cannot be done by non-gazetted officers.

Chairman.—I take it that among the higher posts you cannot get any major economies.

Mr. Sams.—No.

Chairman.—And the total cost of salaries is a very small percentage of the total expenditure of the department ?

Mr. Sams.—Yes.

Maulvi Muhammad Yakub.—What about the grades of salaries of these higher officers ?

Mr. Sams.—I will refer you to what the Hon'ble Sir B. N. Mitra said in the Assembly on the 22nd March last :—

“ When you look at what we call the gazetted staff, the total strength provided for in the Budget is 609, against a strength of 606 in 1924-25. Of that 609, 473 consist of people whose maximum pay does not exceed Rs. 800 and there are only 136 people who belong to what are known as the superior civil services, i.e., their pay goes up to Rs. 1,000 or beyond.”

35. *Chairman.*—What is the total pay of these officers ?

Mr. Coburn.—About 51 lakhs and the pay of the non-gazetted establishment is about 703 lakhs.

Chairman.—Even if you cut the pay of these superior officers by about 20 per cent., you would get a reduction of only 10 lakhs.

Mr. Sams.—Yes, Sir. The gazetted rank includes Post Masters, Deputy Superintendents of Telegraphs, Assistant Engineers, etc., on a pay ranging from Rs. 350 to Rs. 700.

36. *Chairman.*—Sir B. N. Mitra mentioned to me that the service is costly on account of special difficulties about the delivery of letters because the postman has to deliver the letter to the actual addressee. Is that so ?

Mr. Sams.—If we had the English and Continental system of letter-boxes we could do with a smaller delivery staff. It would be difficult in India, but it surely does add to the cost of the service.

37. *Chairman.*—Coming to the sentence in the Auditor General's letter about the measures which the Government propose to adopt to improve the financial position of the department, I gather really that you have no definite measures in view.

Mr. Sams.—I have given a few suggestions as to what may be done though we have not definitely taken up all of them.

Chairman.—These are ways of increasing the revenue. But there is practically nothing that you can do, at any rate on a substantial scale, to reduce the expenditure.

Mr. Sams.—That is so.

Mr. Ryan.—This question of raising the telegraph rates and the question of charging for the envelopes have cropped up from time to time in past years, but as Mr. Sams says, Government themselves, that is in the Department of Industries and Labour more particularly, have always felt that it would be most inexpedient to put forward these proposals. As regards telegraph rates they have in the past for a great many years attached great importance to facilitating the dissemination of news and they thought it would be contrary to that desirable policy to increase the press rates. As regards the charge for envelopes they have always felt that in view of the constant demand for reduction of postage rates any proposal which would have the effect of increasing them by charging for envelopes would not certainly be opportune. I do not know if the Public Accounts Committee will be prepared to express any opinion on these proposals. So far the Department of Industries and Labour have not been inclined to take them up.

38. *Mr. Burdon.*—Can you explain what particular reason there was at the start for selling these envelopes at a low cost price ?

Mr. Sams.—The poorer person was in the habit of sending his letter in a home-manufactured envelope which was a most inferior article and would not put any stamp on it at all. The Post Office had all the bother of collecting the postage at the other end. In order to encourage the people to use decent postal stationery and to use a stamp, we introduced these embossed envelopes and sold them to the public for nothing.

Maulvi Abdul Matin Chaudhury.—Do you think circumstances have now changed ?

Mr. Sams.—I think the public has now been educated to use better stationery.

39. *Mr. Scott.*—Do you think the reduction in the cost of telegrams would increase the telegraph revenue ?

Mr. Sams.—I could not say so for certain.

Chairman.—I do not know that we can do very much more in the way of discussing these points with the witnesses. We shall have to discuss them when we come to our report. We might pass on from this general discussion now.

40. *Chairman.*—We shall now take up the question of the claims on the Foreign and Political Department—item 1, Appendix III to the Accountant General's Report. Have you got anything to say on that, Mr. Sams ?

Mr. Sams.—Although a great deal of labour has been expended with a view to arriving at a final settlement of this case, unexpected difficulties of a fundamental nature have been encountered which prevented us from preparing thoroughly valid claims for presentation to the Political authorities. Briefly put, the difficulties referred to are, firstly, the problem of assessing the extra cost of providing postal and telegraph facilities, in the shape of postal offices and telegraph lines and secondly, the determination of the correct amount of revenue to be credited to these offices and lines, for the purpose of deciding whether they are remunerative or not and if not remunerative the amount of contribution towards their maintenance that can properly be levied from the political authorities. With regard to the first point, although it is possible with some difficulty to ascertain the cost of maintaining particular offices or lines, the amounts to be added on account of overhead and other connected expenses are extremely difficult to determine. The assistance of the Accountant General, Posts and Telegraphs, has been enlisted in this connection and we hope that with his help it will be eventually possible to solve these difficulties. With regard to the second point, the existing formula for determining the amount of revenue to be credited to a particular line or to ascertain whether it is remunerative or not dates back to the year 1888 and is clearly unsuited to present-day conditions. The evolution of a fresh formula for this purpose is an extremely difficult problem. It is therefore unlikely that the department will be able to present a claim on this account to the Political authorities which could be fully defended against criticism for some time to come. It may be added that the indications from later investigations are that the amount of such claims is likely to be considerably less than the amount originally anticipated and this particular item is therefore not regarded as having much significance in connection with the general financial position of the department.

Maulvi Abdul Matin Chaudhury.—Have you made a rough estimate of the amount expected ?

Mr. Coburn.—We have had several estimates, but it now seems doubtful whether we can substantiate a claim in many of these cases. For example in the Punjab we have a network of lines and offices that have been in existence for a long time and the first difficulty one encounters is

to decide which of these lines and offices are maintained for political purposes. Even then it is very difficult to say what the actual loss on a post office or a telegraph line has been.

Chairman.—I think this is merely a case of money being taken from one pocket and put into another. There is no gain to the Government.

41. *Mr. Mitra.*—The principle of liability has been accepted ?

Mr. Sams.—The principle has been definitely laid down by Government.

Mr. Burdon.—Could you give us an example ?

Mr. Coburn.—There is a line going to Gilgit. It is purely for political purposes. In such cases there is not much difficulty. We get a guarantee there.

42. *Mr. Burdon.*—I take it that future cases will present no difficulty ?

Mr. Sams.—We can deal with them straight away.

Chairman.—I think we might leave the matter there. It is not a big thing.

43. *Mr. Das.*—I want to ask a question about telephones and what happened recently. During the recent trouble in Peshawar and Bombay you commandeered the trunk lines for four or five days and you did not allow the public to use them. The telephone trunk line is a public utility service and by preventing the public from using them you lost some revenue. Do you charge the Government for that ?

Chairman.—That is more appropriately a question for you to put in the Legislative Assembly. It was a temporary affair.

44. *Maulvi Abdul Matin Chaudhury.*—Do you make a free grant of postage stamps to the Indian States ?

Mr. Sams.—Yes, it works out to about ten lakhs a year. These concessions were made long before the department was commercialised.

45. *Maulvi Abdul Matin Chaudhury.*—Now, that the department has been commercialised, would you like to take credit for it from the Government of India, if it is done for Imperial considerations ?

Mr. Sams.—I think that question will come up in connection with the Butler Committee's Report.

Chairman.—It is a privilege which the States have enjoyed for a very long time and if you are going to take it away, that has got to be considered along with a lot of other claims.

Maulvi Abdul Matin Chaudhury.—If the department is commercialised, it ought to get credit from the Government of India ?

Chairman.—That is a point that might be made a note of. These little things are likely to escape notice.

Mr. Sams.—The whole question will have to be considered in connection with the Butler Committee's Report.

46. *Chairman.*—Para. 25 of the Accountant General's Report—Credit due to the Posts and Telegraphs Department for railway telegraphs and

enhancement of rent due from canal administrations—How does that stand ?

Mr. Sams.—The question of canals has been settled and the enhanced rentals are expected to produce an increase of approximately 2½ lakhs.

Chairman.—What about railways ?

Mr. Sams.—An immediate decision on the subject was found to present considerable difficulty owing to the fact that in arriving at his conclusions, it was found that the officer on special duty had proceeded on certain theoretical and more or less arbitrary assumptions. It seemed to the Government of India that it should be possible to obtain fairly accurate data in order to determine the cost of maintaining lines along railways and lines along roads. I was asked to furnish information regarding the actual cost of maintenance of the two classes of lines in a number of typical sub-divisions. Complete information on that point has not yet been collected. It should become available within the next month or so. On completion of this subsidiary investigation the case will be ready for final presentation to the railway authorities.

Chairman.—What do you expect to get out of that ?

Mr. Coburn.—About ten lakhs. We cannot tell exactly until the result of this subsidiary investigation is made.

Mr. Mitra.—You can assume a rough estimate of 7 or 8 lakhs and then fight out the details.

Mr. Coburn.—That will depend on the attitude of the railway authorities.

Maulvi Abdul Matin Choudhury.—The railways have shown an obstructionist attitude for a long time.

47. *Chairman.*—Item 3 of the Appendix—Pensionary liability. What is the position in regard to that ?

Mr. Coburn.—The Government Actuary's formula as applied to the Posts and Telegraphs Department would have increased the pension contribution by 7 lakhs last year and by 9 lakhs this year. Sir B. N. Mitra challenged the accuracy of this formula. I have had a discussion with the Government Actuary on this subject and also with Sir B. N. Mitra. Sir B. N. Mitra was strongly of opinion that we could not get proper data for an investigation of this sort unless we kept up a sort of record of service for each individual official in the Department, extending over several years. That of course would hold up the question indefinitely. From investigations we have made, I do not think the Government Actuary's data are on the whole unfavourable to the P. and T. Department. The only respect in which I think the formula worked up is not fair to the department is the rate of interest on which it is based. The Department of Industries and Labour have now suggested that a rate of interest of 5 per cent. as in the case of the G. P. Fund should be adopted which would have the effect of reducing the contribution.

Mr. Scott.—Why is only 5 per cent. suggested and not 6 ?

Chairman.—6 per cent. is an exceptional rate. You must remember that you are fixing a rate for a very long time.

48. *Chairman.*—Item 4. What about the transfer of the control of the Indo-European Telegraph Department to the Government of India ?

Mr. Sams.—A reply was received from the Secretary of State on the 24th October 1929 in which he suggested a modified scheme in regard to the future control of the department. The proposals were considered by the Government of India and a reply was issued on the 29th May this year. No final decision has yet been arrived at in the matter.

49. *Mr. Das.*—What is the modified scheme ?

Mr. Sams.—I cannot say off hand. I do not think the Government of India can say anything until a decision has been arrived at.

Mr. Ryan.—The Government of India have definitely expressed a wish to control this department directly and not through a Director at the India Office. The Secretary of State made certain proposals which were not inconsistent with that idea. The whole question of the future of the Department is being exhaustively examined, as Sir George Schuster knows, and we certainly hope to get the direct control in India if the department continues to exist as at present.

50. *Chairman.*—Item 5. The appointment of a committee was recommended last year. My present view is that as soon as the new Member has acquainted himself with conditions, I want to take this whole question up. It would have been taken up earlier but for Sir B. N. Mitra's impending retirement. I have written generally on the subject to the new Member and he has asked me to give him a little time. I think that is a point which we shall have to discuss again before we write our report.

51. *Mr. Das.*—The only question about retrenchment is whether it should be referred to Mr. Jukes or to this committee.

Chairman.—That is a point we might discuss together later. We might leave that for the moment.

52. *Chairman.*—Item 6—Utilisation of the accumulations in the Depreciation Fund towards fresh capital outlay. This point has not been before me lately.

Mr. Das.—Is the Postal Department credited with any interest on the accumulated fund ?

Mr. Sams.—Yes.

Chairman.—What is the balance at the credit of the Depreciation Fund ?

Mr. Coburn.—It is well over a crore.

Chairman.—I think the Government of India as a banker for these undertakings makes a very much smaller profit out of it than an ordinary banker would. We shall take up this question again and arrive at some decision one way or other. It is simply a case of paying from one pocket to another.

53. *Chairman.*—Item 7—Defects in the machinery relating to repairs to buildings. Have you got to say anything on that, Mr. Sams ?

Mr. Sams.—I have submitted a preliminary report on the subject. We have had very little experience of the working of this system. It was introduced in April 1928. I will let the Public Accounts Committee have a full report next year.

Chairman.—Has the preliminary report been circulated ?

Mr. Sams.—Yes, it was circulated this morning.

54. *Chairman.*—Item 8—Comparative cost of running the Indian Posts and Telegraphs Department and the Indo-European Telegraph Department.

Mr. Sams.—The Director-in-Chief of the Indo-European Department has no intimate knowledge of the running of the Indian Posts and Telegraphs Department. He has suggested that the Accountant General, Posts and Telegraphs, might undertake the inquiry and has promised to furnish all the necessary information. The Accountant General is already in correspondence with the Director-in-Chief in the matter and has arranged to go into the question further at his next inspection of the Karachi Office.

Chairman.—When are we going to get a full report on the whole thing ?

Mr. Jagat Prasad.—By the end of the current year.

Maulvi Abdul Matin Chaudhury.—If the Director-in-Chief of the Indo-European Department had no knowledge of the Indian Posts and Telegraphs Department, why was the matter referred to him at all ?

Chairman.—You seem to have started on wrong lines but you are on the right lines now.

55. *Chairman.*—Item 10—Revision of the charges for telegrams and trunk telephone lines. .

Mr. Sams.—I understand that the Committee had in mind the adjustment of telephone rates so as to ensure that there should be no serious competition between the telephone and the telegraph charges ; and that the revision of the rates for inland telegrams is not contemplated. The rates for telephones are at present fixed on the basis of distance and the question of the revision of these rates has been referred to a committee already set up by me. *Prima facie*, it does not seem likely that any enhancement of telephone rates would have the effect of either increasing telegraph traffic or improving the telephone revenue. The use of the telephone may have slightly taken away the telegraph traffic but it has, I think, not made any appreciable difference to the total traffic.

56. *Chairman.*—Para. 3 of the Auditor General's letter. This brings up an important question, namely, financial control over the working of the Department. In the last few months we have been considering the question of giving some assistance to the Financial Adviser. That is a point which Mr. Coburn has brought up from time to time. It also hangs together with the question of the reorganisation of the Department. As I understand the position, the whole of the Director General's office has been in process of reorganisation. We have also been interrupted by a change in the Membership. My personal opinion is that, whatever the form of

the organisation, the Financial Adviser requires some assistance. Supposing that Mr. Coburn suddenly went out of action, we have nobody to take his place. I hope to arrive at an early decision on this point in consultation with Sir Joseph Bhore. If Mr. Coburn could have some deputy, he could relieve himself of much of the routine work which now takes up a good deal of his time and devote his time to more important work.

Mr. Das.—Does he want a deputy only or clerical staff also ?

Chairman.—This is a question of adjustment between him and the staff of the Director General. We do not want to increase the clerical staff at all as there is a great danger of creating parallel bodies doing the same class of work.

57. *Maulvi Muhammad Yakub.*—I think the Committee might like to know the cause of the discrepancies in the budgeting.

Chairman.—Have you any general conclusions to draw from these cases, Mr. Burdon ?

Mr. Burdon.—The most conspicuous thing is the failure to estimate the full effect of the increases of pay.

Mr. Ryan.—A memorandum was put in before the Public Accounts Committee last year by the Financial Adviser. It will be found on page 40 of the proceedings of the Committee for last year. An explanation is given there of the difficulty of estimating the ultimate cost of these increases of pay and I think Mr. Coburn will bear me out that the same explanation applies to a large extent in this particular case. It was impracticable to work out accurately what the cost would be in the following year.

Chairman.—You have merely explained that it was generally very difficult. As a result of this experience, the Government of India would have to insist on a very much more accurate estimate of the expenditure involved. This is a very big thing, involving an excess of 20 lakhs. Even making all allowances for difficulties, there ought to be much closer estimating than that. I would point out that the Finance Department in future ought to insist on much better estimates before they approve any schemes.

58. *Mr. Das.*—You are not keeping separate accounts for the radio ? If it is not paying its way, then the budgeting should be done more strictly.

Mr. Sams.—A portion of the saving is due to a credit of Rs. 35,000 obtained for stores returned to stock, and the balance is due to over-estimating. Steps are already taken to take these into account in framing the budget estimate for future years.

Chairman.—Was that large over-estimate due to lack of experience ?

Mr. Sams.—I think it was.

59. *Chairman.*—Have you been more accurate since then ? What happened in 1930 ?

Mr. Ryan.—I have a general remark to make about the large savings under various works heads in the Engineering Branch ; that is, that there used to be up to a few years ago a serious defect in the budgeting

procedure in that the proposed works were put into the budget and provision made for them without the particular schemes being fully worked out. Up to about 5 years ago, these programmes were not even placed before the Standing Finance Committee. When I was Financial Adviser some few years ago, I took up the question of placing them before the Standing Finance Committee, and the capital budgets have from that time on been placed before them. Even then for the first couple of years this part of the budget was not very closely examined. We have gradually been improving matters but it is only this year for the first time that the capital programme includes *only* works already fully examined and administratively sanctioned in advance. In the past the result of the procedure has been that after the money was voted, time was lost before details were finally settled and work could go on. In those circumstances, lapses were inevitable. As I say, it is only this year that every item of the capital programme has been definitely administratively sanctioned in advance so that work could proceed when funds become available.

Mr. Das.—One of the oldest members of the Standing Finance Committee at one time pointed out that when Heads of Departments say, 'this must be granted' and so on, at times we have no other alternative especially with the Finance Member presiding and permitting those monies to be spent, as we are a mere advisory body.

Mr. Ryan.—The procedure in this respect is all right now.

60. *Chairman.*—That is all very interesting but it does not really explain this particular item on page 87 which relates to repairs to apparatus and plant. There I think you ought to be in a position to meet the point.

Mr. Coburn.—It is stated in the Accountant General's report that this was due to shortage of staff, and to credit for stores returned to stock.

Chairman.—Your estimate was for Rs. 2,03,000 and your expenditure was Rs. 42,000; so there was a saving of over Rs. 1,60,000. That was an enormous discrepancy; and then you surrendered half a lakh and there was still another lakh which you ultimately did not spend. Obviously you were not keeping a very tight control over your estimating.

Mr. Sams.—The Accountant General's explanation is correct; due to the shortage of personnel we could not be very accurate.

Chairman.—I think we have given enough attention to the item, though I do not think the explanation is entirely satisfactory.

61. *Mr. Burdon.*—One might ask the Financial Adviser whether he accepts the criticism that there is room for improvement in the estimating and also in the control of expenditure throughout the year.

Mr. Coburn.—I am quite prepared to admit that the budgeting has been defective and that the control throughout the year has not been sufficiently close. But I think there has been a considerable improvement in the past year or two and in fact I think the results even of this year are better than the results of the two previous years. There is a progressive improvement. We are getting closer and closer to the actuals. You will see that the difference in 1928-29 between the final estimate and actuals of the working expenses was Rs. 4,68,000. The previous year it was Rs. 8 lakhs odd and the year before it was a still higher figure: which

I think indicates that we are getting a progressive improvement, and we are aiming at further improvement.

Chairman.—Is that one of the reasons why you have been asking for additional assistance ?

Mr. Coburn.—Yes.

Mr. Burdon.—I suggest that my selection of these particular things out of the appropriation accounts really does give a fair picture of this particular part of the matter.

Chairman.—It is admitted that it is a fair picture, but it is claimed that things have improved since then.

Evidence taken at the second meeting of the Public Accounts Committee held on Saturday, the 28th June 1930, at 11 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman*.

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS.

Mr. G. KAULA, Controller of Civil Accounts.

} *Members.*

Present during the examination of Posts and Telegraphs Appropriation Accounts only :

Mr. JAGAT PRASAD, Accountant General, Posts and Telegraphs.

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

Mr. T. RYAN, Joint Secretary, Department of Industries and Labour.

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

Rai Bahadur P. N. MUKERJEE, Deputy Director General, Posts.

} *Witnesses.*

Present during the examination of Railway Appropriation Accounts only :

Mr. A. C. BADENOCH, Director of Railway Audit.

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

Mr. M. K. MITRA, Controller of Railway Accounts.

Mr. T. S. SANKARA AIYAR, Director of Finance, Railways.

} *Witnesses.*

62. *Chairman*.—We got down to the end of paragraph 3 of the Auditor General's letter. We shall now take up the question of this excess which is referred to in paragraph 4. Have you any remarks to make to the Committee on this excess ?

Mr. Coburn.—I do not think we have got anything to add to what was said on the previous occasion. I may point out that the final excess was 4.68 lakhs whereas in the previous year it was considerably higher—8 lakhs. In the previous year the difference between the actuals and the

estimates was still greater. There has been a progressive improvement in our budgeting. We are slowly getting nearer and nearer to the actuals and 4.68 lakhs out of a grant of 11 or 12 crores is not a very high percentage.

Mr. Yakub.—The progress is very slow if it can be called progress at all.

63. *Mr. Burdon.*—Apparently it is acknowledged that there is room for improvement as regards the estimating. I would only draw attention to two particular heads on page 45 where you will see under stamps and post cards there was an unadjusted excess of 3½ lakhs on a grant of 21 lakhs and under stationery and printing an excess of 3 lakhs on a grant of 23 lakhs.

Mr. Sams.—This has been explained by the Accountant General as due to the building up of a reserve in the local depots. The Master of the Security Printing anticipated a comparatively smaller expenditure during the latter half of the year than during the first six months. His anticipations were not however fulfilled. Orders have been issued by the Finance Department of the Government of India laying down the procedure, the observance of which will minimise the chances of such variation. It is the local treasury officers who indent for the stamps and if they want to build up reserves it is out of our control.

Chairman.—Was there any improvement in 1929-30 ?

Mr. Coburn.—There was an excess, I think, last year but it was not anything like as big as this excess. In this matter, the department has very little control over expenditure.

64. *Chairman.*—Has the department issued any instructions to the people concerned ?

Mr. Coburn.—We are doing our best to get more information. There are a great many officers sending in indents for stamps from all over India and we are endeavouring to get a centralised control of these indents.

Chairman.—Did you jump on the people who were responsible for this ?

Mr. Coburn.—We have of course been trying to do so. We do not get complete information at present at headquarters. There are rules about the stocks that Treasuries should keep and if those rules are observed, this trouble would not arise.

Mr. Burdon.—Having established the point that the estimating has not been done as well as might be expected or desirable, it will be a good thing if the Financial Adviser could get some expert assistance in the matter. Something should be done in order to improve the means of estimating. The sources of information at present available are not adequate.

Mr. Sams.—The local depots have been building up reserves. The Accountant General has given the reasons. These are not our depots but the Treasury Officers' depots.

65. *Chairman.*—We must accept that position for the moment. We shall go on to the next paragraph, the Indo-European Telegraph Department. The Auditor General observes: "In view of these facts and of

the observations made by the Accountant General at the end of paragraph 118 of his report, the Public Accounts Committee may wish to enquire what the Government of India estimate the future financial prospects of this department to be and whether it is considered possible to take any steps to improve its financial position."

Mr. Sams.—About the first point, the future prospects, they will, I think, depend on the future control of the Indo-European Department, whether we take it over or whether it is otherwise disposed of.

Maulvi Muhammad Yakub.—It may be a long time before this department is taken over and in the meantime something should be done to improve the position.

Mr. Sams.—I am coming to that. There has been a reduction in the number of general service clerks from 59 to 36. There has been a reduction in the number of gazetted officers from 30 to 21. The savings on this account will be over 2 lakhs per annum. The full effect of these orders will be realised in 1932-33. 29 posts of signallers have been kept vacant and no new recruits have been taken in Persia from 1925 and in the Gulf from 1927. Reductions have been gradually effected on the occurrence of vacancies due to normal casualties. Efforts are also being made to secure economies in other directions and that these efforts have been made with some success will be apparent from the fact that the estimates of working expenses for 1930-31 show a reduction of over 3 lakhs as compared with the actual expenditure in 1928-29. So, the Indo-European Department have taken steps to reduce expenditure.

Chairman.—There is no improvement as regards the general financial results ?

Mr. Ryan.—The earnings of this department do not depend directly on traffic but mainly on the operation of the Joint Purse agreement under which this department gets a share of the total cable traffic between India and the United Kingdom. For the past few years the beam wireless has been competing with cables and has diverted a great deal of traffic from both the cables and the Indo-European department with the result that the Joint Purse income has fallen off. So far as can be seen at present, that process of diversion has about reached its limit and there is not likely to be a further reduction of revenue. On the other hand there seems to be no reason to anticipate any improvement in the earnings. All we can do is to reduce expenses to the utmost, as Mr. Sams has explained, and further efforts are being made in that direction.

Mr. Burdon.—It is simply a question of cutting your losses ?

Mr. Sams.—Yes. The staff is being reduced to the minimum and we cannot hope for much more in that direction. The matter is engaging the attention of the Director-in-Chief.

66. *Mr. Burdon.*—Is there any hope of cutting out the whole thing altogether ?

Mr. Ryan.—The whole question of the future of the department is being closely examined. I do not think I can say much more about it at present.

67. *Mr. Das.*—Suppose the Government of India take over the Indo-European Telegraph Company. What reduction do you think there will be in the cost ?

Mr. Ryan.—I think you are making a slight mistake in talking of the Company. The Company runs a line from Tehran to England and we have got nothing to do with it. The Indo-European Telegraph Department is already an Indian Government department ; it is working the lines from Tehran to India, also the cables from the Gulf. The question of control which was touched on the other day relates to the location of the administrative staff in charge of the department. At present it is directly under the India Office.

Mr. Das.—How will the position be improved if we take it over ?

Mr. Ryan.—There might to some extent be an amalgamation with the Indian Posts and Telegraphs Department, both departments being in charge of the Director General of Posts and Telegraphs here, that is to say there would be one man in charge instead of two, and there would be scope for other economies. It would depend on details to be worked out when we get control here.

68. *Mr. Das.*—This reduction of staff referred to on page 120 refers to the section controlled by the Government of India ?

Mr. Sams.—Yes : the Indo-European Department.

Mr. Das.—How is it that the Industries Department did not hit upon this idea before ? Why did this not occur to you last year ?

Mr. Jagat Prasad.—This reduction of staff was taken up some years ago. So the process is going on. The reductions could not be effected all at once.

Mr. Das.—You cannot expect any further reduction ?

Mr. Jagat Prasad.—We do expect some more reductions. We have been promised that by the Director-in-Chief.

69. *Mr. S. C. Mitra.*—Is there any apprehension of the revenue falling off due to competition ?

Mr. Ryan.—The Director-in-Chief evidently believes that the revenue is not likely to go further down appreciably. It is to some extent a matter of speculation, but so far as we can now see, there is every prospect that the cables and wireless will not continue to compete actively against each other in the future, and so far as that factor is concerned, it should tend to prevent any further reduction of the cable traffic.

70. *Mr. Scott.*—Do you think that the alteration in the contract with the Imperial Bank of Persia will affect business ?

Mr. Ryan.—I do not know much about that, but I should not think that is likely to affect the earnings of this department which depend mostly on traffic between India and the United Kingdom. However, I am really not competent to express an opinion on the matter.

Mr. Scott.—The Imperial Bank of Persia have given up the right to issue notes ?

Mr. Ryan.—The principal earnings of this department are not earned from its own traffic at all. They are derived from the traffic passing over

the Eastern Telegraph Company's cables. A slight alteration in business in Persia will not materially affect the earnings.

71. *Chairman*.—The Administration Report of the Indo-European Telegraph Department on pages 20-21 refers to the competition of the wireless service and to the consequent reduction in traffic. You think that is the maximum and that there will be no further reduction ?

Mr. Sams.—There is no ground for apprehension of a further reduction but a good deal depends on the relation in future between cables and wireless. I may refer to Sir Basil Blackett's recent statement on that subject ; what they are aiming at achieving is the actual pooling of cables and wireless, but it is competition which has led to that reduction. In the absence of competition there will, it is hoped, not be a further reduction.

72. *Chairman*.—We turn now to Miscellaneous Comments, paragraph 24 of the Report—loss on the commercial branch. What has happened about that ?

Mr. Coburn.—As already communicated to the Auditor General, a decision has been arrived at to the effect that the separate profit and loss account for the Radio Branch will take effect from 1929-30, that is, last year, and that it should not be given retrospective effect. That is settled.

73. *Mr. Sams*.—Turning to paragraph 38, I may point out that the Accountant General has drawn attention to a number of postmen and village postmen having committed crimes. The total number is 125 of all that very large class which works out to an insignificant percentage.

Chairman.—Is this an improving condition or is it getting worse ?

Mr. Sams.—Generally speaking, the total amount of crime in the Department is fairly stationary.

Chairman.—It has reached the " saturation point " ?

Mr. Sams.—Yes, if you can use such a word to crime.

Chairman.—I think for future purposes it would be interesting if we could have a comparative statement showing the tendency year by year.

Mr. Sams.—The Accountant General has pointed out in paragraph 37 that the number for the year under review is 405 and the corresponding figure for the previous year was 552.

Mr. Scott.—But the value of the thefts is double that of the previous year.

Mr. Sams.—We cannot expect these people to be uniform in their operations.

74. *Mr. S. C. Mitra*.—There is little variety in the method adopted, is that not so ?

Mr. Sams.—That is so. But each man thinks he is doing something entirely novel.

Mr. S. C. Mitra.—Do you contest the statement on page 21 that there is little variety in the methods ?

Mr. Sams.—No. There is very little variety. There is occasionally a novel or original fraud. But generally speaking, each of the criminals thinks he is striking out an entirely new line.

Chairman.—We agree then that we should have a comparative statement on the basis of ten years.

75. *Mr. Das.*—I think it must be observed that on the whole the embezzlement in the Postal Department is very small considering the low scale of salaries the people get.

Mr. Sams.—The standard of honesty in the Department is very high indeed.

Mr. Scott.—What is the aggregate amount these people handle ?

Mr. Coburn.—I think about 80 crores each year.

Mr. Sams.—A very large number of our men work entirely alone in small outlying offices or lines, and if we consider that, the amount of crime in the Department is extraordinarily low. All the village postmen, all the extra-departmental and departmental branch postmasters and most of the sub-postmasters work alone. There are numerous cases of outsiders trying to swindle us (for example, by sending insured letters without putting anything in them).

76. *Chairman.*—Let us turn to page 26, paragraph 41.

Mr. Sams.—I issued a circular warning branch postmasters against being duped by outsiders posing as inspectors and overseers. There was a suggestion that they should carry with them their photographs, but that would be too expensive.

Mr. Jagat Prasad.—That form of crime is not I think particularly common. There is difficulty in carrying out any form of identification ; the photograph would of course be simple, but there is the question of expense.

Maulvi Abdul Matin Chaudhury.—How is the village postman to distinguish an outsider from an actual officer of the Department ?

Mr. Sams.—The Inspectors come and Inspectors go, but their peons usually go on for ever. In this particular case it was an outsider who deceived certain branch postmasters. A man of education can very easily dupe an uneducated man.

Mr. Jagat Prasad.—Steps are being taken which will make it impossible for the inspecting officer to have anything to do with money. The suggestion I had in mind was some sort of an identification certificate or card on which signatures could be compared but that is hardly practicable because this identification has to be certified by a higher officer, the signature has to be identified, the person signing has to be identified, and so on and so forth involving much practical difficulty. I think the instructions issued by the Director General will put matters right. The inspecting officers cannot now handle money.

77. *Maulvi Muhammad Yakub.*—What comments have you to make on the points raised on page 29 on the subject of embezzlement ?

• *Mr. Sams.*—This is certainly a very serious case. Instructions have been issued drawing the attention of all concerned to the rules on the subject and warning officials of their responsibilities and liabilities.

Chairman.—Are you satisfied as to the steps you have taken ?

Mr. Sams.—Yes, Sir. It has also been suggested to me that the maximum authorised cash balance and the actual cash balance with Divisional Engineers should be intimated monthly to the Accountant General. I have adopted that suggestion and I am going to have a revised form. Each month the maximum cash balance will have to be shown and the actual cash, and as soon as there is a very large difference between the two, that will have to be explained.

78. *Mr. S. C. Mitra.*—I am afraid it would seem that sometimes you are very strict with the lower grades of people but indulgent towards the more responsible people.

Mr. Sams.—This particular case went up to the Government of India who very carefully considered it. The officer concerned had an extremely good record.

79. *Chairman.*—Let us turn to page 32, paragraph 48. Any comments ?

Mr. Sams.—As a matter of fact, the Accountant General himself reduced the percentage mentioned in the report from 58 to 46. We can say I think that it will actually work out to less than 46 per cent. When these bungalows had previously been sent up for sanction there was no standard. We now have a standard. The main reason why we asked for rather spacious accommodation was that for the first few months of the hot weather Nagpur is an extremely fierce place.

80. *Chairman.*—That touches on the general question whether there is a general standard of extravagance in the Département ?

Mr. Sams.—We have now adopted one standard.

Chairman.—Of extravagance ?

Mr. Sams.—No, Sir, of accommodation. This case came before the Consulting Engineer, who presumably knows the standard.

81. *Chairman.*—Have you had a general review recently of the cost of building, with the idea of getting some check and seeing whether your standard was not unduly high ?

Mr. Sams.—The standard we have adopted may be considered to be reasonable—the standard is for all kinds of offices.

Chairman.—How is the standard arrived at ?

Mr. Coburn.—It is a standard of accommodation, not of cost.

Chairman.—That does not help us. In this particular case the cost of construction represented 46 per cent. increase over bungalows recently constructed by the P. W. D. in the same station.

Mr. Coburn.—The accommodation of these bungalows was more spacious than those of the locality. That is the departmental explanation.

82. *Chairman.*—Is it merely the question of space, or also a question of design, of more elaborate kinds of fittings ?

Mr. Jagat Prasad.—They have not yet prepared their register of buildings in charge of the Department.

Maulvi Muhammad Yakub.—Would it not be better to give a plan of a model building at a fixed cost ?

Mr. Sams.—This would not be easy. We have laid down the standards of residential accommodation for the various classes. But sometimes a postmaster gets more accommodation than he is actually entitled to ; it costs very little more to give him the extra accommodation as the post office itself has to be of a certain size and the residential accommodation conforms to the plan of the post office.

83. *Chairman.*—Do you institute comparisons with officers in the provincial service serving in the same place ? How do you get your standards ?

Mr. Sams.—As a matter of fact this particular standard was adopted when I was, I believe, away on deputation.

Mr. Coburn.—I do not remember seeing the discussions relating to the amount of space required for each class ; they may have taken place when I was on leave. We could perhaps put in a further report on the subject.

84. *Mr. Scott.*—Is it a question of more space, or whether it is a question of contract ?

Chairman.—This raises a question which might be of very great importance. I do not think we can say that we have got satisfactory evidence from the witnesses, because whatever has been done seems to have been done when the witnesses were not here but on leave or thinking about something else and they cannot tell us very much about it. I have heard it said of the Postal Department that they have a tendency to extravagance in building and I am anxious to know what steps are taken to ensure that in future there shall be no extravagance and that there shall be comparison with other standards.

Maulvi Muhammad Yakub.—And also by considering the question of fixed cost. On the same space you can spend Rs. 1,000 or Rs. 5,000.

Mr. Scott.—Also, one contractor might be paid much more than another.

Maulvi Muhammad Yakub.—There should I think be a plan of a model building at a fixed cost.

Mr. Sams.—All these cases before sanction come before the Consulting Engineer who is the expert on behalf of Government to see that they are not extravagant in style, material and accommodation.

Chairman.—Here we have a case where your Consulting Engineer has passed plans apparently involving about 50 per cent. higher expenditure than would on a reasonable estimate be necessary, and it seems to show that your Consulting Engineer's checking plans is not sufficient protection.

Mr. Das.—I do not know that Mr. Brebner might not be able to tell us.

Chairman.—I do not think Mr. Brebner could help us very much. What we want to know exactly is the practice followed now and whether you propose any changes in future. We will go through the report in the next few days, and before we conclude our sittings we should like to have a report from you.

Mr. Sams.—I will try to let you have it, Sir.

85. *Chairman.*—Para. 60, page 39. The percentages are very much higher in the case of Works than in other departments. Why is this so ?

Mr. Sams.—The Accountant General has overlooked the fact that the staff employed is not employed only on construction. It is employed on maintenance, repairs, apparatus, etc., so that the figures, although they seem high, would certainly be less if you separated off the construction part of the work from the staff.

Mr. Jagat Prasad.—The conditions of this department are different from those prevailing in the Public Works Dept. The work is mostly done by the department itself and not through contractors and there is a lot of staff which is employed on various works. A lot of charges which would in ordinary cases be taken to works are in this department charged to establishment.

86. *Chairman.*—It would be very desirable if you could adopt the same basis as is adopted in the Public Works Department so that we should have a chance of making comparisons.

Mr. Jagat Prasad.—In the Public Works Dept. a lot of staff is employed directly for the works ; there is no joint establishment. But in our case it is a departmental establishment. The rule that we follow is more or less the same as is followed by the Public Works Department.

87. *Chairman.*—It seems to indicate that the rule tends to produce very misleading results.

Mr. Jagat Prasad.—If it is a question of comparing the two departments, yes.

Chairman.—It is misleading in itself that you spend on establishment charges 66 per cent., it is an absurd figure. Mr. Burdon, have you considered that rule ?

Mr. Burdon.—The rule is either wrong in itself or else it is not applicable to this kind of transaction.

Mr. Sams.—Take, for instance, the line staff. They have to be employed on patrol and maintenance work and they may not actually do a stroke of construction work.

Mr. Burdon.—There is no expenditure on material or anything of that kind at all. It is no good producing these establishment statistics in such a way as to invite comparison.

Chairman.—That is a different explanation to what was given before. I quite understand that explanation. A staff which might be treated as works expenditure in the Public Works Department is here treated as cost of the establishment because that particular staff is employed on two or three different works of the same kind. What are these works that we are considering here ? Are they chiefly lines ?

Mr. Sams.—They relate chiefly to construction of lines.

88. *Chairman.*—We are not making distinctions between material and labour. We are making a distinction between cost of establishment and direct expenditure on works. The cost of establishment is what is normally called overhead charges, general supervision and that sort of thing. I think it is worth investigation as to whether there might be some need for change in the rule. What I should like to know is whether this does

really represent a very high percentage of overhead charges. In that case it would seem to show that the department was not organised on the best economic basis.

Mr. Scott.—If there are small repairs to be made, it would mean that the overhead charges would go up ?

Mr. Kaula.—Yes.

Mr. Scott.—If there is a small lot of repairs, you will still have to keep the same number of men.

Chairman.—The difference is this. Take an extreme case. If you have a Branch office which during the whole of the year is engaged only on one work, then there would be no overhead charges at all. As the whole of that staff is engaged on one work, all the amount will be debited to works expenditure. If they did two works instead of one, then it is chargeable to establishment, so that in one case you might have cost of establishment nil and in the other case you might have cost of establishment perhaps 95 per cent. of the total expenditure. If this is the case, then the rules which allocate expenditure do not seem to be working very well.

89. *Maulvi Abdul Matin Chaudhury.*—There is another thing with regard to this. On page 41 we have the comparison of the average figures of the different circles. The figures of the Department as a whole will show that the percentage to the cost of works is very much above the average in the case of Burma and Northern Engineering Circle.

Mr. Samø.—That is chiefly due to the fact that the communications are difficult in Burma and in Assam. Another reason is that there has been more construction in the Northern Circle. There has also been some increase in the pay of the establishment.

90. *Chairman.*—It seems to me that it does indicate that there is something misleading in the way in which these figures are made out. What I should like to suggest is that we might ask that the point might be considered whether it would not be possible to formulate some different rules for allocating the cost of these works. We would also like to know whether these apparently very high percentages for the cost of establishment do indicate something wrong in the economy of the department.

Mr. Coburn.—These percentages are not used for accounting purposes at all. This is merely a statistical statement prepared by the Accountant General. We do not apply these percentages in determining the cost of work. It is merely drawn up by him to compare the results in different Circles.

Chairman.—These figures must have been got from the analysis of the accounts. One goes to accounts in order to get a picture of what has happened, that is to say of the way in which the money has been spent, and if the accounts show me that the cost of the establishment amounts sometimes to 75 per cent. of works expenditure, then I say that either the words "cost of establishment" are misleading or there is something wrong in the department because it ought not to be such a high figure.

Mr. Coburn.—These establishments are not engaged purely on works ; they are engaged on a number of other things, and therefore, the comparison, to my mind, is not a correct one.

Chairman.—The real point is that there is something misleading in the way in which these figures are presented. What you are now saying is that the cost of establishment is generally a figure which really bears no relation to the works expenditure at all. At any rate, we have got something before us which raises a query.

Mr. Burdon.—One cannot say that the establishment is not in relation to the works. It must be in some relation to the works.

Mr. Coburn.—It is not employed exclusively on capital works.

Mr. Sams.—In one place there may be no construction at all but still we have to keep an establishment for patrol purposes, maintenance, apparatus, etc.

Chairman.—We have before us something which is very difficult to understand and I should like to have some information which will enable us to understand it better. If it really represents the cost of establishment for the particular works which have been given in the works and expenditure column, then in all cases it looks to me extraordinarily high, or else the nomenclature which has been used is rather misleading. I should like to have a note explaining these figures and letting us know what the real facts are.

91. *Mr. Das.*—Please refer to para. 84, page 107. What is the position now about reduction in stocks ?

Mr. Sams.—We have made a reduction of Rs. 4,69,962. We have to be careful with what we are doing. As you will see, we have reduced it very greatly.

Mr. Das.—You will reduce the total sum by this 4 lakhs odd year by year ?

Mr. Sams.—Yes, we will get rid of it. We have made some progress in that direction. The figures of the stock balance for the past few years are as follows :

- On the 1st April 1925 it was Rs. 1,36,47,000.
- On the 1st April 1926 it was Rs. 1,18,05,000.
- On the 1st April 1927 it was Rs. 86,37,000.
- On the 1st April 1928 it was Rs. 72,01,000.
- On the 1st April 1929 it was Rs. 68,66,000.

We have thus made considerable reductions in our Stocks.

92. *Mr. S. C. Mitra.*—Would you kindly let us have a statement showing the amount that you might expect to get from the following headings :

1. General retrenchment.
2. Telephones.
3. Embossed Envelopes.
4. Parcel rates.
5. Press telegrams.
6. Low rates for registered newspapers.
7. Greetings.

Mr. Sams.—I could give only a rough estimate.

Mr. Scott.—The general expenditure of the department may be reduced by Rs. 20 lakhs. May I know how much you have written off on account of depreciation of stores and that kind of thing ?

Mr. Sams.—In 1928-29 we wrote off about 6 lakhs on account of un-serviceable stores.

93. *Mr. S. C. Mitra.*—With regard to labour-saving machines, is it now found that it is economic to purchase these machines ?

Mr. Jagat Prasad.—They are no longer at the experimental stage. Judging by the actual experience, we now know that the life of these machines was not over-estimated. Our procedure provides for detection and prevention of mistakes. The results are checked and the system provides for control by averages. They are checked by machines.

Mr. S. C. Mitra.—But it was found that there was a difference of several lakhs.

Mr. Jagat Prasad.—It depends upon the nature of work that is done by the machine. The figures that are published by the post offices are done by hand and they are checked by means of these machines. But if you were to prepare some fresh figures, then of course there would be a possibility of a mistake.

94. *Chairman.*—We shall now take up the Railway Appropriation Accounts. I think we had better start with Appendix II.

Item 3.—I am afraid we cannot tackle this item until we get on with the constitutional revision.

Item 12.—Are there any important recommendations outstanding, Mr. Parsons ?

Mr. Parsons.—I do not think any important recommendation in Mr. Puri's report is outstanding. We have circulated it to all the Railways instructing them to adopt his proposals.

Mr. Kaula.—The same item is dealt with in para. 10 of the Director's Report.

Mr. Parsons.—You will perhaps take it up on that paragraph.

95. *Maulvi Abdul Matin Chaudhury.*—Why was not the Memorandum with regard to the preparation of the Budget placed before the Public Accounts Committee ? Is it not necessary to get the approval of the Public Accounts Committee ?

Mr. Parsons.—I shall be only too glad to place it before the Public Accounts Committee ; there certainly is no objection whatsoever to giving the Public Accounts Committee copies of any memorandum which has been laid before the Standing Finance Committee. As far as the Committee for which I am responsible is concerned, my duty is to lay any memorandum of this kind before them.

Chairman.—They considered it, but now the Public Accounts Committee would like to see that Memorandum, and we have also got to deal with some of the points which have not been dealt with in the Report of the officer on special duty. We may want to ask questions arising out of

that memorandum, but that we can't do this morning because nobody has seen it.

Mr. Parsons.—I will see that a copy is circulated to Members.

96. *Chairman.*—Now, continuing this para. 10, it says—“ The Report, however, does not suggest any remedies for removing the defects in budgeting commented on by the Auditor General from time to time, viz. (1) Failure of the Railway Board to obtain supplementary grant from the Legislative Assembly in all cases where such a supplementary grant was necessary ; (2) Bad estimating on the E. I. Rly. in spite of the separation of audit from accounts and failure to cover all excesses by re-appropriation where such re-appropriation was necessary and possible ; and so on.

Mr. Parsons.—May I make one general remark ? First of all, the special officer was concerned with getting out a better procedure for the preparation of the budget. These particular points which Mr. Kaula has brought to notice, and with which the Report does not deal, are not so much points relating to the preparation of the Budget, as to control of expenditure after the budget has been prepared. These were not points on which the officer who was put on was asked to report.

I will take the various points in the order in which the Auditor General has commented on them. The first point is “ Instances of funds being provided under the wrong head ”. In this particular year 1928-29, the Railway Board issued orders in order to attain a uniform classification of various items of expenditure, for we had found that similar items of expenditure were not always recorded under the same heads on all Railways. As a result, I think, that in this particular year 1928-29 there was a good deal more divergence between the heads under which provision was made, and those under which expenditure was booked than there otherwise would have been.

Chairman.—Do you expect to improve that in future ?

Mr. Parsons.—That has been our object for a good many years past. But there is always this difficulty. The budget will be prepared on the old classification, and the expenditure, as soon as we issue the orders, will be brought into account under the new classification. As I have said, it has been our object for a good many years past to attain a uniform classification, otherwise not only financial, but administrative control is made more difficult. That explanation also covers the next point taken up by the Auditor General, viz., “ Examples of expenditure being recorded under different heads of account on different Railways ”. Then we come to “ Omission to make budget provision ”. There I have not very much to say. In a certain number of cases I must admit that we do overlook items for which provision could be made in the budget, though in a fair number of cases we have not the information at the time the budget is prepared which would enable us to say that the expenditure will be incurred. It is almost impossible to foresee in December of a previous year, at a time when most of the expenditure budgets are prepared, every item of expenditure that will have to be incurred in the following October, November or December and so on. The only thing we can do is to make the best forecast we possibly can.

Maulvi Abdul Matin Chaudhury.—Then you put figures in the Budget without knowing the actual amount required ?

Mr. Parsons.—There are certain items which we can't foresee a year or nine months ahead, and we cannot provide for them.

Mr. Scott.—Do you mean such things as expenditure caused by floods and so on ?

Mr. Parsons.—That would be a fair example.

97. *Mr. Das.*—Para. 54 of the Director's Report, sub-para. 4. In this the reason given is that the Local Administration arrived at a certain decision during the year. But how could the State Railway and their Administration arrive at a decision against a clear decision of the Government of India on the subject ?

Mr. Badenoch.—I think this sentence has been worded somewhat ambiguously. There are no clear orders of the Government of India about the classification, but really the sentence is ambiguous.

Mr. Das.—Do I take it, then, that in the State Railways there is no uniformity of classification ?

Mr. Badenoch.—Apparently not.

Mr. Parsons.—In this particular matter, there was not, but we have taken it up.

98. *Maulvi Abdul Matin Chaudhury.*—What about the excess on the Eastern Bengal Railway ?

Mr. Parsons.—With regard to the Eastern Bengal Railway, I think we made a mistake. As a matter of fact, there were one or two small amounts which we could not have foreseen, but, for the rest, on the E. B. Rly., I think our revised estimate was not a good estimate.

Maulvi Abdul Matin Chaudhury.—Have any steps been taken to remedy that ?

Mr. Parsons.—It is always very difficult to make an estimate of the expenditure which we are going to incur, especially when we generally have to make the estimates on which our demands for supplementary grants are based about December, while the heaviest expenditure of the year is going to be incurred in the following three months. I am afraid I can never guarantee that our estimates will be absolutely accurate, and I am afraid we must occasionally make mistakes ; but when we find that we have made a mistake I am always prepared to admit it to this Committee.

99. *Maulvi Abdul Matin Chaudhury.*—Please refer to page 48 of Mr. M. K. Mitra's Appropriation Accounts. The final appropriation is 2.70, while the actual expenditure was 3.03 incurred on the Watch and Ward staff. That is an expenditure which you could very well have estimated. There could not be any difficulty about it, is it not ?

Mr. Parsons.—What happened in this case was that the Railway Administrations submitted their revised estimates, and we thought from the progress of expenditure that their estimates were too high and we did not give them the extra supplementary grant they wanted. The fault lay with us, probably with myself. We have to work very largely on the figures of the progress of expenditure till the last before we can settle our revised

estimate. We do not invariably accept an individual Administration's estimates, because we find that sometimes they are too low or too high.

100. *Maulvi Abdul Matin Chaudhury*.—Is that also the explanation with regard to page 57 in respect of the E. B. Railway ?

Mr. Parsons.—Yes.

101. *Chairman*.—Now let us take paragraph 70 of the Director's Report.

Mr. Parsons.—I think I can give the explanation for this straight away. Electrification had not advanced very far on the B., B. and C. I. Rly. and so the charges were brought to account under the head "Miscellaneous". Steps have now been taken, as the electrification has proceeded further, to adopt as uniform the practice obtaining on the G. I. P. Rly.

102. *Chairman*.—Let us take para. 7 of the Auditor General's letter. Are there any questions under this sub-head (iii)—Examples of omission?

Mr. Das.—What safeguards have you provided for the future ?

Mr. Parsons.—I do not think it is possible to adopt any general safeguards. As I have said, occasionally it is impossible to foresee the expenditure. I cannot think of any general instructions that would be of any great practical value.

Mr. Das.—What I would draw your attention to is this. When a Railway like the N. W. Rly. which is deteriorating every year omits to make budget provision and incurs heavy excesses, I think the Railway Board ought to exercise a little greater check ?

Mr. Parsons.—What we are trying to do is to get provision made in the budget estimates for all charges which are likely to be incurred in the following year.

103. *Chairman*.—May we pass on to sub-head (iv)—Instances of what appears to be inadequate knowledge of the progress of expenditure.

Mr. Parsons.—I do not think I have any general remarks to make on that, Sir ; but I could deal with paras. 63, 67 and 92 mentioned by the Auditor General. I should like to make, if I may, one general remark about paragraphs 63 and 64. I do not think that this is a case of over-allotment in the same sense as the over-allotments we used to make on Capital account when we got a grant from the Assembly and distributed considerably larger sums to Railways. The position here is this. When we are framing our revised estimates about January, we find that either we shall be within our grant or possibly that we want a supplementary grant for Railways as a whole. Later on in the year, an individual Railway comes up and asks us to distribute more money to it. It has been our practice in those instances, where from the progress of expenditure we consider that our total expenditure will be within either the original grant or the original grant plus any supplementary grant, to allot that extra sum to that Railway, and not, as I understand is the suggestion here, to take it away from any other Railway. The real reason for that practice is that we can not get figures of the progress of expenditure on individual Railways to a date so near the end of the year as to enable us to distribute our total grant absolutely accurately over each railway. There is also a practical difficulty. If, say, the M. and S. M. Railway comes up and says it wants 5 lakhs more, we shall not know from what Railway or Railways that

amount should be taken, and if we did attempt to reduce the grants on other Railways in all probability they would immediately come up against audit difficulties, and would have to stop down certain definite items of expenditure. The whole question was raised in the Public Accounts Committee in 1925, I think, and the Chairman then stated that he considered that our action was within the letter of correct procedure. After all, what the Assembly gives us is a grant for Railways as a whole ; it is not a grant for individual Railways.

104. *Mr. Das.*—Mr. Parsons, this Committee has always questioned the validity of allotting funds from one Railway to another, specially when in Company-managed Railways the surplus profit is affected by extra expenditure. I think we have always questioned whether it is right for the Railway Board to allot money from a State-managed Railway to a Company-managed Railway without obtaining the definite sanction of the Assembly. That point has not yet been decided. I have been a member for four years, and I think I myself have raised it often.

Mr. Parsons.—I cannot remember it myself.

Mr. Das.—We have not come to any conclusion whether the Railway Board have any power to allot funds from one Railway to another.

Mr. Parsons.—I don't remember the question being raised in that form. Possibly it was last year, when I was not present. But actually when originally in 1924 the railway finances were separated, the question how to put up the demands for grants was very carefully considered. Previously,—I think I am right in saying,—there were only two grants, one general grant for revenue and one for capital. We then considered how, without making the number of grants before the Assembly too large, we could split the grants up so as to facilitate the discussion of the railway budget, and it was decided that it would better facilitate discussion, if we divided grants according to the nature of the expenditure like Administration, working expenses, surplus profits and so on ; and we rejected the idea of a division both by railways and by the nature of the expenditure, for if you tried to divide them both by our present heads and by railways, you would have such a large number of grants that the Assembly would never reach most of them. The main reason for the decision was that the general questions which come before the Assembly are not so much those which relate only to one individual Railway as those which raise questions common to all Railways, such questions as how labour is treated, whether the present system of company management is a good one or not, and so on.

Mr. Das.—I was saying that the Assembly is concerned with the surplus profits. All the Railways have to make a certain contribution and if there is an extra profit the general finances get a certain share. So we have to be particular whether the Company-managed Railways which get a share of the surplus profits are not over-spending. We look upon the Railway Board as our managing directors to watch the interest of the Assembly and not over-allot money to these Company-managed Railways.

Mr. Parsons.—It is for that particular reason, among others, that we always accompany our demands for grants with those books generally called the pink books, which enable any member to look in detail into the proposals for each individual Railway. I do not think it would be feasible to stick to our present division into General Administration, Working Expenses, and so on, and also attempt a cross-distribution by Railways.

Mr. Das.—Don't you think that you as the representative of the Finance Department ought to set down some law that there should be a distinction between State Railways and Company Railways, in view of the fact that our profit is affected ?

Mr. Parsons.—Certainly not. I am always in favour of keeping control over Company Railways but not of any restriction of that kind.

Mr. Das.—Sir, I should like to discuss this point further at a subsequent stage.

105. *Mr. Burdon.*—In addition to the point that Mr. Das has raised there is one other point which may be considered, that is, whether it is really permissible for the Railway Board to give an additional allotment without making a corresponding reduction elsewhere. In form it amounts to the Railway Board doing what is done by the Assembly, *viz.*, giving a supplementary grant.

Chairman.—Where does that point arise ?

Mr. Burdon.—In paragraph 63.

Chairman.—We will take it up after lunch.

Evidence taken at the third meeting of the Public Accounts Committee held on Saturday, the 28th June 1930, at 2-30 P.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. A. C. BADENOCH, Director of Railway Audit.

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

Mr. M. K. MITRA, Controller of Railway Accounts.

Mr. T. S. SANKARA AIYAR, Director of Finance, Railways.

Members.

Witnesses.

106. *Chairman.*—We were dealing with paragraph 7 of the Auditor-General's letter and instances of what appears to be inadequate knowledge of the progress of expenditure, and we were discussing paragraph 63 of the Report. Mr. Das conducted a long cross-examination of the witnesses

and I understand he wants to return to the subject when we write our report. We might now go on to paragraph 67.

Maulvi Abdul Matin Chaudhury.—The Auditor-General raised a point about additional allotments.

Chairman.—That is a question which has been raised in this paragraph. The point really is that the Railway Board sanctioned an additional allotment without knowing from what item they were going to get funds for re-appropriation. As Mr. Parsons pointed out, this is not a question of over-allotment at all. I find it difficult to distinguish it from any ordinary case of a mistake in estimation that is made in the original budget estimates.

Mr. Parsons.—That is so. In this case we made a mistake to the extent of 5 or 6 lakhs in estimating what we were going to spend. But the real point is whether having made our estimate of what we were going to spend and finding that it is within the funds which have been granted to us by the Assembly either in the original or the original *plus* the supplementary grant, we are entitled to make an allotment to one Railway which we know will want more money without immediately withdrawing a similar amount from another Railway. Hitherto we have never, when we thought our total funds were sufficient, withdrawn from one Railway to meet additional expenditure which we expected to occur on some other Railway. We have never known exactly how much would be saved on each Railway or the items under which savings would occur. As I explained before, this point was raised before this Committee with reference to the accounts of 1925-26. Perhaps it will be sufficient if I give a reference to the discussion there. It is on page 291 of Volume II of the Report (Evidence).

107. *Chairman.*—Here is the report for 1926-27 and there we really accepted the principle to some extent :—

“Reappropriations from anticipated savings are permissible in principle, but care should be taken to see that there is a reasonable prospect of the savings materialising, and also that, whenever such reappropriations are made, a specific reduction should be made in the head in respect of which savings are anticipated, though a certain amount of discretion may be allowed for the present, in this connection, to the Financial Commissioner, Railways, in view of the peculiar circumstances in which he has to work. Care should also be taken to see that the actual expenditure does not exceed the reduced reappropriation.”

I do not know whether they are still working in “peculiar” circumstances ?

Mr. Parsons.—I think by peculiar circumstances they meant the circumstances of the Railways. That recommendation, as far as I recollect, dealt with all the departments of Government. Our difficulty is that we are in general control up here of very big administrations and we cannot know the actual details of what their expenditure will be, so to make by any means a certain redistribution of funds among them. I may take as an example paragraph 67 which is also referred to by the Auditor-General. It is pointed out that the reappropriations have not always been in the right direction. But as we only get figures of expenditure up to January, and in most cases only up to December, it is almost impossible for us to

take away money from one Railway in order to allot it to another without being just as likely to err in the other direction.

Chairman.—If you make an increased allotment to one Railway and then distribute the amount of that increase as a deduction from the allotments to other Railways you at least give them a chance of knowing that they are expected to work below their original allotment and you give them a chance of protesting if they cannot make a saving.

Mr. Parsons.—In practice it is very difficult. What happens is this. We form our estimates of expenditure as a whole about the middle of January and come up to the Assembly for a supplementary grant on those estimates, if necessary. The Railways will probably not know, unless the sums are very large, that they are likely to exceed their grants until late in February. We generally get an application from the Railways concerned about the beginning or the second week of March. By that time it will be almost impossible to say, even if the savings are going to occur, which Railway to take the money from.

Chairman.—In this case of course the excess is very small.

Mr. Parsons.—I think it will be admitted that in this case we made a very good estimate ; I cannot guarantee that we shall make as good an estimate every year. Actually with regard to this excess, I think a suggestion was made one year, although I cannot remember the particular year, that in putting up for a supplementary grant in the Assembly, we should tend to over-estimate and ask for a little bit more than we think we shall want. I have never liked to adopt that plan because it means asking the Assembly for more money than at the time you think you will actually require.

Chairman.—As a matter of fact the excess here is only .15 per cent. I do not think this particular excess need cause any comment. Personally I do not think we need do anything more than stick to the recommendation made in the 1926-27 Report. It seems to me that really covers the point sufficiently.

108. *Mr. Kaula.*—In practice they do not follow that ruling and that is the point of the Report.

Chairman.—This says that a certain amount of discretion may be allowed to the Financial Commissioner in view of the peculiar circumstances in which he has to work.

109. *Mr. Kaula.*—The difficulty then arises, how are the audit people to conduct their audit ? They must have some sort of definite and precise instructions.

Chairman.—My own view is that with regard to this particular excess there is no room for any comment. I think they have kept very close to their figure and I think they do keep close to their figures. That shows that the practice is working all right. I think we have got to recognise the great practical difficulties that are involved and we must rely to some extent on the judgment of those who have real experience. After all, all estimates prepared for the budget are based on the judgment and experience of people who prepare them and the Financial Commissioner ought, with his knowledge of Railway working, to have a pretty good idea of the amount of margin that he has got for reappropriation. If he fails

and makes a bad mistake he will certainly be pulled up for it, but I do not think we have any evidence of failure yet.

Mr. Parsons.—If there is any difficulty on the audit side the Railway Department would be only too glad to see if they cannot come to a practical solution with the Auditor-General. What I feel myself is that if we take away from one Railway and give to another we shall only have a larger crop of instances like those which are given in paragraph 67 of this Report. But, if Mr. Burdon and myself can arrive at some practical arrangement, it will relieve me of a good deal of responsibility. In this case the whole thing depends on factors which it is very difficult to foresee. If we reduce a railway's grant the Railway may say, we cannot put on a goods train, although traffic is offering or we shall have to dismiss so many men from a workshop although there is work for them to do. These are the practical difficulties.

Chairman.—When you are dealing with an undertaking like the Railways, you may suddenly find that you have to move, say, several hundred thousand tons of wheat at the end of one financial year, a couple of months earlier than can be normally expected, and your operating costs are bound to go up.

Mr. Parsons.—An instance in point came to my personal notice last year. The Agent of the Burma Railways wrote to me about it. He happened to have at a particular station new traffic offering which had not offered before. Under the existing rules he could not get the coolies to handle it because he had had no money for them in the budget. It is obvious that any system by which you try to control operating expenditure must be worked with a fair amount of elasticity.

110. *Maulvi Abdul Matin Chaudhury.*—Does this mean that this particular recommendation does not apply to Railways?

Chairman.—This recommendation particularly deals with Railways. It ought to apply much more strictly to other services than to Railways. This relates to operating costs which are not like ordinary expenditure. You have got to run your trains to deal with traffic and there may be some exceptional circumstances. There may be unexpected traffic in one financial year which normally would spread itself over a longer period.

Maulvi Abdul Matin Chaudhury.—What I understood Mr. Parsons to say was that the Railways are excluded from the scope of this recommendation and that it applied only to other departments?

Mr. Parsons.—I should not like to speak for other departments. The expenditure in other departments is chiefly on establishment on a settled scale. In their case the recommendation could be applied with very much less elasticity.

111. *Chairman.*—What I think is that this rule as it is drafted could be drafted very much more clearly, and that a much clearer distinction should be drawn. I would not say that it should not be made to apply to Railway grants as a whole, although there are certain grants where the recommendation could be applied as rigidly as in the case of any other department. What I suggest is that we should take this occasion to redraft this particular principle and make what we mean much clearer, in view of the peculiar circumstances in which the Financial Commissioner has to work. I do not think that this is made clear in this draft at all. If the

Committee agrees I can deal with that point in this way. I will have a re-draft prepared which the Committee can consider. I should like to know what Mr. Burdon has got to say ?

Mr. Burdon.—I think that, so far as audit is concerned, it will be sufficient to have a record of sanctions of this kind. You can then say whether the Financial Commissioner is exercising his discretion by seeing the number of occasions on which he does it and the grants in respect of which an additional allotment is made.

Chairman.—You don't disagree with what I am saying ?

Mr. Burdon.—I don't.

Chairman.—Special considerations apply to this, which do not apply to any other grant ?

Mr. Burdon.—I agree.

112. *Chairman.*—We can now take up paragraph 92, *New to* Constructions. "The grant, as a whole, had not been exceeded, but *re* reappropriations on the individual Railways have not always been *in* in the right direction". Have you got to say anything about this ?

Mr. Parsons.—I could give details. Here again it is a little difficult to say on any individual Railway when it has got a fairly large programme of construction what the expenditure exactly will be. You do not get the figures in time ; that is the real difficulty. You cannot get them till at least two months after the expenditure has been incurred. For instance, hitches may occur in getting on with work and then our distribution goes wrong. That happened with the Raipur-Vizianagaram construction ; when we allotted extra money it was too late for the engineers to speed up the work. On the Eastern Bengal Railway, we told the Railway to cut down its original grant and they did their best to do so, but they failed, largely I think, because they had already committed themselves to certain payments. Again a Railway may suddenly find that it has to spend 5 lakhs more on a particular work ; or that it is held up with the acquisition of land or that it has difficulty in getting labour.

Chairman.—I do not think there is very much more to be said about this.

113. *Chairman.*—We had better get back to Appendix II. We were dealing with item No. 12. The next item is item No. 13. It had been suggested that the crew system should be placed under the control of the Accounts Department instead of the Traffic Department ?

Mr. Parsons.—We have recently put on a traffic officer and an accounts officer, neither of whom has any pre-conceived ideas on this subject, to submit a report. That is all I can say at the moment. Till we have received their report, I cannot express an opinion what we shall do.

Chairman.—When do you expect to get the report ?

Mr. Parsons.—The investigation will take about two or three months. I would like to add, if I may, one statement of my own, with regard to what took place in the Committee last year. I should like to submit to the Committee that in principle it is certainly desirable that if the crew system is retained, it should be under the Transportation Department, for it is the duty of that department to see that people do not travel without paying

for it. I do not say that practical considerations may not lead to its being put under the Accounts Department.

114. *Maulvi Abdul Matin Chaudhury*.—As the Committee made the recommendation last year, could not the officers have been deputed earlier ?

Mr. Parsons.—It all depends on when the officers for the work can be made available. It is not the question of not accepting the recommendation of the Committee. Our difficulty is very largely to get hold of officers suitable for the work. It is not every officer who is suitable for an investigation of this kind.

Chairman.—I agree that it seems a long time but when it comes down to handling these things, there is sometimes the difficulty of getting suitable men.

Mr. Parsons.—There have been other investigations which have had to wait till a suitable officer became available to me.

115. *Chairman*.—No. 14—Submission of a Report on the investigation of the irregularities noticed in the Railway Appropriation Accounts and of lack of co-operation between the Railway Accounts staff and the Government Examiners. That is Mr. Rau's Report.

Mr. Das.—We have not received the Railway Board's decision on that point.

Mr. Parsons.—The position is that the Auditor General has issued instructions to his audit officers. We have drafted instructions for the Chief Accounts Officers and Agents. They have been sent to Mr. Burdon to see if he has any comments or additions to make before we issue them.

Chairman.—I think the Committee may like to see the instructions.

Mr. Parsons.—From our point of view there is no objection to the Committee seeing the instructions.

Chairman.—When they have been approved by the Auditor General, perhaps they will be circulated to the members of the Committee. I take it you would like to see them, Mr. Das ?

Mr. Das.—Yes.

Chairman.—Could they be supplied within the next week ?

Mr. Badenoch.—Yes, as far as I am concerned.

Mr. Burdon.—The Committee can in any case have a copy of the letter of the Director of Railway Audit to Railway Audit Officers on Mr. Rau's Report. That went out on the 9th May.

Mr. Parsons.—Our instructions follow that letter very closely. On some points it is a question of addressing the Agents and on some Chief Accounts Officers and in certain instances we have embodied the instructions which Mr. Burdon has issued to his audit officers.

Chairman.—It will be a good thing if the letter of the Director of Railway Audit is circulated and if possible the other letter as well.

Mr. Parsons.—There is nothing confidential in these letters at all. Would the Committee like me to send them copies of the letters as at present drafted ? I am sure Mr. Burdon would have no objection on his side.

116. *Mr. Burdon.*—There is one point on which the Public Accounts Committee has been exercised before and that is the Government Examiner's access to papers. Mr. Rau expresses the opinion that the Administrations will make over any papers which the Government Examiner requires. I think the Committee would be interested in the agreement which has been reached on that point. They were particularly interested in it before.

Maulvi Abdul Matin Chaudhury.—It appears that the Agents sometimes say that their office is not a public library and that they could not supply the papers to the Government Examiner unless they were assured of the *bona fides* of the Government Examiner.

Mr. Parsons.—I may say that in my experience only one case has arisen in which I was asked to take action. I do not think the Company-managed Railways refuse the documents which Government Examiners necessarily require for performing their duties.

Maulvi Abdul Matin Chaudhury.—You say, "The Government Examiner may complain that his requisitions for files are not complied with, or are inordinately delayed, thus making his audit ineffective". The Administration may retort that if they comply with all his requisitions there will soon be no files left in their offices and their work will be at a standstill.

Mr. Parsons.—Unless both sides act as reasonable men I suppose that would be the result.

Maulvi Abdul Matin Chaudhury.—That probably has been the attitude of the Agents?

Mr. Parsons.—It has not been the general attitude.

117. *Mr. Das.*—That means that the Financial Commissioner and the Auditor General agree on most of the points?

Mr. Parsons.—On all the points. There is no difference at all.

118. *Mr. Das.*—What about paragraph 36 where Mr. Rau suggests that the Administrations should be allowed to criticise the activities of audit in the same way as they are themselves open to criticism?

Mr. Parsons.—The matter has not been referred to me by the Auditor General. I do not think that any action so far has been taken on that suggestion.

119. *Mr. Das.*—I will put one question. Is the Financial Commissioner satisfied that the different Administrations will supply the audit officers with facts in as short a time as possible? Last year, when Mr. Rau was giving his evidence, he said that in some cases the facts as given by the audit were not the same as given by the Administrations.

Mr. Parsons.—We have taken steps to see that there is an agreed presentation of facts.

Mr. Das.—I want to know if the Financial Commissioner is satisfied that the Agents and Chief Engineers will supply the necessary facts?

Mr. Parsons.—Yes.

Mr. Burdon.—We have laid down an elaborate procedure. At an early stage when a case is registered, it is marked provisionally for mention in the next year's Appropriation Report. When the paragraph is

drafted it is passed on to the Administration for them to accept the paragraph or to adduce further facts or further comments. And at a later stage, if it is finally decided to include it, a final draft is again sent to the Administration through the accounting authority. I think that under this procedure there is little or no room for discrepancies, for each side takes the ordinary precautions to protect itself.

Chairman.—I suggest that, now that the Auditor General is satisfied, the thing to do is to wait and see how it works, and if we find it working satisfactorily, we cannot have a repetition of those cases of disagreement.

120. *Chairman.*—The next item is No. 15, "Preparation by the Auditor General, in future, of a Memorandum giving a collection of all doubtful cases relating to new services with full details." That is general; it is not merely a Railway matter. There are two items relating to the Railway Department under this head. I do not think we need bother about these now.

Mr. Parsons.—May I say one thing? Owing to this recommendation of the Public Accounts Committee last year, we have not given our views but we hoped to place them before the Public Accounts Committee on the basis of the Auditor General's Memorandum. Therefore, we would like, on the two items which occur here, to state our case. It is not a matter in which there is a squabble between the two sides, but it is a question of getting some ruling as to what is a new service or a new instrument of service.

Chairman.—You want these two particular cases discussed now?

Mr. Parsons.—Otherwise, there will be no statement from the point of view of the Government of India.

Maulvi Abdul Matin Chaudhury.—Why did you not give your reasons to the Auditor General when he asked for them?

Mr. Parsons.—He had to prepare a Memorandum for the Committee and he would presumably put it down for discussion by the Committee. The Auditor General did not ask us for any reasons.

121. *Chairman.*—Let us then take the first item in Appendix IX. After going through it, the point that strikes me there is that this was charged to capital (open lines), was it not?

Mr. Parsons.—Yes.

122. *Chairman.*—Does not that knock out the argument which says, "On the other hand, it must be recognised that provision for drainage is an essential and permanent liability of those responsible for the maintenance of the permanent way"? If this work was undertaken as part of the "essential and permanent liability of those responsible for the maintenance of the permanent way", then it ought to have been charged to maintenance and not to capital.

Mr. Parsons.—Supposing we find that a particular stretch of land gets waterlogged and it is necessary to build further bridges or culverts under the line, under our present rules of allocation that cost would go to capital. If we had foreseen the liability at the time the line was built, it would have been charged to capital.

Mr. Burdon.—The words “ maintenance of the permanent way ” are not used in the ordinary accounting sense ; they are used in a general sense.

Chairman.—If there is anything in the argument that it is part of their permanent liability, then I think it follows that it ought to be charged to maintenance in the accounting sense. It seems to me that if you treat it as capital expenditure, that is a strong argument for saying that that is a new service.

Mr. Parsons.—May I give our views on that ? Apart from the question how the cost of this work was to be charged, the actual position was this. Around this particular lake just north of Mandalay, there were heavy rains and the water level rose far in excess of anything that had occurred before. The Administration had to do something to prevent the washing away of the line there. Therefore, in this particular case they cut through a fresh channel to get rid of the water. We have had in the past, not every year, but we do have fairly frequently, similar occurrences in this country. I have looked up one or two similar cases—I think in 1928 or 1927—where we had to incur expenditure amounting to Rs. 20 lakhs or more, not in quite the same circumstances, but again owing to the possibility of our line being washed away. I think there was a cyclone on the east coast section. We have, I suppose every year, a certain amount of expenditure to incur in that way owing to floods. Therefore, it seems to me difficult to maintain that this was a new service. This kind of thing is not, in fact, new on Indian Railways. With regard to the amount, which was the other point raised, all I can say is that in the previous case which I looked up, the amount was more than it was in this case and it did not seem therefore that it would come in as a new service if the amount is to be taken as the criterion of a new service. I am not, however, aware that it has yet been decided that the amount should be taken as the criterion of a new service. So far as the amount is concerned, if it is desirable to prescribe it, I should suggest Rs. 20 lakhs as the normal limit.

123. *Chairman.*—It seems to me that the essential element in a “ new service ” is really that it is something unexpected by the Legislative Assembly when it passed the estimates.

Mr. Parsons.—This, of course, was entirely unexpected at the time when we prepared the estimates.

124. *Chairman.*—I see in the previous year, in discussing these questions one point has been made, namely, the urgency of the measure. It was argued that if an urgent need were regarded as a new service which required the sanction of the legislature before money could be spent, that might be disastrous in the public interest. But I do not think that this practical consideration should influence our view in interpreting what is a “ new service ”. The essence of novelty is something that is unexpected by the Legislative Assembly. I think the proper way to deal with cases of this kind and to get over the practical difficulties of urgency is to have some provision in the budget for works of urgent capital expenditure for the maintenance of existing property. I think we ought to have, and that it is quite legitimate to have, some reserve provision of that kind and that would give you a very good measure of what you could incur by way of expenditure without going to the Assembly for a new grant.

Mr. Parsons.—I should welcome it.

Chairman.—I had not read this case at all before, but just reading it through hastily, my own view is that this is a “ new service ” in the sense that it was something for which there was no provision and which was unexpected by the Assembly. It was felt on the other hand that the expenditure must be incurred and that it was necessary for the maintenance of Government property. But that does not alter the nature of the service.

Mr. Parsons.—If we had had to get a grant from the Assembly, we would have had to postpone the expenditure. If we had done so, we should not have been able to carry one single passenger or one maund of goods from any place on the line north of Mandalay.

Maulvi Abdul Matin Chaudhury.—The main question is whether you have to go before the Assembly for this expenditure by a supplementary grant.

Mr. Parsons.—We are concerned really with getting a decision whether it is new expenditure. If it is a question of having money in our budget for this type of emergent expenditure which comes on us most years in one place or another, it would relieve the difficulty straightaway.

Chairman.—I should like to ask the Auditor General whether he does not think that this might be a better way of dealing with the situation than to use an instance of this kind to weaken our definition of new service. It seems to me that it will be better to have a definite provision for emergent capital works of this kind than to say that because they are urgent and are required for protection of existing property therefore they are not a “ new service ”.

Mr. Burdon.—But I do not think that will meet the point technically, because it still means that if the thing is a new service, then statutorily you have got to go to the Legislative Assembly for a supplementary grant. The mere fact that it was reserved, I do not think would help you.

125. *Maulvi Abdul Matin Chaudhury.*—Does the construction of a bridge come under the responsibility for maintenance of permanent way ?

Mr. Parsons.—It might be necessary to construct a bridge in order to keep the line open.

Maulvi Abdul Matin Chaudhury.—That is to say, you can spend Rs. 50 lakhs on a bridge and not come before the Assembly ?

Mr. Parsons.—I think that is most unlikely.

Maulvi Muhammad Yakub.—No. If a bridge is washed away during the rains, then, of course, it would be an emergent work.

Mr. Das.—But they must come for a supplementary grant. They do not come at all.

Mr. Parsons.—The question is whether we should or should not have come for a supplementary grant. The practical question is that we have this type of expenditure somewhere, sometimes less, sometimes more, in most years.

126. *Chairman.*—The Budget Officer has called attention to a passage from the Report on the Accounts of 1926-27 wherein it is said, “ During our examination of the appropriation accounts of 1926-27 we have had occasion to examine the issues involved with reference to certain specific

cases. We have held that neither the safeguarding of the sources of revenue nor the substitution of one instrument of service for another can be considered to be a new service". The question is whether this is to be regarded as a safeguarding of the sources of revenue. I think we are stretching the point rather too far to say that it is.

Mr. Parsons.—I do not think that it will apply, though actually we should not have got any revenue from the line north of Mandalay and should have lost Rs. 8,000 a day. The only question is, if you wish to propose a money limit, what that money limit should be. At present, we attempt to give details of all items in the programme for a year in the pink books we present to the Assembly, if the cost is above one lakh. The general arrangement with the Standing Finance Committee for Railways is that schemes costing Rs. 20 lakhs or over should come before them. That limit was taken I think because it was the limit of the Government of India's powers before they were increased. Actually, however, I have put before the Standing Finance Committee for Railways schemes below that limit, if they are what you may describe as new instruments of service. If the Government of India wish to lay down a monetary limit as to a new service, in view of our position, I should suggest the same limit of Rs. 20 lakhs.

127. *Maulvi Abdul Matin Chaudhury.*—Can you tell me what is the English limit? I think it was about £2,000 or something like that for a new service.

Mr. Parsons.—I am afraid I could not tell you. They do not run their railways as a State business.

Maulvi Abdul Matin Chaudhury.—But they do incur large expenditure.

Mr. Badenoch.—Limit is not the only criterion.

Maulvi Abdul Matin Chaudhury.—When you suggest Rs. 20 lakhs as the limit, that appears to be far too large.

128. *Chairman.*—Let us stick to the particular point. After all, we are trying to evolve a body of case law. Here is a definite case before us and we have got to express an opinion on it. I do not quite appreciate your point, Mr. Burdon, that if you have a provision in the budget for undertaking emergent capital works of this kind, that would not cover the case. That would give a general covering authority for this type of service.

Mr. Burdon.—Yes, I had not noticed that particular part of your proposal that there should be a general provision for new services.

Chairman.—A general provision for this kind of work whether it is technically a new service or not. The Assembly would thereby have given authority to treat this kind of work as something covered by their grant.

Mr. Burdon.—Of course, the difficulty would be, if your definition is too narrow you may not achieve the purpose which you have in view; and if your definition is too wide, then the Assembly may not be willing to give a *carte blanche*. There is nothing in the existing situation to prevent you from carrying out a work which is necessary to be carried out at once, nor is there anything in the existing situation to prevent the Railway Department from coming to the Assembly for a supplementary grant after they have started and carried out the work.

129. *Chairman.*—Rule 50 of the Indian Legislative Rules says that “ an estimate should be presented to the Assembly for a supplementary or additional grant when (i) the amount voted in the Budget of a grant is found to be insufficient for the purposes of the current year, or (ii) a need arises during the current year for expenditure for which the vote of the Assembly is necessary upon some new service *not contemplated in the budget for that year* ”. That is the point, *not contemplated in the Budget for that year*. What I am suggesting is that there should be a general reserve provision in the Budget to cover expenditure of an urgent nature on services which cannot be presented at the time of the Budget. It need not be a large sum.

Mr. Parsons.—A reasonable sum. I recognise that it will lead to the possibility of over-estimation, but something probably like Rs. 10 lakhs would.

Chairman.—And then you would come with a supplementary grant if you found it necessary to exceed it ?

Mr. Parsons.—Yes. That will certainly meet us. If we could have a grant of that kind, not available for re-appropriation to anything else, we should have something to go on with if the Assembly was not sitting, without incurring the wrath of the Public Accounts Committee.

130. *Chairman.*—Supposing you had a bit of a line which was unsafe, and among your works proposals for the year was the improvement and strengthening of that line, naturally strengthening might include rebuilding of your permanent way, putting in a number of culverts, or possibly re-laying your lines with new rails and new sleepers, or strengthening of bridges. That would come in as a new capital work ?

Mr. Parsons.—Yes.

Chairman.—If you contemplated that at the time of your Budget, that would be included in your new capital works ?

Mr. Parsons.—We should show it as a definite item in our Budget. This is only a question of emergency work.

Chairman.—If it was part of your plan at the beginning of the year to do this work, you would have put it to the Assembly as a special item for a special grant ?

Mr. Parsons.—Yes.

Chairman.—And therefore, you would have been accepting that it was a new service ?

Mr. Parsons.—I am not so sure. I should not necessarily call every work we put in the Budget a new service ; in fact, it is really to get a definition that this point has been raised.

Chairman.—I think it is a new service from the point of view of requiring a special vote from the Assembly to authorise you to spend money on it, and my point is that if work of this nature has to be specially voted when proposed in the Budget, it ought equally to be put before the Assembly for a special vote, if it has to be undertaken not at the beginning but in the middle of a financial year.

Mr. Badenoch.—Does not a new service contemplate some extension of facilities to the public ? Cannot you distinguish between a new service and safeguarding an existing service ?

Chairman.—What is the meaning of extension of facilities to the public ? It may be a facility to travel on a safe line instead of on a dangerous line.

Mr. Badenoch.—In the present case, it is merely safeguarding the existing line. If you were putting in heavier rails or doubling the track or something like that, that is an extension of facilities.

131. *Chairman.*—I cannot distinguish between putting in heavier rails or doubling the track and making the track safe to travel on. There is no logical distinction between the two. If a track is liable to be broken by wash-outs and you say, " I am going to spend Rs. 35 lakhs this year to put in culverts and strengthen the embankments, so that the line may always be safe and that I can guarantee regular service along it ", I do not see how that is any less an extension of facilities to the public than re-laying it with heavier rails so that they can travel faster on it, or that it can carry heavier engines or so on. There is exactly the same principle in both these cases. I suggest to the Committee that this is a new service and that from the practical point of view work of this kind should be provided for in the budget, or that steps should be taken to regularise the position if it is necessary to undertake unforeseen emergency work of this kind. Mr. Burdon, I should like to know whether it is your view that this is a new service ?

Mr. Burdon.—I am afraid I am rather inclined to the other view. It seems to me that this expenditure is a very ordinary incident of railway administration and I could not persuade myself that this is a new service.

Chairman.—But you have said so, or your predecessor.

Mr. Burdon.—It is a doubtful case. I was asked to put up a memorandum for discussion by the Public Accounts Committee. I did not commit myself to any definite view, but my actual inclination is to regard this expenditure as

132. *Mr. S. C. Mitra.*—How many occasions were there during the last fifty years when such things occurred ? Is it very ordinary ?

Mr. Parsons.—I cannot give you the number of instances, but I cannot think of any time where a year has passed without there having been cases being put up to me for emergent expenditure of this character, not always large. I mentioned that cyclone on the East Coast Railway which I think cost about Rs. 20 or 21 lakhs, I do not remember the exact figure. I looked up another one recently which cost about Rs. 5 or 6 lakhs, and there must be numerous occasions when your expenditure does not even come to the Railway Board—of Rs. 20,000 or Rs. 25,000—because almost every year, in Assam, Madras, the Punjab, you do have this expenditure which you have got to incur to keep your lines open.

133. *Maulvi Abdul Matin Chaudhury.*—But here your ground is, " It must be recognised that provision for drainage is an essential and permanent liability of those responsible for the maintenance of the permanent way ".

Mr. Parsons.—I am afraid I have not made any statement of that kind, but I should probably agree with that statement.

Mr. Burdon.—It is my Memorandum.

Maulvi Abdul Matin Chaudhury.—Do you accept this position, that because the provision for drainage is a permanent liability, they can go on making provision for a drainage scheme for Rs. 20 or 25 lakhs without coming to the Assembly ?

Mr. Burdon.—If they foresaw the necessity for it, it would be incumbent on them to put the expenditure in the budget. That would be subject to the ordinary rule for making budget provision for expenditure which you intend to incur. This is a case for a new service not contemplated in the budget. There are two parts of the thing, (a) it has got to be a new service, and (b) not contemplated in the budget. You can have cases of new and old services contemplated in the budget, and if you are able to foresee the expenditure, it is your duty to make provision in either case, whether it is ordinary or extraordinary expenditure.

134. *Mr. Das.*—Has the Government of India given power to the Railway Board to spend on any new item of expenditure up to Rs. 20 lakhs ? I thought Rs. 5 lakhs was the limit.

Mr. Parsons.—This is obviously a doubtful case on which we wanted a ruling, some sort of a decision.

Mr. Das.—I am not talking of new expenditure. I am talking even of expenditure which will be debited to revenue. I am asking whether the Railway Board can incur that expenditure without coming for a supplementary grant before the Assembly ?

Mr. Parsons.—It would depend upon whether it was a new service or not.

Mr. Das.—It was not a new service, but new expenditure not originally provided in the budget.

135. *Mr. S. C. Mitra.*—What is the difficulty in bringing these things before the Assembly for a supplementary grant ?

Mr. Parsons.—The practical difficulty. The Assembly is not sitting the whole time, and even when the Assembly is sitting, you cannot always find time for putting up these grants.

Mr. S. C. Mitra.—We have the supplementary grants passed in half an hour every year.

Maulvi Muhammad Yakub.—He is talking of the time when the Assembly is not sitting.

Chairman.—Your strongest argument is that this is quite an ordinary incident that may be expected to occur in the course of the year. I say, if that is so, it is your duty in presenting the Railway budget to the Assembly to make some sort of provision for these ordinary incidents and you ought to have a head in your budget for emergency expenditure of this kind. I think that is the proper way to deal with it.

Mr. Parsons.—It will meet us perfectly well.

Chairman.—Whether it is necessary to try and lay down as to what types of this kind of expenditure are new service or not, I do not know.

I think it is rather difficult to find out an exact dividing line between the two. My own view is that this is a new service. It is an improvement of the line which, if you had known at the time of the budget that you were going to undertake, you would have put to the Standing Finance Committee and treated just as if it were a new service.

Mr. Parsons.—It would certainly meet us perfectly well if we in future put in a reasonable sum for emergent works of this description which arise during the year. Of course, it won't admit of any accurate estimation. In one year it may be Rs. 20 lakhs, in another, Rs. 3 or 4 or 5 lakhs, or even less than that if we have luck.

136. *Mr. Burdon.*—That will open another door to audit criticism . . .

Mr. Parsons.—That we over-estimate our total expenditure ?

Mr. Burdon.—At the present time the audit is required to express an opinion as to whether the thing is a new service or not. The audit, in the other event, would be required to say whether a particular work undertaken came within the particular terms which have been used by the Railway Department in presenting the demand to the Assembly.

Mr. S. C. Mitra.—So far as the Assembly's right is concerned, it does not improve the situation at all. We should still be giving a blank cheque without knowing any particulars.

Chairman.—On the other hand, if you only vote a reasonable amount, then, if it is exceeded, they will have to come for a supplementary grant to the Assembly.

Mr. Kaula.—In the Appropriation Accounts there would be a list of works on which expenditure had been incurred and you will be able to know whether the amount has been spent properly.

137. *Chairman.*—It seems to me that a very important element in deciding that the present example is a new service is that the expenditure has been treated as capital expenditure. If you can treat it as maintenance, obviously it is not a new service ; but if you take the view that it is improving the capital value of your property, then you definitely accept the opinion that it is something new and does not form part of your ordinary maintenance.

Mr. Burdon.—There was no improving of the property there. It was merely maintaining, there was no increasing the earning capacity.

Chairman.—It must be improving the value of the property ; otherwise there would be no justification for treating it as capital expenditure. And it is improving the value of your property for this reason that it is diminishing the risk of casual damage to the railway from floods every year which would have to be met against the profit and loss account. It may not be increasing your earning capacity, but it is reducing your working expenditure on an average. That is the only justification for treating it as capital expenditure. I think that is the most significant feature of the whole thing, that you treat it as capital.

Mr. Parsons.—If the Committee think of proposing something like that, then I should like an opportunity of going into details regarding the procedure for budgeting. The sort of point that has occurred to me is this. Supposing we had this general allotment, I shall wish to impose

certain restrictions so that this money might not be available for appropriation elsewhere. Also there could be no question, of course, of distributing the allotment among Railways, for it is entirely unforeseen expenditure and you could not know where it is going to occur. I should like to see that an ordinary small work of, say, Rs. 25,000 is not held up because it comes under this grant and so the Railways must go up to the Railway Board to get the money.

Chairman.—You are talking of minor breaches. That would not be charged to capital at all.

Mr. Parsons.—Charged to capital if it is over Rs. 2,000. I thought it was Rs. 5,000.

Chairman.—That was one of the points discussed at the Railway Conference.

Mr. Parsons.—That is much too low a figure.

Chairman.—You can reserve your judgment then to consider this particular aspect of the question.

Mr. Parsons.—I should like to discuss it with the Auditor General first of all.

Chairman.—There seems to be a pretty unanimous view that it is a new service.

138. *Chairman.*—We turn to the next item, Purchase of a workshop—paragraph 113 of the Report of the Director of Railway Audit. The point is that in 1927-28 money had been granted for the purchase of the workshops, but in 1928-29 there was nothing in the budget at all.

Mr. Parsons.—No. These workshops are mentioned in several places in the Report, paragraph 121 and I think one other paragraph. I am not certain that it will not be for the convenience of the Committee if I explain to them what happened with regard to these workshops when we first took them up. It does not seem to me that this is a new service, this particular expenditure on machinery for the workshops, but I do not know if the Committee would like me now to deal with the whole subject, or merely deal with the question of a new service.

Chairman.—We are dealing with the question of new service.

Mr. Parsons.—The actual position here is, we bought the workshops in 1927 with the intention of using them for the manufacture of under-frames. The equipment of the workshops was not up to date and the first sanctioned estimate for re-modelling of the workshops—a good deal of it was re-equipment, but there was a certain amount of alteration in the layout—was Rs. 15,62,000. We subsequently sanctioned certain electric equipment and so on, so that the estimate came on the whole to about Rs. 25 lakhs. We could not include any of those estimates in the budget, because at the time when the budget was prepared we had not got the agreement of the company, to whom the workshops belonged, to sell the workshops to us and we were entirely unaware whether they were going to agree to the terms which they were offered. But when once they agreed to them, it was necessary for us to get the workshops into a condition to perform their useful function as quickly as possible, and apart from the special circumstances of this particular purchase which I shall be able to

explain to the Committee when we come to the later paragraphs, it does not seem to me that this differs from any other purchase of fresh equipment for workshops.

Chairman.—You say you could not include in the budget anything for the purchase of the workshops because you did not know whether.....

Mr. Parsons.—For the re-modelling.

Chairman.—You included money for the purchase of the workshops in the year before ?

Mr. Parsons.—We did not include money for the purchase of the workshops in 1927-28 in the original estimate, but we put it into a supplementary estimate that year which was laid before the Assembly.

139. *Chairman.*—That knocks out your argument that you could not include money for the re-modelling of the workshops. If you can go to the Assembly for a grant for purchasing the workshops, you could also have included a grant for re-modelling ?

Mr. Parsons.—We put up for a supplementary grant after the estimates had been presented to the Assembly.

Chairman.—If you put up estimates for the purchase of the workshops, you could have included a sum for the re-modelling of the workshops. Your assumption that you did not know whether you would get them or not must have applied equally to the purchase price and the estimate for re-modelling ?

Mr. Parsons.—I think I am right in saying, that we did not know, when the Railway estimates were put before the Assembly, whether the company would accept the offer or not. I could not have put up in 1927-28 for a supplementary grant for expenditure in the following years. What occurred was this. By the time we put up a supplementary grant in March 1928—I have not got the exact date here—the Railway estimates had been passed, and in that particular supplementary grant we mentioned that Rs. 20 lakhs was for the purchase of these particular works, but we did not mention the cost of the machinery for these workshops at that time.

Chairman.—It sounds rather a curious position. You say you were too late to alter the budget estimates for the following year when you put up a supplementary demand for the current financial year, and you could not include in that supplementary grant for current financial year what you expected to spend next year on re-modelling the workshops.

Mr. Parsons.—As a matter of fact, the whole position was very curious. Unfortunately, this transaction came at a time when there was no Assembly sitting, and my recollection is that it was extremely difficult to get the estimates through the Standing Finance Committee for Railways before presentation of the Budget in that year, but I can look up.....

140. *Chairman.*—If what I have said is correct, the net result of it appears to be this. You go to the Assembly in March 1928 for a supplementary grant for the year 1927-28. You knew that you were going to spend, let us say, Rs. 20 lakhs, on buying the workshops, which would have to be paid in the financial year 1927-28. You also knew that you were going to spend Rs. 25 lakhs on re-modelling the works, which expenditure would fall in the year 1928-29. You could not include it in your

supplementary grant, and it was too late to include it in your budget estimates for 1928-29, because the budget estimates had already been passed. And because you put up for the purchase a supplementary grant in 1927-28, you say you did not go to the Assembly to get the Rs. 25 lakhs for re-modelling it in 1928-29. The net result of it is this, if my appreciation of the position is correct. You go to the Assembly for a demand for Rs. 20 lakhs for meeting a capital expenditure which you know is going to be Rs. 45 lakhs. If that is the position, it does not seem to be satisfactory.

Mr. Parsons.—May I give the exact position ? The capital estimates of Railways are at present settled in about November or December in the year and laid before the Standing Finance Committee for Railways as soon as possible—in this particular year it was, I think, January. When the estimates were prepared in November or December we did not know whether the Peninsula Locomotive Co. were going to accept our offer of Rs. 20 lakhs. They did actually accept the offer on the 6th January.

Chairman.—1928 ?

Mr. Parsons.—1927. We were going to put the estimates for 1927-28. We put up a supplementary grant for that Rs. 20 lakhs, I think in 1928 because of the delay in payment. At that time we had no knowledge of the amounts that we should want for re-equipping those workshops. In 1927-28 we sanctioned an original estimate for re-modelling the workshops, of Rs. 15,62,000. Subsequently, in August 1927 we gave sanction to certain additional estimates for electric equipment.

141. *Maulvi Abdul Matin Chaudhury.*—It is a very curious position. You came before the Assembly for Rs. 20 lakhs for the purchase but you did not place the facts before the Assembly ?

Mr. Parsons.—We came up actually for a supplementary grant of Rs. 4 crores and 20 lakhs. We detailed a number of works in our explanation to the Assembly among which was included this Rs. 20 lakhs for the purchase of the Peninsula Locomotive Co.

142. *Chairman.*—What I cannot understand is why you did not include the provision for re-modelling the workshops in your budget for 1928-29.

Mr. Parsons.—We expected the expenditure to be incurred in a previous year. We expected the re-modelled workshops to be in working order by the 31st March 1928, and therefore did not provide for them in 1928-29. But actually there was a strike in the Tata Workshops which delayed us and the expenditure was therefore thrown forward.

Chairman.—When you put up the Railway budget in February 1928, you could not have then expected to include Rs. 15 lakhs on re-modelling before the end of the financial year ?

Mr. Parsons.—It was largely a question of the purchase of machinery. A large proportion of this expenditure was on machinery ordered from England.

Maulvi Muhammad Yakub.—Purchasing new machinery you mean ?

Mr. Parsons.—Yes.

143. *Chairman.*—The real thing is, did the Assembly ever have before them a proposal which showed that you were going to spend Rs. 20 lakhs on purchasing the workshops and Rs. 25 lakhs on re-modelling ?

Mr. Parsons.—The Assembly, to the best of my knowledge, did not have any statement as to what the amount to be spent on new equipment would be.

Chairman.—If the Assembly had approved and voted money for the purchase of the works *plus* re-modelling, and then if there was a throw-forward of expenditure from 1927-28 to 1928-29, which is what you represent to have taken place, then it was not a new service. Was the Assembly ever informed, had they ever a chance of voting on that proposal which meant not only purchasing the works but re-modelling them ?

Mr. Parsons.—They actually, of course, voted a supplementary grant of about Rs. 4 crores, which included this particular item of Rs. 15 lakhs as well as the Rs. 20 lakhs for purchase.

Maulvi Abdul Matin Chaudhury.—But you mentioned only Rs. 20 lakhs in the estimate but you did not mention Rs. 15 lakhs ?

Mr. Parsons.—Our practice has been only to give the more important items.

Maulvi Abdul Matin Chaudhury.—You omit 25 lakhs ?

Mr. Parsons.—Not intentionally in any way. The whole matter was explained to the Standing Finance Committee for Railways in the explanation we gave before putting up the supplementary grant which they approved. As you may know, a supplementary grant is not generally discussed in the Assembly. That is why I do not think the Assembly were told about the machinery at that stage.

Mr. Burdon.—But they have the proceedings of the Standing Finance Committee before them as part of the papers.

Mr. Parsons.—The proceedings with regard to supplementary grants of the Standing Finance Committee would not probably go into details of that kind.

Mr. Burdon.—Would not a memorandum be presented to the Standing Finance Committee ?

Mr. Parsons.—The Standing Finance Committee were informed of the whole facts of the case straightaway as to what we were going to do, and that we should have to buy fresh machinery. I do not think it came before the Assembly, and no opportunity arose for explaining the position.

144. *Chairman.*—There are two points. First, did the Assembly approve of the purchase of the work *plus* the remodelling works, and second, was the fact known that the expenditure on the remodelling of the works was thrown forward unexpectedly from 1927-28 to 1928-29 ?

Mr. Parsons.—It is a little difficult for me to remember so far back. The Assembly certainly knew about the purchase of these works from the supplementary demand. I do not think anything was said in the Assembly about 15 lakhs being required for re-equipment.

Chairman.—Was it included in your general demand ?

Mr. Parsons.—Yes.

145. *Maulvi Abdul Matin Chaudhury.*—If it was placed before the Assembly that you wanted 20 lakhs for workshops and another 20 lakhs

for remodelling equipment, do you think they would have refused the demand ?

Mr. Parsons.—I think they would have been more likely to refuse the purchase of the works than the equipment.

Mr. Scott.—It must have been known that equipment price would have to be paid. Instead of 25 lakhs and 15 lakhs, might not a whole demand for 40 lakhs have been put forward ? It was a very bad *bundobust*.

Mr. Parsons.—So far as the Government of India were concerned, they knew they would have to spend something in the neighbourhood of 20 lakhs to re-equip these shops for the building of underframes, but we had no definite estimates of the machinery and remodelling required until actually the works were handed over to us some time I think about April or May 1928, when we sent an officer down there to work out exactly what he would want in the way of alterations in order to manufacture underframes.

146. *Mr. Scott.*—About a year was wasted before the workshops were made useful ?

Mr. Parsons.—There is no doubt whatsoever that if we had wished to buy the workshops, we should first of all have made these estimates and at the same time provided for the machinery ; but those were not the circumstances in which we bought these works.

147. *Chairman.*—That is I think directly contradictory of what you told us before. I understood you to say that, at the time you went to the Assembly with your supplementary demand for purchase, you also included in the estimate the cost of the machinery and otherwise before the end of the financial year 1927-28, and I understand that it was not till April or May that you put an officer down there. *Mr. Scott's* point is that when you went to the Assembly you knew not only what your purchase price was but what was the probable cost of the remodelling.

Mr. Parsons.—Yes, we did.

148. *Chairman.*—What I find it hard to understand is why, as you mentioned the Tatanagar works as a separate item, you did not show together in Demand both the purchase and the remodelling ; that would have been the fair way to present the position.

Mr. Parsons.—Probably we made a mistake in not mentioning it. The only reason I can see is that we were explaining a very large supplementary demand. This was a comparatively minor item.

149. *Chairman.*—On the statement of the facts, I think what happened was that the Assembly must be taken to have approved both the purchase and the remodelling of these workshops, even if they did not do so in the same supplementary demand ; that being so, I do not see how the remodelling of the works can be regarded as a new service. The expectation of this expenditure was included in the original vote or rather on the original occasion when the purchase was effected ; and that is why I would not regard it as a new service. But I do not think this ought to be taken as a precedent for what is a new service or not in this connection. Supposing you bought some works for 20 lakhs and supposing you can utilise the old machinery for 4 or 5 years, and that with works worth Rs. 20 lakhs, you decide to remodel the whole undertaking spending

criticism for not having done that. I think it would have been reasonable to mention it in the supplementary demand so that your own argument, if it was not a new service, convicts you of not representing the facts properly at the time to the Assembly.

Mr. Parsons.—Yes, Sir, but I must submit that the Railway Standing Finance Committee knew about it and the two things were largely the same.

Chairman.—If this was so, then on that ground, I think, it was not a new service in 1928-29, but only on that ground.

Mr. Mitra.—If we may take it that it was brought to the notice of the Assembly, it is all right.

152. *Maulvi Muhammad Yakub.*—When you started the transaction for purchasing these workshops, were you yourself certain that remodelling was necessary ?

Mr. Parsons.—Before we made any offer of purchase, we sent two officers down to elicit information as to what the works were worth and what we could use them for if we did take them over, and on their report we said, “ if we take them over, we will make underframes in them ; and we were well aware then that they would require a good deal of extra money spent on them. We did not know exactly what machinery would be required until we put another officer in after we had taken over the works. We knew perfectly well that most of the machinery was old stuff.

Chairman.—In this particular case the remodelling is not a new service not because it is not a sufficiently important and distinct transaction but because it was part of the original transaction and we must assume that the Standing Finance Committee knew about it and therefore through them the Assembly knew about it. I think that is the proper answer.

Mr. Mitra.—Perhaps that is a correct assumption.

153. *Chairman.*—This new duty of interpretation which has been cast on the Committee takes up very much of our time. I think if the Auditor could in the first place give us his own definite view, that would be a better arrangement and save us a good deal of discussion.

Mr. Parsons.—Unless there was a really substantial difference of opinion, we should readily accept the Auditor General's view.

Evidence taken at the fourth meeting of the Public Accounts Committee, held on Monday, the 30th June 1930, at 10-30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Haji Chowdhury MUHAMMAD ISMAIL KHAN.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

} *Members.*

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR MCWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. A. C. BADENOCH, Director of Railway Audit.

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

Mr. M. K. MITRA, Controller, Railway Accounts. } Witnesses.

Mr. T. S. SANKARA AIYAR, Director of Finance,
Railways. }

154. *Chairman*.—We shall now take up item 16, Appendix II.

Mr. Parsons.—On this item we have submitted a Memorandum to the Committee which I think will meet the views which they expressed at their last meeting.

Chairman.—We had a long discussion about this item last year and the procedure which we then adopted is set out in Appendix VIII. It gives the railways a certain amount of latitude but at the same time I think it preserves the complete control of the Assembly. I may inform the members that I am quite satisfied with the arrangement myself. We have given a good deal of thought as to how the best result is to be achieved. I think the Auditor General last year suggested a mere token vote and my view about that was that it would enable projects to be started which might land the Government in very heavy commitments. As we have got it now, the Assembly will have full information as to the total cost for completing any of the lines between which the Railway Board want to choose, and it will also make clear that commitments in excess of a certain amount will not be undertaken. I think in this way the Assembly will have a much better control than it had before. What I am suggesting is that if you are not ready to discuss this item should provisionally approve of it and if any member wishes to come up any observations in writing before the end of our session, he can

155. *Chairman*.—Item 19, Appendix II. This is merely a model case recommendation we made last year. You will remember that it came up in connection with the brick works maintained by one of the Committees; where they spent a great deal of more money than they had anticipated.

Mr. S. C. Mitra.—There is another case this year also about the bricks, which is more or less of the same nature.

Chairman.—I think satisfactory instructions have been issued.

Mr. Parsons.—Apart from the particular point mentioned in the explanation, we have issued general instructions also to Railways. We do not want them to take up side shows. There is no disagreement on that point. Occasionally it may be necessary to have them, but we have got to be very particular about them. We do not want side shows if we can possibly avoid them. I have quite recently issued orders stopping the manufacture of bricks by machines and we are considering whether we ought not to stop even making them by hand moulding.

156. *Chairman*.—Item 20, Appendix II.

Mr. Parsons.—I may mention for the information of the Committee that in important cases we consult the Finance Member before any changes are proposed at all and it would be entirely for the Finance Member to decide whether he wishes at that stage to consult the Public Accounts Committee.

Maulvi Abdul Matin Chaudhuri.—But the question is whether you should consult the Public Accounts Committee also.

Mr. Parsons.—That depends entirely on the Finance Member. If he thinks that the matter is of sufficient importance he would consult the Public Accounts Committee. There is no objection to doing so from the railway point of view at all.

Chairman.—I think you can take it that the Finance Member will consult the Public Accounts Committee in important cases.

Mr. Parsons.—Sometimes we have very minor changes. For instance, this year we made a change merely to divide up one head into two in order to get better control.

157. *Maulvi Abdul Matin Chaudhuri.*—In the meantime, in the Memorandum you have submitted on Mr. Puri's Report there is no change of forms.

Mr. Parsons.—I would not like to commit myself categorically. Recently there have been no important changes in the form of demands. I can only recollect one myself. We suggested the splitting up of what was previously one head in order to make the figures more understandable.

Chairman.—There is a case in point. It was dealt with in Appendix VIII.

Mr. Parsons.—That would be an important change because there is some principle behind it.

158. *Mr. S. C. Mitra.*—I think the question was more raised from my point whether this Committee is consulted about the change and I think that under the rules we can claim that primarily it is to be consulted. It is not to be left entirely to the Standing Committee for Railways.

Chairman.—That is the point. I think what has been suggested now is the best way of dealing with it. As a result of the Railway Convention, there are undoubtedly two authorities, the Standing Finance Committee for Railways which is the primary body to be consulted and the Public Accounts Committee. I do not think there is any jealousy or conflict between the two.

Mr. S. C. Mitra.—We are not disputing the right of the Standing Finance Committee for Railways going into it. What we maintain is that we are also authorised by the Legislature to bring to the notice of the Assembly every grant. We cannot avoid our responsibility to go through this as a whole.

Chairman.—It is simply a question of changing of forms of demands. A new form for putting forward demands for capital expenditure has been suggested so that the Assembly can maintain control and at the same time leave a certain amount of latitude to Railway authorities to choose between alternative projects which may be started in a particular

year. That is a case of great importance and of course I would like to see that the Public Accounts Committee is consulted.

Maulvi Muhammad Yakub.—It is also the duty of the Committee to see that the money voted by the Legislature has been spent within the scope of the Demand.

Chairman.—That you do in the ordinary course. The understanding will be that the Finance Member will consult the Public Accounts Committee on all important changes in the form in which the demands are submitted. It recognises the position of the Public Accounts Committee in the right way without involving constant conflict between it and the Standing Finance Committee for Railways. I hope the Committee is satisfied with that.

159. *Chairman.*—Item 32, Appendix II. Is there anything to be said about this item ?

Mr. Parsons.—I should first like to explain that we wrote to the Agent of the Railway and told him that we thought that the Assistant Engineer was also to blame, and that we should have asked for disciplinary action to be taken against him but for the information that his subsequent service has been good. We pointed out that the Committee wished further inquiries made to fix the responsibility for the loss of the measurement sheets, and we asked the Agent to attempt to fix responsibility for the loss and take suitable disciplinary action. The Agent has replied that this case occurred in a temporary development district and the loss of the measurement sheets may be explained by the fact that the temporary district was closed before the inspection took place. I believe what he means is that when the district was closed all the papers were removed to a permanent office, and that they were lost during transit. The case is six years old and it is difficult to fix the responsibility on anybody after the lapse of such a long time. As the case is an old one it would be difficult to find out exactly who was responsible for the loss of these documents at each particular stage.

Maulvi Muhammad Yakub.—This Committee is here only for a *post-mortem* examination after many years have elapsed. In such a case it can be easily said that it is impossible to locate responsibility because the matter is an old one. New things never come before this Committee; we have always got to see things which are at least three years old.

Mr. Parsons.—The earlier we can get information the better. From our point of view I am trying to make arrangements that when anything important of this kind occurs we should immediately get information about it. That is the only way in which we can avoid the occurrence of cases in which we cannot take effective action because they are too old.

Chairman.—The period of six years is not a normal one. This is an exceptional case.

Maulvi Muhammad Yakub.—It should not be treated as a precedent for the future.

Mr. Parsons.—I never want bad precedents.

160. *Chairman.*—Item 33, Appendix II. We must accept the legal opinion tendered by the Government Solicitor.

Mr. Parsons.—I might explain that in this particular case there was no evidence of *mala fides* and in order to launch a criminal prosecution it is necessary that we should establish *mala fides*. Mr. Sherwani raised the question whether a charge of forgery could be brought. In this particular case there was nothing which was even technically forgery. We have issued instructions that normally in any serious case Railways should immediately take competent legal advice whether a criminal prosecution should be launched or not and that they should ordinarily follow that advice.

161. **Chairman.**—Item 34, Appendix II.

Mr. Parsons.—The remarks in the last column do not represent the considered opinion of the Railway Board. Actually the Branch concerned in the Railway Board's office did not consider that it was necessary to go into the Army Department Rules. The case came to me a few days ago and the Chief Commissioner and I did not agree with that opinion. The position actually is that the military authorities have had a lot to do with land cases recently and have very carefully examined what their procedure should be. I do not see any reason why we should not learn by their experience. We have therefore instructed our office to make a careful comparison between our present rules and the rules of the Army Department to see if we can import something from them to our advantage.

Chairman.—So, we shall have a further report from you on this point.

Mr. Parsons.—Yes. I do not say that we shall adopt the Military rules *in toto*, but we shall certainly try to find out if we can in any way profit by them.

162. **Chairman**—Item 35, Appendix II. This item is still under consideration ?

Mr. Parsons.—This item relates actually to the allocation of the cost of stock. I have had a discussion with Mr. Badenoch about it but we have not yet come to any conclusion. I am afraid I cannot for say more than that.

163. **Chairman.**—Item 36, Appendix II.

Mr. Parsons.—We have only just recently got the report ; I have not-myself seen it yet.

164. **Chairman**—Item 37, Appendix II. You say that the recommendation has been noted. Does that mean that it has been accepted ?

Mr. Parsons.—We are quite prepared to accept the recommendation, but we have got no such lines at present. After all, it is a recommendation to which effect can only be given on each particular occasion on which you get a Local Government pressing us to build a line which we do not want to build except on the guarantee system.

Chairman.—We may take it that normally, when a recommendation has been noted, it means that you have no counter suggestion to make ?

Mr. Parsons.—Yes.

165. *Chairman.*—Item 38, Appendix II. I do not know whether the Committee would like to go into this in detail. What is your position about it, Mr. Parsons ?

Mr. Parsons.—Mr. M. K. Mitra has recently been down there and is in a better position to explain the situation.

Mr. M. K. Mitra.—The general position is that we have cleared a lot of the arrears, but it will still take some time to put everything on a fully satisfactory basis. The real difficulty was with regard to the classification. There was no system really in the Company days and afterwards when the O. R. R. came in they had a different classification from what the E. I. R. had, and things got worse. We have done a lot with regard to the past transactions but I am afraid it will still take sometime with regard to them. So, what we have now done is to start a fresh account from the 1st of April 1930. We shall take count of the stock that is in hand and I have arranged for a separate set of men to deal with the current transactions and another set to deal with the past, that is to say, with regard to the balances that should correctly represent the actual book balances on the 31st March 1930. The work with regard to the past transactions, I think, will take at least another 6 months or so, but with regard to the current transactions from the 1st April, we shall be absolutely on a satisfactory footing.

Mr. Parsons.—May I add a word to what Mr. Mitra has said ? Our difficulty, as far as I can ascertain, is that the classification of stores on the East Indian Railway was not the same in a great many respects as that on the O. and R. Railway. When, therefore, these two Railways were amalgamated they had no ledgers from which you could say of such and such an article that so much of it is present stock. What we did with regard to that was to put on a stores officer to go through the classification and try and get a uniform classification for all depots, and at the same time to examine what the annual consumption of each article is so as to lay down the maximum balances of each article. The work has started on the E. I. Railway at the Howrah Depot, and I think some special officer each week or at short periods submits his proposals for the classification of various items of stores. He is dealing actually with about 80,000 items. When I went down there last, I found that the procedure for dealing with his recommendations was not, to my mind, likely to get decisions quickly enough, and so I arranged with the Agent that the special officer should discuss each week whatever items he had examined with the Chief Accounts Officer and the Controller of Stores and orders should then immediately issue on his proposals. If there was any divergence of opinion the matter was to be taken straight to the Agent and settled by him. But it will take some time to get the classification right because we are dealing with a very large number of items.

166. *Mr. S. C. Mitra.*—“The Controller of Railway Accounts stated in August 1929 that in the course of the next six months he was confident that there would be almost a model method on the East Indian Railway Account Office with the introduction of machine methods of accounting. The latest information with regard to the progress of the work is that the machines have arrived about the beginning of February 1930. The Controller of Railway Accounts has also stated that the preliminary work will be commenced on the North Western Railway only in the first

instance and thereafter the scheme will be put into operation on the East Indian Railway". That is what the Report of the Director of Railway Audit says. So it seems to me that though it was promised to be done in six months they have not succeeded.

Mr. M. K. Mitra.—Six months after the introduction of the machines.

Mr. S. C. Mitra.—The Controller of Railway Accounts said that in the course of the next six months he was confident that there would be almost a model method on the East Indian Railway with the introduction of machine methods of accounting.

Mr. M. K. Mitra.—It has been introduced from April. The machines came in February and we started with the new year.

Mr. S. C. Mitra.—It is not in contemplation to commence the experiment on the North Western Railway.

Mr. M. K. Mitra.—The experiment on the North Western Railway is being carried on simultaneously, but we are not waiting for the results of the North Western Railway experiment. We have introduced it in one depot on the East Indian Railway, viz., the Howrah depot, and by the time we introduce it in other depots, we shall know what is going on on the North Western Railway.

167. *Maulvi Abdul Matin Chaudhury.*—We should like to know what Mr. Badenoch thinks of the position there.

Mr. Badenoch.—There is no trouble about the totals. The total of the balances of stores according to the ledgers has been reconciled with the totals according to the general accounts. I think the Committee can be sure that no money has gone astray. The trouble is with the details. The classification has really been in a hopeless mess, and the amounts of receipts and issues that have been taken to particular ledgers do not sometimes relate to the articles in the particular ledger; that is to say, owing to the mistake in classification one type of article has been taken to a ledger belonging to another type of article. To my mind the only way of settling the difficulty is the way that Mr. Mitra has adopted, and that is to have a classification made, have the stores sorted out according to the classification, complete the account and then take stock of your balances in the particular ledger. I think that is the only way. I do not think there is anything to be gained by making the old ledgers agree.

168. *Chairman.*—You would simply scrap your old ledgers and begin afresh?

Mr. Badenoch.—Yes. You simply scrap your old ledgers and really start afresh, because we have been assured and we know that the total according to the old classes,—that is to say, the 30 classes of the old East Indian Railway Company include Mr. Parsons, 80,000 items. I do not think it is possible to do any useful work by trying to keep the old ledgers alive.

169. *Chairman.*—How long will that take?

Mr. Badenoch.—It is for Mr. Mitra to say. The mere preparation of the lists will take a long time, and after that we have got to get the actual articles properly sorted, then we have got to do the complete

accounts in 80,000 items, and it will take a certain amount of time. It is rather too hopeful an estimate to say that it could be done in six months.

Chairman.—Will it be finished before we meet again next year ?

Mr. M. K. Mitra.—I expect it to be finished in about eight months or so. Of course, we will have to put on extra men to the work.

170. *Maulvi Muhammad Yakub.*—I should like to know what Mr. Kaula thinks of what we have heard.

Mr. Kaula.—My views are rather pessimistic. I am not at all hopeful that they will be able to do this even within a year from the way in which they have been managing this thing during the past years. You have present here an officer who has been actually in charge of this kind of work and I think he will be able to give information on the subject—I mean Mr. Sankara Aiyar. He was in the East Indian Railway Accounts Office and he must have better information about this thing than any one of us here and he will be able to tell you what are the difficulties. To illustrate my point, I will just put one question to Mr. Mitra. He says he has separated the current work from the work which is in arrears. In regard to the work in arrears your main difficulty is the classification. What classification have you adopted with regard to the current transactions ?

Mr. M. K. Mitra.—All the men in the depots and the Accounts Offices will work in close co-operation now. They will fix upon a provisional nomenclature for each type of article. To fix a standard permanent nomenclature will take at least a year or more, but in the meantime, we hope to find no difficulty in working on a provisional basis.

171. *Mr. Kaula.*—Am I correct in saying that with regard to your current accounts also there is no finality until your work in regard to classification has been fully completed ?

Mr. M. K. Mitra.—Certainly. What we have done is this. We have started from the 1st April without any balances. We have left the opening balance blank for the time being and we are posting the transactions of the year only.

Mr. Kaula.—You may still find at the end of the year that your items described in the current year's ledger are different from the items that were there previously.

Mr. M. K. Mitra.—Some of them may be different, but we shall be working in close co-operation with the depots in the matter of the provisional nomenclature. Though we may have to make changes here and there, I do not expect they will be very many.

Mr. Kaula.—For the purposes of this Committee those answers are quite sufficient to show that it will take a long time.

172. *Chairman.*—Mr. Kaula, when you say you are pessimistic, you mean you are pessimistic as to the time. You do not mean you are pessimistic in the sense that they may discover serious trouble ?

Mr. Kaula.—That will necessarily be the case because shortages must be discovered. But one cannot say definitely what the nature of the shortages will be ; there may be excesses or shortages. What I say is,

Mr. Mitra's methods may be all right, but I doubt if the people who are running the show are the people who will be able to manage it.

173. *Mr. Parsons.*—Is it on the question of personnel ?

Mr. Kaula.—I think so very strongly. The local personnel there.

174. *Mr. S. C. Mitra.*—We find we are in the same hopeless position.

Mr. M. K. Mitra.—I do not say so. We have done more than half the work already. The arrears and confusion have been going on for years and they cannot be remedied all of a sudden. When Mr. Scott said that it would be done within six months after the introduction of the machines, he must have referred to the current transactions only.

175. *Mr. S. C. Mitra.*—There is not much disparity in the totals ?

Mr. M. K. Mitra.—No. There has been regular reconciliation with the class ledgers. Of course, with regard to the ledgers—Mr. Badenoch did not quite explain and that is why the Chairman had some difficulty in understanding the position—it was not that the total of the 80,000 balances was agreed with the total of the debit to stores as per accounts, but we had another method of classifying these 80,000 items into 30 classes. Instead of posting into 80,000 ledger accounts, we posted into 30 class ledgers and their total agreed with the general accounts.

176. *Maulvi Muhammad Yakub.*—Do you agree with the proposal of Mr. Kaula to appoint a special officer ?

Mr. Kaula.—You want a stronger Controller of Accounts, I mean the Chief Accounting Officer.

Mr. Parsons.—I am not prepared to deal with the personality of the Chief Accounts Officers. Mr. Kaula seems to me to be making a reflection on the Chief Accounts Officers, which I think ought to be proved.

Mr. Kaula.—I was sitting silent all the time and it was only when I was definitely asked a question by the Committee that I expressed my opinion.

Chairman.—Mr. Kaula is merely expressing his opinion that it is a big job and he is doubtful whether the present staff can cope with it.

Mr. M. K. Mitra.—I have carefully looked into that question, because there was a lot of discussion last year about the efficiency of the staff. I think it is not the inefficiency of the staff in question but it is the insufficiency of the staff. A part of this work is work which has never been done before and therefore we shall have to get extra staff and we are arranging for it.

177. *Chairman.*—Are the Railway authorities satisfied now that the staff they have got is capable of tackling this job and getting it through in a reasonable time ?

Mr. Parsons.—I can tell the Committee that if Mr. Mitra thinks that any extra staff is required we shall immediately give it to him.

Mr. M. K. Mitra.—Then I am prepared to take the responsibility upon myself. I have carefully looked into the matter of the staff and I think the staff is certainly insufficient, because we have got a lot of work which has not been done in the past and which has to be done. As I said, in the old company days, there were priced ledgers so to say, that is, ledger

accounts of these 80,000 items, but they were never reconciled with the general books, and such reconciliation as they had annually was not worth anything.

Maulvi Muhammad Yakub.—You mean to say that the people who are working in it had no experience of this sort of work ?

Mr. M. K. Mitra.—No, I do not mean that. I mean we have taken up a lot of new work, which was not done before and this new work is absolutely necessary in order to bring the things on to a satisfactory footing.

Chairman.—Then you say you want additional staff ?

Mr. M. K. Mitra.—Yes, Sir.

Chairman.—You have not asked for it ?

Mr. M. K. Mitra.—It is quite recently that I have been looking into the details. I got a letter from the Chief Accounts Officer and I asked him to give me complete details as to the exact strength of staff he wanted. He made out a very big bill. I shall have to cut it down and then I shall put it up before the Financial Commissioner.

178. *Chairman.*—This business has taken a very long time and the Committee had an assurance that it would be completed in a short time, and that assurance has not been made good. That creates a presumption in our minds that something is wrong, and Mr. Kaula who was asked his opinion has expressed his opinion that the staff wants strengthening ; without casting any reflection on the personnel, he thinks that the staff wants strengthening. It is not for us in this Committee to make detailed recommendations, because we cannot do your business for you. All we can say is that in our opinion this is very unsatisfactory. We must express the view very strongly that this business ought now to be definitely cleared up within the next financial year, and you have to accept the responsibility.

Mr. M. K. Mitra.—I do.

Chairman.—If you want more staff, it is for you to say so. I do not think we as a Committee can say anything more than that.

179. *Maulvi Abdul Matin Chaudhury.*—I want to read out what Sir Frederic Gauntlett said last year : “ May I put it this way. I think it is generally agreed that the administration of the Stores Department in the East Indian Railway has been very bad from quite the top for some years past, and there is no clerical staff in the world that can work efficiently if the administration for several years has been bad. That must make a staff inefficient ”.

Mr. Kaula.—That is the Stores Department and not the stores accounts or stores audit.

180. *Mr. Scott.*—Is this a new system that has been recently introduced ? Is it entirely new to the East Indian Railway ?

Mr. M. K. Mitra.—Are you referring to the machine portion or the other portion ?

Mr. Scott.—The machine portion.

Mr. M. K. Mitra.—The machine portion is altogether new.

Mr. Scott.—It is not working in any other Railway at all ?

Mr. M. K. Mitra.—No. It has been in use on the North Western Railway for a short time.

Mr. Scott.—When you get the thing working on the North Western Railway you send some people who have worked it on the North Western Railway to show the staff how to work it on the East Indian Railway and you also send some people from the East Indian Railway for training on the North Western Railway.

Mr. M. K. Mitra.—Yes. We are now working in one depot only on the East Indian Railway independently of the North Western Railway.

181. *Maulvi Muhammad Yakub.*—What about Mr. Kaula's suggestion that a special officer should be appointed ?

Mr. M. K. Mitra.—I do not think it is necessary.

Maulvi Muhammad Yakub.—You yourself realise that the staff is insufficient, if not incapable, and you are in need of having additional staff. What is your objection to accepting Mr. Kaula's suggestion that a special officer who has first hand knowledge of the matter may be deputed to clear off the arrears ?

Mr. M. K. Mitra.—I do not think it will be one man's work. He may be a genius, and yet he may not be able to do it unless he has a sufficient staff.

Maulvi Muhammad Yakub.—He will supervise the work. If an expert is appointed, he will not work single-handed, but with his personal knowledge he will be in a better position to see that the work is done properly.

Mr. M. K. Mitra.—I have no objection if that is done, but I do not think it is necessary.

182. *Chairman.*—Mr. Mitra's point is, if there is any deficiency, it is shortage of staff and not incapacity on the part of the staff. He takes the responsibility and I do not think we can do anything except to underline his responsibility.

Mr. S. C. Mitra.—If he takes the responsibility, I think we shall be satisfied.

Maulvi Muhammad Yakub.—But he has not given any definite assurance as to how long it will take.

Chairman.—Mr. Mitra has stated that the whole thing will be finished in eight months.

Maulvi Muhammad Yakub.—You are responsible for that.

Mr. M. K. Mitra.—I take that responsibility.

Chairman.—As far as we are concerned, we want to know that it will be finished within the next financial year before we have to deal with the matter again. You can expect some strong criticism from the Committee if it is not finished by then, because they have been put off by promises and assurances several times already.

183. *Mr. Das.*—I shall read from last year's evidence :

“ *Chairman.*—When you have settled on your plan you will tackle it, and so far you have no reason to think that your recommendation will not be approved by the Railway Board. You have not so far put up any definite recommendation about the staff and about reorganising the whole system ?

Mr. Scott.—I have not put up any recommendation and I have not the full details as to the staff to be displaced—possibly about 30 or 40 or even 50 per cent.

Chairman.—What would that mean in numbers ?

Mr. Scott.—I should think the staff occupied there will be about 120 ”.

Mr. S. C. Mitra.—Later on, he says, “ In the course of the next six months I am confident that there will be almost a model method on the East Indian Railway.”

Mr. Das.—I want to draw attention to another portion of the evidence :—

“ *Chairman.*—Would you be able by cutting out the superfluous supervising staff to retain a reduced staff of good quality or would you have to remove the whole of the supervising staff and put in new people ?

Mr. Scott.—I have not come to any decision about the superior staff beyond what I have stated that it is a matter about which I have left tentative instructions with the Chief Accounts Officer, that it is occupying my attention and in a couple of months' time I hope I can take definite action. I have come to no definite decision about particular officers.”

I think that supports Mr. Kaula's statement just now.

Chairman.—Since then, has there been any change, any new people being put in on top ?

Mr. M. K. Mitra.—No.

Mr. Parsons.—Shortly after I returned from home I remember passing orders that the officer in charge should not be transferred and should be left in charge of the stores accounts department. We have him still there.

184. *Chairman.*—When did Mr. Scott go ?

Mr. Parsons.—He went on leave about December.

185. *Chairman.*—Did he put up any recommendations after this examination by the Public Accounts Committee ?

Mr. Parsons.—I was not here. So far as I am concerned, the only recommendation that I can recollect is this question of appointing a particular officer to remain in charge of the stores work.

Chairman.—We are in great difficulty because the witnesses we have before us are entirely different from those we had before us last year.

Maulvi Muhammad Yakub.—And those who take the responsibility this year may not be before the Committee next year.

Mr. Parsons.—May I say straightaway that if Mr. Mitra considers it desirable that we should put another special officer in charge of this work, I shall certainly accede to his recommendation, but I gather, Mr. Mitra, that you want more accountants and not necessarily a change in the supervising staff.

Maulvi Abdul Matin Chaudhury.—Sir Frederic Gauntlett's view was that unless you made a change at the top no change in the subordinate staff would be very effective.

186. *Chairman.*—We cannot make any recommendation about a special officer, but the Committee is entitled to express some dissatisfaction with the way in which it has been constantly put off in this matter.

Mr. Ccott.—A man comes along and makes a promise and the next man does not seem to have taken any notice of what the first man has said.

Mr. Parsons.—It was particularly for that reason that I passed orders that this officer I have mentioned should not be taken away. For I quite agree with you ; what we do want is continuity in the people who are likely to put things through.

187. *Mr. Scott.*—In this case it does not seem to have taken place. Mr. Mitra does not seem to know what Mr. Scott has promised.

Mr. M. K. Mitra.—I knew. We expected the machines to come to this country in November last year. The machines came in February and then there was no use taking up the work in March. So we took it up in April. He expected everything to be all right within six months after the machine system had been introduced. The machine system has been introduced from April now. That is with regard to a part of the work. The machines were tabulating machines.

Mr. Das.—Machines and reorganisation of superior staff are quite different things, and Mr. Scott was definite that the staff would be reorganised in two months.

Maulvi Muhammad Yakub.—Mr. Scott's opinion was quite different from Mr. Mitra's point of view. Did you take any notice of what Mr. Scott said in this Committee when you took over ?

Mr. M. K. Mitra.—Certainly. That is why I said I looked into the matter of inefficiency and I was satisfied that the staff were not so very inefficient as they were made out to be. The real root of the trouble is not with the staff exactly, but with the confusion that had been made with regard to the classification in the past, and that confusion can be set right only by extra staff.

Maulvi Abdul Matin Chaudhury.—Do you suggest that Mr. Scott was wrong in suggesting that the staff was inefficient ? You do not agree with what Mr. Scott said ?

188. *Mr. S. C. Mitra.*—Nobody knows how the machines will work !

Mr. M. K. Mitra.—They are still in the experimental stage.

Mr. Badenoch.—There is one criticism, Sir, that I would like to make, and it is this. The machine system is in an experimental stage on the N. W. Railway. I am myself very doubtful about the wisdom of the policy of introducing the machine system in another office before it has

been actually tried out in one particular railway office. The whole of this system has not been fully introduced even on the N. W. R., and as I said, it is still in an experimental stage there. I think the experiment will prove successful, but I think there is a lot of work to be done before the new system is fully introduced. In any case, I think it is a bit dangerous to introduce it on the E. I. R. till the system has proved successful in another railway.

Chairman.—It seems to me that you have chosen this Stores Department to make a new experiment with the new machine system, but that evidently this is not a good office to choose for making a new experiment ?

Mr. M. K. Mitra.—We are only making the experiment in the Howrah Depot, where there is no confusion in the accounts at all.

189. *Chairman.*—We have been hearing a good deal about the delay in putting these stores accounts in order. To what extent has the delay in the delivery of these machines accounted for the delay in putting these stores accounts in order ?

Mr. Badenoch.—That has nothing to do with it, but until the classification is finally fixed, I do not think there is the slightest chance of getting this thing straight.

Chairman.—Then you are only committed really to making experiments with these machines in the Howrah Depot ?

Mr. Badenoch.—Yes, Sir, because there the stores are straight.

Chairman.—There is no idea of introducing these machines into the other depots where there is confusion ?

Mr. M. K. Mitra.—Until we have a clear classification with regard to the other depots, we cannot introduce these machines there ; in the meantime we shall go on with the other method, and by that method we expect to get everything straight in six or eight months' time.

Maulvi Muhammad Yakub.—Will the other method be worked with the machine system or without the machine system ?

Mr. M. K. Mitra.—Without the machine system.

190. *Maulvi Muhammad Yakub.*—May I know when Mr. Scott comes back whether he will replace you or you will remain in your present post permanently ?

Mr. Parsons.—Mr. Scott is not going to replace Mr. Mitra. Mr. Scott has already come back.

Maulvi Muhammad Yakub.—Then there is some chance of continuity.

Mr. Parsons.—That is so. Personally I want continuity, and particularly in this matter I want continuity in the staff down there ; but Mr. Badenoch is quite right in saying that the root of the trouble lies in getting the classification.

191. *Chairman.*—I want to ask you one question, Mr. Badenoch. You told us just now there is no idea of extending the use of these machines beyond the Howrah Depot at present, but in this memorandum (Appendix XII), at page 3, it is stated that " Arrangements have been made to work it for the other Depots also, so far as the transactions of the year are

concerned, *i.e.*, without the opening balances, as soon as a provisional nomenclature has been fixed upon by each depot in consultation with and with the help of the Accounts Department". That looks as if you do intend to extend the use of the machines to the other depots as well before you get the whole thing straight ?

Mr. Badenoch.—I am only a critic, Sir ; I think, Mr. Mitra will be able to reply to this.

Chairman.—Then we will transfer the question to Mr. Mitra.

Mr. M. K. Mitra.—What stands really in the way of putting these depots into proper working order is the absence of even a provisional nomenclature.

Chairman.—We are not quite sure about that. What we feel as a result of this delay is that there is some suspicion that the staff may not be working very well ?

Mr. Badenoch.—About the staff on the audit side, I would say that we are very hard pressed ; but experienced staff does not exist.

Chairman.—I appreciate that difficulty, but that does not meet my point, that it is undesirable to introduce new experiments in an office which is not working very well ?

Mr. Badenoch.—It is almost impossible to completely introduce the new system in all the depots at present.

Mr. Burdon.—There is no difficulty in giving effect to the programmes already decided upon. I do not know whether the machines which will be used in other depots are the same as those in use in the Howrah Depot. There a single set of machines has a very large capacity, and so it is perfectly simple to work there.

192. *Chairman.*—I should like to have your view Mr. Badenoch ?

Mr. Badenoch.—We cannot possibly introduce this new system in other offices until the experiment has proved a success.

Mr. Parsons.—The position really is that until you have got the nomenclature straight in the other depots you cannot use the machines. In fact, you cannot transfer the work of those depots to the machines that are now doing the Howrah Depot's work. But as soon as a provisional nomenclature has been fixed upon by each depot, arrangements have been made to work it for the other depots also.

193. *Chairman.*—That is obvious. Until you have got the nomenclature fixed, you cannot work the machines but I would go on to say until you have got all the accounts in order, it is undesirable to introduce the experiment with machines into those particular offices.

Mr. Parsons.—I quite agree.

Chairman.—I should like to sum up the position in this way. We as a Committee are entitled to comment adversely on the repeated failure to carry out assurances which have been given to us to complete this re-organization within the specified time. That being so, we must comment adversely. Our power of action is very limited this year because we are not confronted with the same witnesses whom we had before us last year.

At the same time, I think we are bound to accept Mr. Mitra's assurance that he will make himself responsible to put this in order within a specified time. On the other hand, it is most unsatisfactory that we should have to wait for another year and then perhaps be confronted with the same position as we are confronted with to-day. What I have in mind is this, that we should ask for a detailed *interim* Report, and I should like that Report to deal with the questions and answers which came before the Committee last year. If you now disagree with what the Committee was told last year, I think we ought to be definitely told that in the Report. I would suggest that you prepare for us an *interim* Report to be ready early in February next year, and that the Public Accounts Committee should have a special meeting if necessary to consider that *interim* Report. Otherwise, after waiting for a year or for more than a year, we may be confronted with the same position as now. So we should like to know in February how things are going on.

Then the third point which I think we should make is that we should put in a very definite recommendation that there should be no attempt made to introduce experiments with the machine accounting until all the arrear work has been put in order in the other offices.

194. *Mr. Scott*.—There are different methods of accounting referred to in the beginning of Appendix XII. What is the system adopted on other Railways ?

Mr. M. K. Mitra.—The normal procedure is to take the book rate ; that is, for the actual quantity on hand, take the booked value and divide it by the quantity.

195. *Chairman*.—It seems to me that any change in practice might mean making a very big adjustment in one year which might upset your results. I should have thought that the prejudice would be very definitely in favour of not making a change, because whatever method you adopt, the average works out all right. But I do not quite understand, Mr. Mitra, why you should make a change ?

Mr. M. K. Mitra.—Because it has been recommended by Sir Arthur Dickinson's Committee.

Chairman.—But then that Committee made several recommendations to apply to several Railways. Why should you think of making a change on the E. I. R. only ?

Mr. M. K. Mitra.—The change that we are trying to effect will be applied to all the Railways.

196. *Chairman*.—When are you going to take a decision about that ?

Mr. Parsons.—We ought to take a decision quickly. There are very many recommendations made by the Dickinson Committee, and we have been taking the recommendations one by one, but on this point we have not yet come to a decision.

197. *Chairman*.—What is the normal practice on the British Railways ?

Mr. Parsons.—They are very much nearer their markets. I actually did have a discussion with the present General Manager of the Great

Western Railway, and my recollection is that he said that they took the latest market price.

Chairman.—Their position is quite different to what it is here. Any way, I don't think we need consider this point in connection with the E. I. R. any further.

198. *Chairman.*—Item 40, Appendix II.

Mr. Parsons.—Here the question is still under consideration by the Government of India. I would just add that I do not think it was made clear to the Committee last year that the maxima and minima rates both for passenger and goods traffic which the Railway Board lay down apply equally to Company-managed Railways and to State-managed Railways alike. But the circumstances of different Railways vary.

199. *Chairman.*—When you say that orders have not yet been passed, are you quite sure? I remember this file coming before me about four weeks ago, and I was going to say to the Committee that I had accepted your view?

Mr. Parsons.—I thought it was still under discussion between you and the Railway Member, Sir. I have not seen the file since.

Chairman.—I was prepared to accept the view that the Committee's recommendation went further than was really practicable.

Mr. Parsons.—It is some weeks since I have seen that file.

Mr. Das.—The Committee said "unless in any special case there are.....". So there is enough latitude allowed to the Railway?

Chairman.—It is just a question of what importance you give to those words, and I don't think this note is quite accurate.

Mr. Parsons.—The note is not quite accurate. I have not seen the file since it was under discussion with you and the Railway Member, Sir, and it has not come back from him.

Chairman.—My recollection is that you put forward a view which I was prepared to accept, and I think I also pointed out that in your noting you had interpreted the Committee's recommendations as being much more rigid than was really intended. Anyhow, I think it will be satisfactory if you will look up the file and bring the point up again.

200. *Chairman.*—Then we go on to Item 41. Introduction of the system of proper commercial accounts on all colliery works.

Mr. Parsons.—Here again the Note does not accurately represent our view. I am not sure whether we can get out exact profit and loss accounts, but certainly there is no disagreement with the view of the Committee on the part of the Railway Board at all. We do want to have some commercial account which we can bring out each year, showing the cost of each ton of coal raised from each colliery, and so on, but I am not sure whether we shall be able to show a commercial profit.

Mr. Scott.—What are your reasons for saying that?

Mr. Parsons.—My general reason is this. If we estimate our cost of raising coal at say Rs. 4 a ton for a particular class of coal, we could always issue it to railways at 10 per cent. above our cost and show 10

per cent. as our profit. But that could not be our real profit at all. I do not think that figure will be of any value. Our profit arises if we raise our coal, taking in all charges, at a lesser cost than we could buy it in the open market. Our transactions in coal are so large that we may be said to set the market price for coal in India. There are a good many other large consumers who enter into coal contracts with particular collieries which provide that the price will be the price fixed each year for State-managed Railways. To give a concrete example, our total demand for coal for State-managed Railways in the current year is in the neighbourhood of 4 million tons. Now, if we in this year decide to raise 2 million tons from our own collieries and to buy 2 million tons from the market, the price of those 2 million tons would be at any rate for 1st class Jherria, in my opinion, lower to us than if we decided to raise only 1,500,000 tons in our collieries and take 2,500,000 from the market. By asking for a larger quantity we should probably put up the price. You cannot therefore definitely state that because for a particular class of coal or coal from a particular colliery the market price quoted to you has been so much, it would have been the same if we had placed either a smaller or larger order for that quality of coal. I find it therefore very difficult to see how we can arrive at any figure which really represents our definite profit; for to a very considerable extent we control the market. But the whole matter is one which I want to discuss with the Director of Railway Audit and see if we can get down to some system of commercial accounts.

201. *Mr. Scott.*—If any colliery can produce an audited account, why cannot your collieries? The cost of coal makes no difference at all.

Mr. Parsons.—Your point is, whether we can produce a profit and loss account?

Mr. Scott.—No, a balance-sheet showing your costing rates in coal.

Mr. Parsons.—That is exactly what we want to get to. I want to get at something which will, taking in all charges, show us the exact cost of raising coal.

202. *Mr. Scott.*—I believe a lot of Calcutta people maintain that you can buy coal cheaper in the market than you can raise in your own collieries.

Mr. Parsons.—Sometimes possibly it may be true.

Mr. Scott.—And it may be quite advisable to sell your collieries and buy coal in the market. You probably only keep them open in case you should be squeezed.

Mr. Parsons.—You may remember that not many years ago we were very definitely squeezed. Actually what we normally do is, if the price of coal is favourable we increase our purchases from the market and keep the collieries definitely in reserve.

203. *Chairman.*—Where do your purchases actually come from? Are they imported?

Mr. Parsons.—We never import.

204. *Chairman.*—Is there a chance of imported coal controlling the price?

Mr. Parsons.—Not now. I think 1924 was about the last year in which South African coal stood a chance, and only for the Railways on the Bombay side. I recollect the Railway Board refusing to allow one Railway to take imported coal then. But there is no chance now of importation of coal being profitable to Indian Railways.

205. *Chairman.*—It seems to me that the position now is this that owing to the difficulty of settling what prices the Railways ought to pay to their own collieries for coal, it is very difficult to get an exact profit and loss account.

Mr. Parsons.—Yes, that is the only thing.

Chairman.—On the other hand it seems to me that accurate costing accounts should be kept including all charges so that in a broad way you can survey from year to year whether it pays these Railways to work their own collieries or whether they are really losing by doing so instead of buying their coal from outside.

Mr. Parsons.—That is what we want to get to.

Chairman.—That was our recommendation last year, and to that extent you agree. But you are not satisfied yet as to exactly how you are going to do it.

Mr. Parsons.—That is so.

206. *Mr. Das.*—May I point out that last year when we were examining Mr. Rau, he said :—

“ We hope to have our departmental collieries on a cost accounting basis this year, but it will not meet Mr. Neogy’s point as regards other collieries as we cannot impose upon Company-managed Railways our system of accounts ; once we start a real commercial system of accounting in our railway collieries, other railways will probably follow suit ; but till we set our own house in order we cannot really compel others to do so.”

And the concluding remark of the Chairman was :—

“ I suggest that the conclusion is that whatever the actual facts are, the commercial results of running the B. N. Railway are being complicated by the fact that the Railway are using their own coal and it is possible that the Railways are being made to show worse results in order to avoid showing a loss on working the coal mines ; and it is a subject which should be inquired into and the accounts of the coal mining undertaking ought to be kept on a proper commercial basis and that the B. N. Railway, as a railway undertaking, ought not to be charged by the B. N. Railway coal mining undertaking more than a commercial rate for the coal which it uses.”

Chairman.—I was saying that if the result at the end of the year was that by buying coal in the outside market you could have bought it cheaper, that really amounts to a subsidy paid by the Railway to the collieries and that fact ought to be brought to light.

Mr. Parsons.—I do not know why Mr. Rau anticipated any difficulty. If we get down to proper commercial accounts for collieries, I see no

reason whatever to believe that there will be any difficulty either in the B. N. or the M. S. M. Railway in getting them to adopt the same form.

207. *Mr. Das.*—But we have been pressing in this Committee for the last three or four years for commercial accounts of the railway collieries and Mr. Rau last year gave us an undertaking that the Railway Board would take steps for keeping commercial accounts.

Mr. Parsons.—I do not think there will be the least difficulty in getting the companies to come in.

Chairman.—But you have not settled your own system yet.

Mr. Parsons.—No, that is the point.

Chairman.—I cannot see why there should be this delay.

Mr. Parsons.—I expect the difficulty is about the apportionment of overhead charges. I will get hold of the papers and settle it as soon as possible. But I understand the cause of the delay is the difficulty about overhead charges not only in collieries but in workshops and so on.

Chairman.—I should like you to prepare a note for us as to what the exact position is and give it to us tomorrow. It seems to me that it ought to have been settled before now.

208. *Chairman.*—Item 42. This has reference to Appendix XI. This is a long matter to go into and we need not deal with it item by item. If the Committee want to go into these in detail I think it might be practicable to follow the procedure that we adopted last year of a small sub-committee to go through these items. I think that will meet with the general views of the Committee.

Mr. Das.—May I ask Mr. Kaula if he is satisfied with the results ?

Mr. Kaula.—I think on the whole we may say that we are satisfied. We cannot expect results at once and it will take some time to see the results. On the whole I am quite satisfied. I was satisfied as Director of Railway Audit that action has been taken on each case which required attention. They have communicated their views in quite unmistakable terms to the Agent of the Railway and I do not think they could do more. It is too early to expect ultimate results.

Chairman.—Is the Committee satisfied with that assurance of Mr. Kaula ?

Mr. Das.—I think we ought to be satisfied. Our object was that the Board should take keener interest in the management of Company Railways. They have done it and the audit is keeping a watch over it.

Chairman.—I made the suggestion in case the Committee wanted to go through this item by item.

Mr. Das.—I will go through this minutely and in case there is anything on which we want to ask a few questions, we will let you know tomorrow.

Chairman.—I think after Mr. Kaula's explanation we may say provisionally that we are satisfied that the Railway Board have taken action on the Committee's recommendations.

209. *Chairman*.—Item 43.

Mr. Parsons.—The suggestion has been noted for action and we can only take action as cases come up. As a matter of fact, we always do very carefully consider the responsibility of supervising officers in all cases which come to our notice.

210. *Chairman*.—Item 44.

Maulvi Muhammad Yakub.—Was this communicated to the Railways also or is it only in the office of the Railway Board ?

Mr. Parsons.—This was a recommendation that the Railway Board should take action as required.

211. *Chairman*.—We now come to Appendix III, Item 32.

Mr. Parsons.—This is, as far as I recollect, really a point we have dealt with before, as to the methods of pricing stores so as to avoid large credits of revenue in individual years.

Chairman.—Then it has nothing to do with machines ?

Mr. M. K. Mitra.—If we introduce machines they would give us the balance from day to day and the book value and we know the prices from day to day.

Mr. Parsons.—Supposing we decide to adopt the ledger-balance system, it will be easier to adopt with machines.

Chairman.—I think there are two points involved. First of all the decision as to what system you are going to adopt and secondly, the question of introducing machines to make it possible to work the system accurately.

Mr. Parsons.—Yes, that is so.

212. *Maulvi Abdul Matin Chaudhury*.—Item 33 of Appendix III. Has this piece-work and bonus system been introduced in the N. W. Railway ?

Mr. Parsons.—Yes, according to the recommendations of the Workshops Committee.

213. *Mr. Scott*.—Is it working satisfactorily ?

Mr. Parsons.—We have not got any report as yet.

214. *Chairman*.—When was the system introduced ?

Mr. Parsons.—I am afraid I cannot answer. I can easily find that out for the information of the Committee.

215. *Chairman*.—I should suggest that in these cases where action has been taken on any of these recommendations and your submission is that it satisfactorily disposes of the recommendation so that it need not appear again in these appendices, it would be useful if you supplied a fuller note than is given in the Remarks column.

Mr. Parsons.—We will certainly do so.

Chairman.—I think we will ask you to give us a fuller note on this particular item.

Mr. Das.—It should deal with all the State Railway workshops including the G. I. P. and E. B. Railways.

Mr. Parsons.—The Workshop Committee accepted the system in force on the E. I. and E. B. Railways. They merely recommended an alteration of the system on the N. W. Railway.

Mr. Das.—What about the G. I. P. Railway ?

Mr. Parsons.—They made no recommendation with regard to that Railway. As a matter of fact the G. I. P. is a fairly advanced Railway in this respect.

Chairman.—Please give us a short note summarising the position.

216. *Chairman.* Item 34.

Mr. Parsons.—We had first of all to consult the Railways as to what their procedure was and see if they saw any objection to making agreements with auctioneers. None of them I think raised any objection. But we only got their replies about May last and now it is just a question of getting a draft form of agreement. It is quite clear that we want this agreement with auctioneers to secure that money which they receive for materials sold at the auction is handed over to us as quickly as possible and secondly that the material is not delivered until payment has been made.

Chairman.—So the thing is practically settled. It is merely a matter of form that now remains.

Mr. Parsons.—Yes.

Chairman.—That disposes of Appendix III.

217. *Chairman.*—This list on page 8 of the Director's Report does not agree with our own Appendix. It would have been convenient to us if this list of action on previous Reports had been prepared in the same way as our own list. The present arrangement is rather confusing.

Mr. Burdon.—Would it not be more satisfactory if, in the Appendices which are presented to the committee, the items were grouped by the departments to which they relate. If you keep the outstanding subjects grouped together by departments, it would be found much more convenient.

Mr. Badenoch.—A standard list could be maintained by the Finance Department and it could be sent round to the various Accountants General and Directors of Audit. It need not come into the Report at all.

Mr. Burdon.—If it does not appear in any Appropriation Report, then the Auditor General is deprived of the opportunity of commenting on the action taken.

Mr. Parsons.—At present we get the Appropriation Report about the beginning of May and the Appendix very much later.

Chairman.—Our list in Appendices II and III contains only items that are mentioned in the Report or the proceedings. Your list shows a good many other points as well. I think your list could be made to agree with our list and then you can add the additional items.

Mr. Kaula.—That is exactly what is done at present. There are some matters with which the Director is not concerned and he will not mention them in his Appendix. They will appear in Appendix II but not necessarily in the Director's report. If the Committee could give instructions to the Directors as to the order in which these items should be grouped, they will do so.

Chairman.—I think by discussion between you and the Finance Department we could get a list which does agree. What we want to get out in this list is first of all the items which will appear in Appendices II and III and then at the end there will be items which do not appear in those Appendices, so that we can see at a glance the points that still remain in the Report for us to deal with. I am not sure myself whether there are points of substance in the Director's section "Action on previous Reports" that have not been dealt with. In this case everything in the Director's Report is commented on in the Auditor General's Report, in so far as the Auditor General wants to make comments.

218. *Chairman.*—We shall now take up the Auditor General's letter.

Maulvi Abdul Matin Chaudhury.—The practice formerly used to be that the Committee went through the Report page by page and the Chairman asked the members whether they had any questions to ask.

Chairman.—I am afraid time must have been much less precious in those days than it is now. I understood that the normal procedure was to work on the Auditor General's letter.

Mr. S. C. Mitra.—By law, we are required to go through these accounts. I have raised this question before. The British Public Accounts Committee sits for three months.

Chairman.—I think our Report of last year dealt with many more points of substance than were mentioned in the previous Reports. My point is that we should go through the important points carefully rather than rush through superficially every point brought up. But I am quite prepared to follow the wishes of the Committee.

Mr. Scott.—After we have gone through the Reports, if any member wants to raise any particular point, he might do so.

219. *Chairman.*—Certainly. Have you anything to say, Mr. Burdon on this point ?

Mr. Burdon.—I think the only practical procedure is the one suggested by you, unless and until the Public Accounts Committee is able and willing to sit as long as the Public Accounts Committee of the House of Commons which works continuously almost throughout the year. A great deal of time is spent on these Reports by the Auditor General and by his office and we endeavour to bring out the really important things for the assistance of the Public Accounts Committee and I do believe with you that we should concentrate our attention on the really important things that emerge. I may say that I propose from next year to introduce a certain change in the domestic procedure which may interest the Committee. I propose to ask the principal audit officers, when they send their Appropriation Reports, to send along with them a confidential synopsis of the more important points in their Reports and the important general questions which require attention, my point being that

the principal auditor who is in contact with the financial transactions is really in a much better position to know where the shoe pinches and where anything has gone wrong. This arrangement, I think, would be even more effective in the case of provincial accounts than in the case of the central accounts. In the case of provincial accounts, the Auditor General has no contact at all and the principal Auditor is the person who has to appear ordinarily before the Public Accounts Committee of the province. At the same time the Auditor General has a certain responsibility and he has to supervise the audit of the principal auditors. In the case of the provincial accounts, the arrangement will be that the principal Auditor will send up his synopsis and the Auditor General will make a further examination of the whole Report, but in his comments to the Local Government he will do his utmost to reinforce the comments of the principal auditors. I think in the case of the Central Government a similar plan will be followed. The essence of the arrangement is that the man who has direct touch with the subjects dealt with should offer the necessary guidance for the improvement in the financial administration.

220. *Maulvi Abdul Matin Chaudhury.*—If we could get the Report of the Auditor General earlier, it would be helpful.

Mr. Burdon.—We have to deal with 14 Appropriation Reports. This is the first year in which I have had to do it and we have done it two months earlier than it has been done before.

Chairman.—For this year at any rate we will continue the practice of taking the points as mentioned in the letter of the Auditor General. If there are any other points that Members desire to raise, I shall certainly do my best to meet their wishes. In future, when there is more time, it would be of very great help to the Finance Member presiding over this Committee if members could read the Appropriation Reports carefully and could let him know in advance any important points that they want to raise. It will certainly save time. I understand that this used to be the understanding but that no member sent in his points in advance.

221. *Chairman.*—Paragraph 4 of the letter. Paragraph 7 of the Report.

Mr. Burdon.—That has been disposed of by the remarks I made before the witnesses were called in. In the view of the Auditor General the only reason why there was any apparent delay in accepting the suggestion, was that the necessary declaration had not been received from the Secretary of State. This has since been received and the matter has been put right.

222. *Chairman.*—Item 5 in paragraph 8 of the Report. We have actually touched on that. We can look to continued improvement in that direction.

Mr. Parsons.—The only reason why we have not given a Report with regard to the Tatanagar Works for this year is that they had not started manufacturing operations. It is only from 1929-30 that we should be able to get a complete annual Report.

Mr. S. C. Mitra.—The remarks column on page 5 says that no orders have yet been received from the Railway Department.

Mr. Parsons.—It is covered by paragraph 12 of the Finance Department's Resolution.

223. *Mr. Parsons.*—May I refer to item 4? I have a suggestion to make that when Mr. Pitkeathly comes before the Committee to give evidence, some representatives of the Railway Department should also appear with him to deal with the purchase of stores by railways.

224. *Chairman.*—Item 11.

Mr. Parsons.—The question there is this. Though we have issued the orders mentioned on the N. W. Railway, at the same time Sir Arthur Dickinson has recommended that when stores are issued to the engineers they should immediately be charged off to the works concerned and an account kept by the engineers of the stores in their charge. This alternative has attractions and we have not therefore decided definitely to adopt the practice of the North Western Railway on other Railways.

225. *Chairman.*—Item 18.

Mr. Parsons.—The question of preparing a profit and loss account and incorporating it in the Annual Report on Indian Railways is being considered by us. The question of preparing a balance sheet is very complicated. It requires an attempt to allocate particular loans or at any rate a proportion of particular loans to particular Railways. That is under investigation. I think it will take a very considerable time. The balance sheet would have to show the capital expenditure and the rates of interest at which capital has been raised. That means a re-investigation.

Chairman.—I do not see why that should be so. You can lump all the advances together and need not allocate those separately against particular loans in preparing the balance sheet.

Mr. Badenoch.—You will have to divide up your total capital investment on the different Railways.

Mr. Parsons.—We have to show the interest chargeable to that particular Railway.

Chairman.—When you prepare a note on the profit and loss account, you can show how the interest charges have been calculated. It has nothing to do with the balance sheet.

Mr. Parsons.—Would not you want to show the particular loans on the liability side?

Chairman.—Your liability is simply the total liability to the Government. We can say that we desire to have a definite decision about this next year.

226. *Chairman.*—Item 21.

Mr. Parsons.—The position is as follows. I actually produced a memorandum at the last meeting of the Standing Finance Committee on a good many points. They had no time at that meeting to deal with those

points. We propose to include certain minor particulars in the Account Code for Railways which is now under preparation.

227. *Mr. S. C. Mitra.*—Item 19. Separation of railway from general finance : When is the Committee likely to finally submit its Report ?

Chairman.—The position is that such important questions are involved that the Railway Member who presided over that Committee came to the conclusion—and I agreed with him—that until we came to the stage of the whole of the constitutional revision, we could not proceed with that Committee. We are not I think to blame for not proceeding with that matter. The majority of the original Members have resigned, and you will agree it has been very difficult to carry on.

228. *Mr. Das.*—I think the Committee for considering the Railway Convention ought to have met three years after the original date ; it met only in 1929.

Mr. Parsons.—May I correct Mr. Das ? The actual convention was to be subject to review but to last for at least three years. I think, as the members of the Committee know, the attitude taken by Government has consistently been that as soon as there was a general demand on the part of the Assembly for a review of the convention after three years, the review should be undertaken. There was no idea necessarily to review after three years.

Mr. Das.—I understood that it would be reviewed after three years and when the Railway Department did not come forward with the review, we had to put forward interpellations. Then Government decided to appoint a Committee.

Chairman.—I would like to say that I have spent a great deal of time myself in going through all these questions and if I had thought that there was anything essentially wrong with the working of the convention, I would not have been satisfied to let any of these difficulties stand in the way of revision. But my own view is that although I disagree with the way in which some of the calculations are made, the convention has been working fairly and producing reasonable results. I myself have got various suggestions for altering various terms of the convention, but I am quite certain that the public interest is not being prejudiced and also that the public is not misled by the continuance of the convention in its present form, and that it is producing an approximately accurate picture of the results. I would like to make that clear.

229. *Mr. S. C. Mitra.*—I think the Assembly should be asked to say once for all whether they accept the general principle of the separation of the railway from the general Budget. Of course the whole thing was an experiment for three years and it may not be necessary to go back, but the Assembly have a right to go back. Now after five years there is no chance of their going back for another year and a half at least.

Chairman.—From the practical point of view you could not do that now.

Mr. S. C. Mitra.—Constitutionally speaking, I think we have a right to go behind the convention.

Chairman.—Yes. Of course there is no true separation of finance but only a separation of accounts. Railway finance and general finance are of course intimately connected. What I think the Assembly had in mind was the sort of question whether the Railways were making too large a profit. On that, my own view is that general revenues have not really benefited at all from the Railways. Actually we draw no dividend from the Railways ; everything we draw from the Railways goes back again to Reduction or Avoidance of Debt, that is to say, really for writing off our railway debt. I do not believe you could devise a scheme which would arrive at fairer results than the present scheme.

230. *Maulvi Abdul Matin Chaudhury.*—May I ask if the reserve accumulated is not too large ?

Chairman.—The point you refer to comes up on page 19 of the Report. I do not think there is anything useful that we can say about that. We cannot alter the practice. The railway balances go into the general ways and means position of the Government. I do not accept this statement that the Government of India might always find it very difficult to honour a large draft upon those balances. It is our business to see that we are in a position to honour any reasonable draft.

231. *Maulvi Abdul Matin Chaudhury.*—Cannot the large accumulation in the reserve be earmarked to some other purposes ?

Mr. Das.—Will it be fair to consider that now ? Let us leave it over till the new convention comes into force.

Chairman.—I think Mr. Das is right. What is the particular question you want to raise ?

Maulvi Abdul Matin Chaudhury.—The earmarking now of the large accumulation in the reserve to some other purposes.

Chairman.—I think in a year or two one of the purposes of the reserve will be given practical effect, and they will be drawn upon to make up the railway contribution. We are in a lean period as regards Railways. We went through a period of considerable prosperity of the Railways and thus the reserve accumulated. In economic affairs there are ups and downs ; and what I really would like to call your attention to is that I regard the existence of this reserve not so much as a thing which knocks Government out in bad years,—because as a matter of fact when you come to your bad years it is Government itself which has to find the money. It is not so much from that point of view that it is of value as from the point of view of preventing your taking too rosy or too optimistic a view of the position when big profits are earned. It is a safety provision. You see my first duty is, in a good year, to put a large proportion of these surplus earnings to reserve. I myself think that the reserve provision is not too big, and there would be no justification for taking those comparatively favourable years as a basis for reducing rates.

Mr. Das.—I am in entire agreement. I may remind Maulvi Abdul Matin Chaudhury about the fall of the Bombay millowners due to their not having kept adequate reserves.

232. *Chairman.*—Will the reserve be depleted this year, Mr. Parsons ?

Mr. Parsons.—As things are going at present, there is every likelihood. As a matter of fact the Railway Board had to take action at their last Board meeting to see if we could not get economies on the working expenses side to attempt to improve our position. I do not like to be pessimistic, but unless there is a very great improvement in trade conditions in the country—and we are absolutely dependent on trade for our traffic—I see very little chance of not having to draw on the reserve.

233. *Mr. S. C. Mitra.*—Mr. Burdon, we have not received your letter to the Secretary of State ?

Mr. Burdon.—It has not yet been written : we should remember we are doing now what last year we were doing in September ; that makes a considerable difference. The letter to the Secretary of State cannot go until I have completed a review of all the Appropriation Reports not only of the Central Government but also of the provincial Governments.

234. *Maulvi Abdul Matin Chaudhury.*—Para. 11 of the Report. The budget provision was rather too high for the Railway Board ?

Mr. Parsons.—I will give a brief explanation. The Auditor General's letter shows that certain savings, particularly that on account of rent of offices, could not have been foreseen at the time of the Budget ; the orders came into force actually from the 1st April 1929. The rest concerns leave salaries, which are always a difficult thing to estimate. The excess is due to the fact that the late Chief Commissioner of Railways quite unexpectedly became the Head of the Betting Control Board at home, and therefore the officer who was going to be on leave, Sir Austin Hadow, remained on and did not draw his leave salary. I have looked up two or three other cases, one was of an officer intending to go on leave but remaining on on special duty.

235. *Maulvi Abdul Matin Chaudhury.*—Page 17 of the Accounts. Are bonuses and contributions to provident funds a difficult thing to estimate ?

Mr. Parsons.—Generally we estimate these provident fund contributions on the previous year's actuals, and this year the actuals gave an over-estimate.

236. *Chairman.*—Para. 9 of the Auditor-General's letter.

Mr. Das.—The Auditor General's analysis on pages 4, 9 and 10 is I think a very fine analysis, and I suggest that might be incorporated in the Public Accounts Committee's Report.

Chairman.—In view of their intrinsic importance, they might be reproduced as an Appendix.

237. *Chairman.*—Grant No. 3, Audit.

Mr. Parsons.—The saving there was again mainly due to the provision for office accommodation not being utilised ; a decision was reached that rent for various offices in Delhi would be charged to the individual

Departments, but for certain reasons effect was not given to that proposal until 1st April 1929.

238. *Chairman*.—Grant No. 6.

Mr. Parsons.—The savings there are due to a lapse in the provision for surplus profits of the Burma Railways, owing to delay in finally settling the accounts of the line.

239 *Chairman*.—Grant No. 11.

Mr. Parsons.—Let us take first the item Rs. 5,40,000 which comes under the head Land Subsidy. This land was acquired originally for the construction of certain railways by, I think, District Boards in Madras. When it was decided that construction should be taken up by Government and not by the Boards, it became necessary to credit revenue and debit capital with the amount. I do not think we could have foreseen that ; the orders in regard to adjustment were passed after the budget estimates were framed. With regard to overbudgeting under surveys, our actual expenditure on surveys was fairly near what we had estimated in the Budget ; but when we undertake construction, the sums originally charged to revenue for surveys are charged to capital and a credit given to revenue, and the credits actually received this year were very considerably in excess of those anticipated.

As regards pensionary charges, there is no doubt whatever that our arrangements for budgeting for pensionary charges were not as good as they should have been and we have taken steps to put them right.

As regards the last item, auxiliary accounts, Mr. Mitra will be able to explain in detail. I understand we receive credits or debits from other Departments after the main accounts are closed and so have to keep these auxiliary accounts open. The net result may be either a credit or a debit, depending on the circumstances of individual years, and therefore we do not make any budget provision.

Mr. M. K. Mitra.—Yes.

240. *Chairman*.—Grant No. 15.

Mr. Parsons.—The orders with regard to the dismantling of the Decauville Railway were passed after the Budget estimates had been prepared. In fact the orders were passed after the next year had begun.

241. *Mr. Scott*.—What made you to buy that line ?

Mr. Parsons.—It was not purchased by the Railway Board. This Decauville Railway had been put down by the military authorities during the third Afghan War. When the operations were finished, the question came up whether it should be dismantled or not. The military authorities did not consider it of any use in peace time but thought that it might possibly be of some use on mobilization. The political authorities of the N.-W. F. P. did not at that time like to have it dismantled. They had received a good many petitions from the people in that area and it was then decided not to dismantle it. The question then arose who should work it. As the military authorities are not generally experienced in working railways, it was thought that it would be better if it were transferred to the control of the railway authorities. It was therefore so transferred, and treated as a strategic line, causing no loss to the railways. As

however the road system on the N.-W. F. P. had been considerably improved in the intermediate years, both the political authorities and the military authorities decided that it was no longer worth keeping open, and therefore we issued orders for its dismantling.

Mr. Das.—Please see page 89, paragraph 146. “ In 1925 the Government of India decided that it was to be taken over by the N.-W. Railway at a cost arrived at by a ‘ valuation report ’ and worked as a strategic line.” The Auditor General remarks on that. “ The Committee may therefore desire to know the reason which led Government to authorise the purchase of the railway line by the Railway Department ”.

Mr. Parsons.—It was so because they thought it could be run better and probably more economically by railway men than by Army men.

242. *Mr. Das.*—Does it not show that the Railway Board is not keeping control over the capital invested in strategic lines ?

Mr. Parsons.—On the contrary, this decision was actually reached by the Departments concerned of the Government of India. I have not been able to find the minutes of the second of the two meetings held to decide the question, but at the first meeting the Railway Department was not represented.

Mr. Das.—The Army Department spent money over the Afghan War in 1919 and you purchased the line in 1925. Why did you purchase it at all ? It could have been written down by the Army Department.

Mr. Parsons.—The reason why the railway authorities were asked to take it over was that it was thought that they would be able to run it at a less loss and probably better.

243. *Maulvi Abdul Matin Chaudhury.*—On page 89 you will find that the N.-W. Railway Administration after a detailed survey of the line strongly recommended that the line should be abandoned and gave several reasons for doing so.

Mr. Parsons.—I do not accept that statement as entirely correct.

Mr. Scott.—But I do : I have seen the railway line.

Mr. Parsons.—As a matter of fact, they rather wavered in the advice which they gave us. From the commercial point of view it was not worth keeping it open.

244. *Mr. S. C. Mitra.*—Then you accept the view that the taking over of the line does not appear to be justified at any stage ?

Mr. Parsons.—I do not accept the view at all that it was not worth while handing it over to the North-Western Railway if it was going to be worked at all. It was certainly better that it should be worked by the North-Western Railway than by the Sappers and Miners.

245. *Maulvi Abdul Matin Chaudhury.*—Did not the North-Western Railway Administration recommend that it ought to be abandoned ?

Mr. Parsons.—As far as I have been able to judge from the papers, the Agent at one time told us that he did not like recommending the abandonment of the line. Later he reported, chiefly on the question as to what

the price should be, but said that it was not going to pay and had better be abandoned. But there were other wider questions involved in the matter. I can readily admit that the Chief Accounts Officer did not know nor did the North-Western Railway authorities know the discussions which took place up here which led to the continuance of this Railway on general political grounds. Therefore you cannot expect that Report to be correct.

246. *Maulvi Abdul Matin Chaudhury*.—Why was it not then dismantled ?

Mr. Parsons.—I have tried to explain that the reasons were mostly political. Now that they have extended the road system in the N.-W. F. P. those reasons have less force, and so it has been decided to dismantle it.

Chairman.—I do not think we are really concerned with digging up of the old question whether it was a wise thing to do this or not. I think the point of chief interest to the Public Accounts Committee is that the Railway Administration had to buy the line. You say it was thought better that the Railway Department should work the line.

Mr. Parsons.—The view taken was that if we were going to manage the line we had better be completely responsible for it.

247. *Chairman*.—Why was it not leased to the railway authorities on terms which would have obviated the necessity for the capital account transaction ?

Mr. Parsons.—It was decided by the Government at the time. From the minutes of the proceedings that I have seen, it is not clear that the Railway Department were ever consulted. It did not affect our revenues because it was treated as a strategic line, the loss of which is borne by the general revenues.

Mr. Burdon.—I do not remember now why it was decided that this adjustment should be made.

Mr. Parsons.—I think it must have been generally assumed that if it were going to be transferred for working, it should be transferred lock, stock and barrel.

Mr. Burdon.—The information can be had from the Financial Adviser, Military Finance.

248. *Mr. Das*.—In 1926 the Railway Department made a present of 8½ lakhs to the Military Department. The Military Department could have easily written off the losses of that particular line. I would like to know whether the matter was brought before the Standing Finance Committee of the Railways.

Mr. Parsons.—Oh, no. It was not settled in the Railway Department at all.

Mr. Das.—Still the Railway Department handed over the money to the Army Department.

Mr. Parsons.—There was no payment at all. It was merely a transfer from one book to another in the general accounts of the Government of India without having any effect whatsoever on railway revenues.

249. *Mr. Scott.*—It means the loss goes to the Railway for keeping it up. If the Army Department want these railways kept up they should keep them up themselves.

Mr. Burdon.—The Army Department did not want it kept up.

Mr. Scott.—It was brought back from France and it was not worth a penny.

250. *Chairman.*—If that financial transaction was carried out, what effect would it have had on general revenues ?

Mr. Parsons.—The effect on general revenues would have been nil. The loss on strategic lines, when taken over by the Railway Department, is borne by general revenues and so are the charges in the Army Department.

251. *Chairman.*—But the loss of strategic lines would have been so calculated as to repay the capital cost. That would have been taken into account in calculating the loss on this strategic line. The actual loss is the working loss. On the top of that, presumably there are the depreciation charges, these being added to the loss and the depreciation being calculated according to the estimate of the life of the line. So that, ultimately, if the line had gone on to its normal life, the North-Western Railway would have got back the capital cost.

Mr. Parsons.—I am afraid, not so, because the line never paid its working expenses. The actual accounts of the strategic lines are so far as possible kept absolutely separate. They do not come into the accounts on which the Railways base their reserves. I do not think this transaction made any difference in the loss to general revenues.

Mr. Das.—It increased the loss on strategic lines by a few lakhs.

Mr. Parsons.—And reduced the expenditure to be incurred on the Army by a few lakhs. The financial effect was nil.

252. *Chairman.*—It is rather a complicated matter and it is difficult to find out what the financial effect was. In the present days when the Army has a stabilised budget grant, this is the sort of thing which we should have to inquire into very carefully. I do not know if that was actually done. But I think what we might do is to record in a case of this kind that the necessity for crediting the capital value to the Army authorities does not seem to have been proved.

Mr. Parsons.—I have not been able to collect all the papers from the Army Department.

Chairman.—As far as we are concerned the necessity for the capital transaction has not been established. I do not think we can carry the matter any further.

Evidence taken at the fifth meeting of the Public Accounts Committee held on Monday, the 30th June 1930, at 2-30 P.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman*.

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR MCWATERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. A. C. BADENOCH, Director of Railway Audit.

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

Mr. M. K. MITRA, Controller of Railway Accounts.

Mr. T. S. SANKARA AIYAR, Director of Finance, Railways.

Members.

Witnesses.

253. *Mr. Das*.—Paragraph 9 (e) (i) of the Auditor General's letter. We had better analyse the Auditor General's statement. His objection is that while the actual receipts were going down the working expenses went up by 2 crores. There should be a certain standard by which the working expenses ought to be limited. I think that is what the Auditor General wanted to draw our attention to. Of course, we will discuss that again when we come to the balance sheet later on.

Mr. Burdon.—Mr. Das wants merely to draw attention to the rise in working expenses in a year in which there is a considerable decrease as compared with the estimate in receipts.

Chairman.—The working expenses are 2 crores more than the original estimate and the receipts are down by a crore and a half.

Mr. Parsons.—To a fairly considerable extent, it is due to the fact that we opened about a thousand miles of new lines that year, and, of course, we cannot get out return immediately the lines are opened. But that is more an explanation of the growth of our expenditure compared with the previous year than what I understand the Auditor General to bring to notice here, the variation between the original estimate and the revised estimates and the actuals. There is a more general explanation. In making our estimates, generally we follow to a very considerable extent our revised estimates of the previous year, and our revised estimate of the previous year was out by 75 lakhs and therefore our original budget estimate was too low.

254. *Chairman*.—The point really is the difference between your revised estimate of gross receipts and the actual result. It is surprising

that, whereas you put your gross receipts at 105½ crores, the actual receipt is a crore and a half less and the working expenses are very much higher. We all recognise the difficulties of budgeting in a commercial undertaking for expenditure, because your expenditure must go up if your traffic increases. But in this case your traffic has gone down and yet your working expenses went up. It is not only in repairs and maintenance—perhaps there may be special reasons for that—but if you take your actual operating costs, they were up by about 36 lakhs. You must have run more trains than you expected to run, but you have got a crore and a half less in receipts.

Mr. Parsons.—I doubt if more trains ran. We do not run more goods trains unless we have more traffic, unless perhaps the type of traffic is more bulky and less paying. And passenger trains are generally continued.

255. *Chairman.*—The big thing still is you over-estimate the gross receipts. One would have thought if the gross receipts went down there would have been a corresponding saving in operating costs.

Mr. Parsons.—It would not follow that there should immediately be a corresponding saving. But there is no doubt that our revised estimate did over-estimate our gross receipts. It was taken on the figures of our traffic in that year up to about half-way through January, and the traffic fell off badly, as we explained in the recent budget presented to the Assembly—it fell off rapidly in the last two months. It was extremely difficult to make an accurate estimate on figures only up to the end of January in this year.

256. *Chairman.*—I agree with you, but you would have expected to see some fall in the expenses, too.

Mr. Parsons.—To a certain extent you would, but you have bought your coal in advance.

257. *Chairman.*—You bought coal in advance, but you do not charge to revenue the coal that you bought, but only the coal that you use.

Mr. Parsons.—We charge the freight to revenue, and in a great many railways it is very much more than the pithead price.

258. *Chairman.*—If you charge freight on coal you get something back in receipts as well ?

Mr. Parsons.—The freight on coal from colliery to the railway—that is charged off to revenue straightaway.

259. *Chairman.*—How do you value your stocks of coal ? Don't you value them at the cost price plus freight ?

Mr. Parsons.—Fuel is under the suspense account, but the freight is charged to revenue.

Chairman.—I cannot see the logic of that.

260. *Chairman.*—What would be the total expenditure on the carriage of coal ?

Mr. Parsons.—I think I am right in saying, it is certainly not less—it is rather more than the cost of coal to us has been in recent years. In this year, that is, 1928-29 for instance, the cost of coal was Rs. 340 lakhs and the freight Rs. 435 lakhs. I understand we are considering the ques-

tion. I do not very much like the present system because it does make control difficult.

261. *Chairman.*—The actual freight that is charged must mostly be paid to the Railway Administration, so that if it upsets your expenditure side it increases your receipts side.

Mr. Parsons.—Yes. In effect, the gross receipts would have been lower than they were.

262. *Chairman.*—So, I do not think that helps us to get clear as regards these discrepancies—the discrepancy that your gross receipts are down by 1½ crores and your expenditure is up very substantially, even much more substantially than what appears from the total figure, because on the Miscellaneous there is an improvement of Rs. 78 lakhs. I do not know what the Miscellaneous item is.

Mr. Kaula.—Suspense mostly. I can have an analysis made of these figures under detailed heads to discover exactly the reasons

263. *Mr. Das.*—These heads like Repair and Maintenance and Fuel we may not be able to control, but under a head like Administration there cannot be much variation. I think each Railway must reach the saturation point, and in view of continuous losses in certain Railways it is worth while looking into it.

Chairman.—I think you can find out the explanation in the next few days and let us have it. We should like to adopt Mr. Das's suggestion and call attention to these discrepancies. I find it particularly hard to understand the excess under the head Administration.

Mr. Parsons.—Without giving the exact figures I can give an explanation of certain amounts of excess under that head. First of all, it was due partly to the opening of about 1,000 miles of new railway. The administration charges are not merely or chiefly the cost of the principal officers on railways; it is almost the whole of your supervising staff right down to the bottom of the list.

Chairman.—You did not unexpectedly open 1,000 miles?

Mr. Parsons.—I think we under-estimated; we opened more miles than we had anticipated. To the extent of Rs. 35 lakhs it was due to extra gratuities given to the staff on the South Indian and the B. B. and C. I. Railways. When on the South Indian Railway we transferred the shops from Negapatam to Trichinopoly and on the B. B. and C. I. Railway we accepted voluntary retirements on an approaching transfer from Parel to Dohad. That was a large item, namely, 35 lakhs.

Chairman.—I think you might give us a note on that.

Mr. Parsons.—I shall attempt to show the increase in this year over the previous year.

Chairman.—I think it will be useful to have this table made up for some other years as well.

264. *Chairman.*—Grant No. 4—Paragraph 54 of the Report says: "The budgeting seemed most defective under this grant on the E. B. Railway where there seemed to have been insufficient attention paid to the progress of expenditure against budget grant." What have you to say about this?

Mr. Parsons.—I think we have dealt with this before. Anyway, as I explained before, to the extent of about 2 lakhs we made a mistake in the Railway Board's office, but the E. I. R. certainly in that year definitely under-estimated their expenditure.

265. *Chairman.*—Grant No. 5.

Mr. Parsons.—We discussed it on Saturday, I think. Here the defective budgeting, at any rate in certain instances, is due to changes in classification introduced on our Railways, and I think the Auditor General endorses what I say that we should not make ordinarily changes of classification in the course of the year. But occasionally it does become necessary to make a change in classification during a year.

I have of course details with me of certain excesses on individual Railways under this Grant. I don't know if the Committee would like to have them.

266. *Chairman.*—Grant No. 10, paragraphs 12 and 14 of the Report.

Mr. Parsons.—I can give an explanation for the excess of Rs. 19,000 on Capital, strategic lines. The debit for pensions of officers employed on the construction of strategic lines was not anticipated at the time of making a demand. The debits were received late from the Chief Accounts Officer. The rest was due to the overseas pay of officers employed on the Khyber Railway and they were wrongly debited by the accounts staff wholly to Capital, instead of half to Capital and half to Revenue. That has been set right in the following year.

Chairman.—You had estimated on the correct accounting principle and the accounts staff made a mistake, is it not ?

Mr. Parsons.—It was a mistake to the extent of a few thousand rupees.

267. *Chairman.*—Paragraph 17. Have you any explanation to give us here ?

Mr. Parsons.—I have been attempting with Mr. Badenoch, to arrange for figures of this kind, which will be more elucidatory. Mr. Mitra has looked into these figures, and he finds that they have not been tabulated in the same way as in the previous years. I understand that they used to take for this purpose only expenditure to which objection has been raised, but not cleared by the 31st July but this year they took the total expenditure placed under objection. That accounts to a certain extent for the increase. The other thing is, it had not previously been the practice on Railways to treat as objectionable works expenditure which was covered by an abstract estimate. From the notes Mr. Mitra has given me, if the figures had been tabulated as previously, the total objectionable expenditure in the current year would have been only 2.3 per cent. I think that the previous year's figures should have been enhanced because in most circumstances incurring expenditure without detailed estimates is entirely wrong. But I do not think that the Director of Railway Audit at present entirely accepts this explanation.

Mr. Badenoch.—I do not entirely accept the position, Sir. I don't think that the figures in the Report are correct. I think there is something wrong, particularly for 1927-28.

Chairman.—What about 1928-29 ?

Mr. Badenoch.—They are correct.

Mr. Parsons.—I want to work with the Director of Railway Audit and see if we cannot get, by actual comparison with previous years, at something which would show serious irregularities. Take for instance the question of work started without detailed estimates in instances where it has not been emergent work. In one item which was brought to my notice, I am perfectly certain that detailed estimates had been prepared and no work normally would have been undertaken without detailed estimates. But I think it is quite possible that in this instance it was merely the allocation of the charges between capital and revenue or depreciation, that had not been finally settled. I want to go, therefore, with Mr. Badenoch into this question and see whether we cannot arrive at something which will show serious irregularities, such as those which might involve loss of money.

268. *Chairman.*—What about the cases referred to in paragraphs 101 and 102 ?

Mr. Badenoch.—Unfortunately I have merely got a statement from the Chief officer of the E. B. Railway which shows that the objections were largely of a formal nature.

269. *Mr. Das.*—About paragraph 102. The detailed estimate was received in audit for certification on 14th August 1929 and sanctioned by the Railway Board on 11th October 1929. That shows that the Railway Board permits the Agent to incur expenditure without obtaining sanction of the detailed estimates ?

Mr. Parsons.—I may say that in our orders with regard to the preparation of abstract estimates we always pointed out clearly to Agents that the fact that we were prepared to give them sanction on abstract estimates, in no way relieved them of the necessity of preparing detailed estimates. We have of course issued fresh orders since what the Committee said last year on that, because there is no difference of opinion that detailed estimates which form the working document of the engineer should always be prepared except in absolutely urgent cases.

About 101, I am afraid I cannot add to what Mr. Badenoch has said.

270. *Chairman.*—What action have you taken in these cases ? Have you issued any instructions ? Are they sufficient ?

Mr. Parsons.—I will look into the question. We have not had this Report for very long.

Mr. Das.—The Agent has got too much power. He can spend any amount of money without detailed estimates and without the sanction of the Railway Board, and it seems he does not send any monthly statement even to the Railway Board of any new construction on which he has to spend money. The Agent does not carry out your orders, and your orders are that no money should be spent without the sanction of the Railway Board and without detailed estimates.

Mr. Badenoch.—It was only this year that a circular was issued telling Agents that it was a really serious and important irregularity.

271. *Chairman.*—So you think we may expect improvement ?

Mr. Badenoch.—I think so, Sir. I myself have issued circulars on this subject.

Chairman.—I think we can say that instructions have been issued, it will be necessary to watch what the effect of those instructions is in cases of this character. It will also be necessary for the Railway Board to consider whether it is not necessary further to tighten up their control over the Agents. I don't think we can do more than that now.

272. *Chairman.*—Paragraph 18 of the Report. Can you tell us anything about that ?

Mr. Parsons.—It is not entirely easy to get out manuals at present, because as a result of the recommendations of Dickinson's Committee a good deal of our accounts procedure has been changed ; but we have obtained an officer from the Auditor General who is at present preparing the Accounts Manual. I don't think we can give a final shape to it until we come to a conclusion on all those recommendations which will mean alterations in the form of the accounts.

273. *Mr. S. C. Mitra.*—On page 14 we find that reminders were repeatedly sent, but apparently they produced no effect ?

Chairman.—What has the present Controller of Accounts got to say about it ?

Mr. M. K. Mitra.—At the inception of the separation, it was ordered by the Railway Board that all the checks in force prior to separation in the old combined audit and account offices should continue in the new offices. Then each office had its own manuals, codes, office orders and Resolutions. After the separation most of the audit staff came over from the old combined offices, and they had merely to do the work they were doing till then. In the meantime we have got from the E. I. Railway a number of draft Manuals, but we are not printing them just now. We have a procedure to go by, and there is no doubt that the old manuals, codes, Resolutions and office orders are available to Audit.

274. *Chairman.*—When do you think these manuals will be completed ?

Mr. Parsons.—What we want to do with regard to the Railway Account Code, perhaps it is the most important, is to bring out a new Account Code which, even if it may be provisional on certain points, will be a guiding document until we come to a decision on those points. Those are the instructions to the officer whom we have got on special duty.

Mr. Badenoch.—The procedure for drafting these Codes was settled by Mr. Parsons and we decided to get ahead owing to the importance of the matter as quickly as possible. Of course, a certain amount of procedure is in the melting pot. There are various schemes for speeding up accounts. It is impossible in some of these cases to draft complete orders at present. The rules even now are fairly well defined, and there won't be much difficulty in codification, nor will there be much delay.

Chairman.—Will you be able to get them ready in the next financial year ?

Mr. Parsons.—I doubt if the officer will be able to get everything through by then. The general procedure adopted is that the officer on special duty should take up the revision chapter by chapter, and then Mr. Badenoch, Mr. Mitra and I should have a meeting and try to come to a decision on each chapter as soon as it is ready.

275. *Chairman.*—Paragraph 19 of the Report.

Mr. Parsons.—The agreements on the G. I. P. Railway have been sent down to the Railways for signature. The position briefly is this. We addressed the Secretary of State in 1926 suggesting that the easiest way to deal with those officers who were taken over on the G. I. P. and E. I. Railways would be to execute formal agreements with them containing an appendix showing the terms of their service. We gave these officers to understand that they would be taken over under their own rules in regard to leave and so on, which were not exactly the same as those of the State-managed Railways. The Secretary of State did not immediately agree. He wanted us to consider putting them into the ordinary State Railway service. We had experience of that before. It is extremely difficult to arrange for a large body of officers being taken over into an existing service without giving rise to a large number of individual cases of hardship or injustice; and we therefore went back to the Secretary of State. Eventually he accepted our view in the year 1929. Then we had to discuss the exact form of the agreements to be executed by these officers with the Secretary of State. We only got down to the actual form of the agreement about four months ago, and had them printed up and sent them to the officers to be signed. I think there will be very little delay now that we have settled this question with the Secretary of State regarding the Burma Railways which have just been taken over, and we have sent a draft form of agreement to the Agent to fill in the various annexures showing the various details of the terms of service of the officers on those Railways.

276. *Chairman.*—Paras. 26 to 36.

Mr. Das.—I would like to ask the Chief Commissioner of Railways certain questions in connection with the accounts and other tables given here.

Chairman.—Mr. Parsons, will you make a note about it?

Mr. Parsons.—Yes.

277. *Chairman.*—Para. 45.

Mr. Parsons.—I have already partly dealt with this when explaining that certain of the remaining recommendations are already before the Standing Finance Committee and that some we propose to incorporate in our account code. We have also discussed the question of balance-sheet.

278. *Mr. Das.*—What about (c)?

Mr. Parsons.—A memorandum has already been prepared for the Standing Finance Committee and they propose to go into it in their next meeting. We are now preparing a memorandum on some of the points which still remain.

279. *Chairman.*—What about Statistics?

Mr. Parsons.—I believe we have already sent a memorandum to the Standing Finance Committee about that.

280. *Chairman.*—Did Sir Arthur Dickinson make any recommendations as regards Statistics?

Mr. Parsons.—I do not recollect that he made any recommendations of any importance which we are not already carrying out. We brought

out our new forms of Statistics really as a result of certain recommendations made in the Aeworth Committee's report. I do not recollect myself any very important recommendation for varying the form of our Statistics. Actually of course what we do is to go through them each month and quite frequently we ourselves make alterations when we find that the existing form does not give us the information required for the controlling of Railways.

Chairman.—I think you might give the Committee a note summarising the position under the various heads that are referred to in this paragraph.

281. *Chairman.*—Para. 17 (b) of the Auditor-General's letter. Why was no provision made for printing charges ?

Mr. Parsons.—Normally we do not make in the Railway Board's budget any provision for the printing charges of various Committees. We make provision under Grant No. 11-Miscellaneous. Actually we have been in some difficulty with the Controller of Printing because in passing on the charges to us he has not in any way differentiated them, and they have been adjusted against the Railway Board's expenditure as a whole. But they should properly have come under Grant No. 11-Miscellaneous.

Chairman.—That does not prevent you from making an estimate.

Mr. Parsons.—We estimated what should be chargeable to us. We were debited with more than that. We have now taken up the question.

282. *Mr. Kaula.*—Is the debit adjusted in your accounts without your acceptance ?

Mr. Parsons.—There must have been somebody's acceptance.

283. *Chairman.*—Para. 18 (a) of the Auditor-General's letter and para. 55 of the Report.

Mr. Parsons.—The reasons for the delay were first of all in our office. We had apparently lost Mr. Donald's papers and had to get copies of the correspondence from the E. B. Railway. That delayed the settlement of this small case by 2½ months. We then asked the Accountant-General, Railways, for certain information to decide the case. He took four months to supply it. It then took us a month to get the papers regarding the model leave rule terms from the Finance Department and another month and a half to discuss the case with them. The question has actually been settled now, but I do not myself like to see any of these delays regarding these minor matters.

284. *Chairman.*—Paragraph 57 of the Report.

Mr. Parsons.—I think we must admit in this case that the actual orders issued by the Railway Board were open to construction in two ways. They were not very clear. The Chief Auditor of the Burma Railways took I think the right view and referred the matter to the Agent. The Agent referred it to the Home Board. That is where I think they first went wrong. If there was any doubt as to the intentions of the orders of the Railway Board, they should have written to the Railway Board and asked them what they meant. As a result of this case we have now issued instructions to prevent these mistakes occurring in future. On the question raised by the Auditor-General in his note, I personally think that the

Chief Auditor should have issued the warning which the Government Examiner suggested. I believe the view he took was that in view of the Home Board's decision it was up to him to give effect to the decision.

Chairman.—I think we may agree with the Auditor-General that it would have been better if the Chief Auditor had complied with the Government Examiner's request.

285. *Chairman.*—Para. 59 of the Report.

Mr. Das.—Was any legal advice taken on this case ?

Mr. Parsons.—Yes.

Mr. Burdon.—Was the legal advice followed throughout ?

Mr. Parsons.—The legal advice was certainly followed in getting an authoritative ruling from the Judicial Commissioner. The matter in issue was certainly worth while getting a final decision upon, and it was actually on that review in the Judicial Commissioner's court that most of the expenditure was incurred.

Mr. S. C. Mitra.—I think the Railway had no other alternative but to fight it out.

Mr. Parsons.—It was a question of principle which was involved.

286. *Chairman.*—Para. 18 (d) of the Auditor-General's letter.

Mr. Parsons.—I do not think I have anything to say on this beyond what I have stated before. I have explained the difficulty of getting accuracy when you have to work on figures which do not take into account probably three months of our heaviest expenditure in the year. I think the Auditor-General himself generally notes on it in the last paragraph. There is always the possibility of a mistake in estimating.

287. *Chairman.*—Have you any thing further to say on that, Mr. Burdon ?

Mr. Burdon.—Nothing further.

288. *Maulvi Abdul Matin Chaudhury.*—Please turn to page 26 of the Appropriation Accounts. There are items against the E. B. Railway on which there need not have been very much inaccuracy.

Mr. Parsons.—The estimate was not good on the E. B. Railway.

289. *Maulvi Abdul Matin Chaudhury.*—You get a supplementary grant on 16th March 1929. The explanation given here is "Due to the absence of provision for additional staff and Comptometer equipment", etc.

Mr. Parsons.—It is rather a difficult thing when you get estimates for the Railways as a whole. I must explain that the Eastern Bengal Railway were to a certain extent not accurate in this respect.

Chairman.—I do not think we can say more about that.

290. *Chairman.*—Para. 19 (a) of the Auditor General's letter says : "The Committee may consider it desirable to suggest that a general explanation of the variations under each sub-head of the grant should be furnished here in addition to the detailed explanations under each Railway".

Mr. Parsons.—We shall do that in future.

291. *Chairman.*—Para. 80 of the Report. The Committee may like to inquire whether the responsibility in this case does not lie on the Running Shed foreman and the Station Superintendent, and if so, whether any action was taken against them ”.

Mr. Parsons.—I made inquiries from the Administration and have not got a reply yet. I am taking it up.

Mr. Das.—Will the action taken be reported to the Committee next year ?

Mr. Parsons.—Certainly. I am prepared to report to the Committee.

292. *Chairman.*—Page 66. “ The omission to make provision, in the estimates, for this large credit is brought to the notice of the Committee ”.

Mr. Parsons.—The position here is that the District Engineer, unaware of the orders we had issued, charged off special ballast—as if it were ordinary ballast. The matter was only noticed in September 1928 and an adjustment was made in the accounts. In fact it only came to notice many months after the budget estimates were prepared.

293. *Chairman.*—Have you got anything to say on that, Mr. Burdon ?

Mr. Burdon.—No.

294. *Chairman.*—Para. 20 of the letter.

Mr. Parsons.—The position here is that certain new projects which we had hoped to start were not taken up.

Chairman.—I think I am largely responsible for that.

295. *Chairman.*—Motor competition. Have you got anything to say on that ?

Mr. Parsons.—We have made inquiries as to our position under the Indian Railways Act. I think it comes to this, that legally we can run motor services as a feeder to the Railways, but we cannot do so on roads running parallel to a line or as an alternative to the railway service. As for the rest, I am afraid I cannot make a statement of any definiteness.

Chairman.—As far as possible from the railway side, an endeavour has been made to get a general survey of possible road developments which will feed the Railways and not compete with them.

Mr. Parsons.—We are attempting to co-ordinate our actions with those of Provincial Governments in this matter.

296. *Chairman.*—Para. 94 of the Report. “ The attention of the Committee is invited to the expenditure on a new service incurred without obtaining a supplementary grant.”

Mr. Parsons.—Actually it was not a new service. We had a project which varied in name at different times, because we were not quite certain what it is going to be. It is the construction of the line from Trichinopoly to Karaikudi and Karaikudi to Devakottah. It is down in the Tanjore District portion of Madras. In the Budget both these projects appeared and provision was made for the Trichinopoly-Karaikudi-Manamadura line

with branches to Arantangi to Karaikudi and Karaikudi to Devakottah. We made provision in the Budget for 1926-27, 1927-28 and 1928-29. The items referred to here were for the acquisition of land. This was not really a case of taking up a new service.

297. *Mr. Das.*—I want to ask a question about para. 95 relating to the Bengal Nagpur Railway. There is an excess of over ten lakhs here. It is said that the Board upheld the views of the Government Examiner and informed the Agent that their sanction should have been obtained prior to the execution of the contract. What is the practice at present? Can any Agent spend up to ten lakhs without asking the Railway Board's permission?

Mr. Parsons.—No. Our sanction to the expenditure is required; but if the contract relates to a sanctioned work, up to ten lakhs, they can sanction the contract.

Mr. Kaula.—There was an omission on the part of the Agent and he was pulled up.

Mr. Parsons.—The Agent was prepared to come up for sanction when his attention was drawn to the subject.

298. *Chairman.*—Para. 96.

Mr. S. C. Mitra.—A lakh of rupees was paid here without any reference to the Agent?

Mr. Parsons.—The case was taken up by the Auditor in 1925 and his point of view was accepted by the Agent.

299. *Maulvi Muhammad Yakub.*—Was any money realised from those who were responsible?

Mr. Parsons.—The money was correctly paid.

300. *Maulvi Abdul Matin Chaudhury.*—It is pointed out that "the claims are not legally enforceable and the expenditure is not in pursuance of any recognised policy or custom; the sanction to the payment of bonus is against the canons of financial propriety".

Mr. Parsons.—As a matter of fact I should hesitate to endorse those remarks. The bonus was promised verbally before the contractor started the work. A verbal promise is just as legally enforceable as a written promise, if it can be proved. What was wrong here was to make a verbal promise instead of putting it down in writing.

301. *Mr. Scott.*—Was the sanction a *bona fide* mistake?

Mr. Parsons.—The Chief Engineer, thought that he had the power, and the moment it was brought to the notice of the Agent, he accepted the contention and gave his sanction.

302. *Chairman.*—Para. 97.

Mr. Parsons.—The Agent has inquired into this matter. He says that he is satisfied that there was no ulterior motive underlying the action of the Engineer concerned. His action was due to a lack of a proper appreciation of the rules on the subject. The Agent has severely reprimanded the officer concerned and said that severe notice would be taken of similar cases in future. In the instructions we are about to issue on Mr. Rau's report, we are reinforcing the principles that ought to guide officers in this respect.

and with regard to the ignorance of engineers on this point we are proposing the preparation of brief manuals explaining to engineers exactly what their duties are in these and other cognate matters.

303. *Mr. S. C. Mitra.*—It shows that such cases go on occurring in spite of warnings.

Mr. Parsons.—One or two cases of this kind occur every year and the only thing to do is to take serious notice of them whenever they are brought to our notice.

Chairman.—It is necessary to take more drastic action.

Mr. Parsons.—That is really the purport of our orders.

304. *Chairman.*—Para. 100. “ It seems very extraordinary that responsible officials should be unaware of the elementary objections to the irregular procedure here described and the Committee may wish to consider whether the matter has been adequately dealt with by higher authority ”.

Mr. Parsons.—In this particular case as soon as the irregularity was pointed out, the view of the audit officer was accepted. My own view is that the Engineer-in-Chief had probably had impressed on him the necessity for not having any excess over his grant, and did not realise the implications of his action. I do not think it is a case for any serious action. When he has got bills to be paid, they should be paid straight off, but there is something to be said in extenuation of the conduct of the Engineer.

305. *Mr. Scott.*—The trouble about Government departments is about the slowness of payment.

Mr. Parsons.—An engineer is not well versed in these matters and the better engineer he is, the more likely he is to make mistakes of this kind. The proper thing to do is to come up for a supplementary grant. When we have got out our manual of instructions to engineers, they will know exactly what their position is in these matters.

Chairman.—I think it is extraordinary that an engineer should issue instructions of this kind.

Mr. Parsons.—I would say that he was very silly about it. That is what it comes to.

306. *Mr. Scott.*—Has the man gone ?

Mr. Parsons.—I can inquire whether he has gone or not ; but he accepted the accountant's view. The best way to deal with these matters is to attach an accountant to the more important Engineers and they can always turn to him for advice in these matters.

307. *Chairman.*—You are issuing instructions ?

Mr. Parsons.—Yes.

308. *Chairman.*—Para. 103. Substitution of one work for another without adequate sanction and also letting out contract by the Agent beyond his powers.

Mr. Parsons.—In our view the substitution of concrete for coarse rubble masonry was justified. Whether that amounts to such an alteration as to require our sanction is a difficult thing to say.

Mr. Scott.—Sometimes when you get down to the work, you find that the material you were going to use was not suitable.

Mr. Parsons.—There was a difference of opinion as to whose sanction was required. When the case was referred to us, we agreed to alter the terms of the contract because a particular type of material was considered not suitable. If an alteration were going to amount to a considerable increase in the cost, it ought to come to us even if it happened to be within the Agent's power of sanction, but I doubt whether this would always be considered a material alteration.

309. *Mr. Kaula.*—In case of likelihood of material savings, would you allow them to spend the whole amount ?

Mr. Parsons.—If there are material savings, they would not spend the whole amount.

Mr. Kaula.—But if they do spend it, who will spot it ? If there are four bills and four fictitious payments, who will spot them ? You sanction a project for 10 lakhs for a certain class of material to be used for it. The local man then substitutes cheaper material for it or introduces some other economy, and what happens ?

310. *Chairman.*—In this case the Chief Engineer substituted one kind of material for another which was provided for in the agreement and there were two alternative quotations in the agreement. The quantity of work to be done under each of the two alternative quotations was not given in the agreement or in the estimate. Whoever approved the contract—the Railway Board—on those terms really left a great deal of latitude for variation in the execution, and I think they are to blame rather than the Chief Engineer.

Mr. Parsons.—There was a difference of opinion as to whether it was a material alteration, and we agreed with what the Chief Engineer proposed. Actually, we sanction an abstract estimate under main heads ; subsequently, within 10 lakhs, the Agent can sanction giving contracts for the work. I think the question really is whether the substitution was a material alteration. The orders are that when we have sanctioned an estimate, no material alteration should be made without our sanction. I doubt myself whether the substitution of cement for coarse rubble could be held to be a material alteration. There was disagreement on this point, the estimate came to us, and we then sanctioned the alteration.

311. *Chairman.*—Do you think it was a legitimate misunderstanding on the part of the Chief Engineer ?

Mr. Parsons.—I should say probably it was ; it is not always easy to say what is a material alteration.

Chairman.—I do not think it really calls for any special comment from us.

312. *Mr. Scott.*—I think something ought to be included in the Manual.

Mr. Parsons.—It is impossible to define what is a material alteration by a definition covering all circumstances.

313. *Chairman*.—Under your present contract, would you allow the Agent to proceed on the basis of abstract estimates which gave no details like sidewalls, etc. ?

Mr. Parsons.—If we thought they were a reasonable forecast of the cost of re-alignment, we would sanction the abstract estimates. The Agent no doubt prepared detailed estimates.

314. *Chairman*.—If he had prepared detailed estimates and sent them up to you, would you have passed the alteration ?

Mr. Parsons.—I think this alteration was made during the progress of the work.

Mr. Kaula.—The detailed estimates would be passed locally.

Mr. Parsons.—We have the detailed estimates up here when they are over a certain amount in order that they may be further examined by our technical man, the Director of Civil Engineering. If the cost of the project is over 10 lakhs, the detailed estimates have to come to the Railway Board for sanction because we want to have them re-examined in detail by our Director of Civil Engineering and the Engineering Member of the Railway Board.

315. *Chairman*.—According to your present practice, the detailed estimates must come up before any expenditure is sanctioned ?

Mr. Parsons.—Yes.

316. *Chairman*.—So that this case should not recur again ?

Mr. Parsons.—It might recur whenever an alteration had to be made which it was desirable to make, as it was in this case, in the course of carrying on the work.

317. *Mr. Das*.—As regards control of expenditure from the Railway Board over the Agents, I do not think they have the necessary machinery.

Mr. Parsons.—It is control over an individual work. I am not quite sure of the limit. The position is, we sanctioned abstract estimates for the work for 66 lakhs. If it is above, I think, 10 lakhs, the detailed estimates, that is to say, the technical estimates for the whole work come up for the technical sanction of the Railway Board and examination by our Engineering Branch here, and sometimes modifications are proposed. I take it in this particular case the question whether the substitution of cement for coarse rubble was desirable came up while the work was being constructed. I imagine it was due to the fact that they had to do a good deal of cutting away of the walls on the Poona line involving the use of cement.

318. *Chairman*.—What I am trying to get at is, in your present practice there will not be absence of detailed estimates, but you will always have detailed estimates prepared ?

Mr. Parsons.—Yes.

319. *Chairman*.—In that case you would be able to examine the Engineer's contention.

Mr. Parsons.—Yes. The position I think is that detailed estimates had been prepared but had not been sanctioned, and that, therefore, probably

the audit authorities did not get a document by which they could examine the contention made by the Chief Engineer.

320. *Chairman*.—If you sanction a contract in such a form that one material can be substituted for another, knowing that that variation is possible, it is your responsibility and not the Agent's ?

Mr. Parsons.—Yes. I think what happened, probably, was that the contract was signed, including this coarse rubble and in the course of proceeding with the work, it was discovered that cement was necessary, and then came the question whether the variation would require our sanction or not.

Chairman.—Still, the variation was within the terms of the contract and you approved the contract. The variation depended on the contract. If that is a correct statement of the facts, the responsibility is of the Railway Board and not of the Chief Engineer,—if the Railway Board approves a contract which can be carried out in various different ways.

321. *Mr. Kaula*.—The original sanction of the Agent was not in order. No authority who has been given the power to sanction a grant can exercise that power unless detailed estimates have been sanctioned. That too was not followed, and I think everyone blundered.

Maulvi Muhammad Yakub.—The Agent gave the sanction.

Mr. Parsons.—We subsequently ratified his action in giving the contract. There is no doubt whatever that the Railway Board knew what he was doing. Their formal sanction may not have been given originally to this particular contract.

Chairman.—I think we might say that the Railway Board allowed undue elasticity in this case and perhaps the representation of the Engineer is not correct.

322. *Mr. B. Das*.—May I ask whether the Railway Board have issued definite instructions to the Agents and Chief Engineers about their financial powers and about the rules to be observed ?

Mr. Parsons.—Yes, but people occasionally make mistakes.

Chairman.—In this case Mr. Parsons tells us that the Railway Board knew what was going on but that there was an oversight.

323. *Chairman*.—Para. 106. Have orders been issued ?

Mr. Parsons.—Yes.

324. *Chairman*.—Para. 20 (h) of the letter—Variations from estimates of capital expenditure. Expenditure is capable of great variation owing to change in policy : and I think different considerations apply to capital expenditure estimates and to normal estimates of budgetary expenditure.

325. *Mr. Scott*.—If you earmark a certain amount for reconstruction, what happens if it is not carried out ? Does the money lapse ?

Mr. Parsons.—It merely means in effect that Government does not provide as much money as our original estimates assumed that they would have to provide.

Mr. Burdon.—I think it is merely a question whether the Public Accounts Committee thinks that it is a legitimate exercise of the Railway Board's discretion when money voted by the Assembly for a particular work is not spent on that work or on anything else for reasons of economy or owing to the necessity of retrenchment.

Mr. Das.—And particularly when it affects the ways and means Budget of the Finance Member.

Chairman.—If there is a reduction in expenditure, it is probably the hand of the Finance Department which has brought it about. There are two kinds of variations from estimates which may occur. One is due to policy. On the other side you get an excess like the N.-W. R. expenditure which is mainly due to under-estimation of expenditure. I do not know whether on the first point the Committee would wish to express any view ; it really is a matter for the Assembly I think—the policy that they want carried out—and is not an accounting matter.

I think it would be a useful recommendation to say that the policy of capital construction should be so carefully considered together with the Finance Department before each year that the likelihood of any variation owing to financial reasons is very much diminished,—that the policy of railway construction should always be carefully co-ordinated with the financial position of Government. In that case the need for stepping in for financial reasons is not likely to arise. That is an important thing. On the other side the big excess owing to under-estimation of expenditure on the Kangra Valley Railway is a thing which has been commented on a good deal at other times. I think the main point is that if the policy of capital expenditure is really well thought out in advance, it is less likely that there would be a variation. We have got the whole thing very much more under control now. The number of projects is much fewer now and there is a much tighter hold on the course of expenditure now.

Evidence taken at the sixth meeting of the Public Accounts Committee held on Tuesday, the 1st July 1930, at 10-30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Haji CHOWDHURY MUHAMMAD ISMAIL KHAN

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

} *Members.*

Mr. P. M. RAU, Audit Officer, Indian Stores Department.

Mr. C. V. S. RAO, Officer on Special Duty.

Mr. G. S. HARDY, Member, Central Board of Revenue.

Mr. A. L. HOYLE, Commissioner, Northern India Salt Revenue.

} Witnesses.

326. *Chairman*.—Item 6, Appendix II. It is a case of cutting our coat according to our cloth. We decided to proceed cautiously with the increase of the staff.

Maulvi Abdul Matin Chaudhury.—Last year we were told that there was a scheme under consideration in the Commerce Department.

Mr. Hardy.—The scheme referred to here is the reorganization of the Appraising establishments.

Maulvi Abdul Matin Chaudhury.—There were two schemes. One is the scheme you have mentioned and the other scheme related to the separate audit check.

Mr. Burdon.—I can tell the Committee about that scheme because I gave evidence on the point last year as Financial Secretary. The question was raised by the Public Accounts Committee for the strengthening of the machinery for the audit of customs revenue. This case had been before the Finance Department and it will be remembered that I then said that I had not had sufficient time to go into the case very thoroughly. Very shortly afterwards I examined it. Actually, the scheme which is before the Finance Department is a scheme for the strengthening of the audit of expenditure rather than the strengthening of the audit of customs revenue. It is a very expensive scheme. The object of that scheme is to introduce the system of a separation of accounts from the audit and the additional establishments that are going to be employed will be very considerable. I, as the Financial Secretary, strongly recommended that the scheme should be turned down, and you, Sir, accepted my view. It was going to cost a great deal of money and it will not help very much the Public Accounts Committee.

Chairman.—What Mr. Burdon has told us is the result of the further discussion. When he went into the scheme, we took the view that the expenditure was not justified and the scheme, as he has explained, is more for the strengthening of the audit of expenditure than the strengthening of the audit of customs revenue which the Committee had in mind when we discussed this point in the Public Accounts Committee.

Mr. Burdon.—At the same time, the Finance Department told the Auditor General that if he thought it desirable to put up a scheme specifically for the strengthening of the audit of customs revenue, they would be very glad to receive his suggestions on the point. Shortly afterwards, I took over charge as Auditor General and I have myself examined the matter. It must take a certain amount of time, because personally I think it is desirable to break a certain amount of new ground. Side by side, the proposal has been under the consideration of the Finance Department to extend to Bombay the system of concurrent audit which is already in force in Calcutta. I have been asked to give advice on that point but I have not yet finally replied.

Maulvi Abdul Matin Chaudhury.—We have been told that the result of the experiment in Calcutta has been very satisfactory.

Mr. Burdon.—That is my view and I think it would also be satisfactory in Bombay, but I do not think it will prove satisfactory in smaller ports where the Customs House is not of sufficient importance to have an officer.

Mr. Hardy.—That is also the Board's view. Separation of accounts and audit would be satisfactory for the two bigger ports but not for the smaller ones.

327. *Maulvi Abdul Matin Chaudhury.*—In view of the fact that there have been serious cases of fraud, don't you think that the need for this concurrent audit is all the greater ?

Mr. Hardy.—I do not think the two are even remotely connected.

Mr. Burdon.—I am proceeding with the examination of this scheme. I am breaking a certain amount of new ground. Everybody is agreed that concurrent audit is better than the peripatetic test audit and that it would be very desirable to extend the concurrent audit to the major ports, at any rate. On the other hand, I am not prepared to say that you may expect magical results from the application of concurrent audit. After all, the scheme of concurrent audit is limited. It is only the audit of the documentary record of transactions which have taken place.

328. *Maulvi Abdul Matin Chaudhury.*—Sir Frederic Gauntlett told us last year that the deterrent effect will be very considerable.

Mr. Burdon.—Undoubtedly there is the deterrent effect which applies to all audit. There is no doubt that it would be quite a desirable thing, if the Government could afford it, to extend the concurrent audit, but I must warn the Committee that you should not expect magical results.

329. *Chairman.*—I do not think the deterrent effect will operate at all, because they can prepare the documents in such a way as to hide their facts. Would you not agree with that remark, Mr. Hardy ?

Mr. Hardy.—After all, we have our own internal audit staff which does a 100-per cent. audit, whereas concurrent audit cannot do more than a small percentage. We are much more likely to detect mistakes ourselves than the statutory audit. There are occasions, of course, when the statutory audit puts its finger on something we have not spotted. But the only real check against the type of fraud referred to in the Report would be by the actual examination of goods which is outside the scope of the statutory test audit as their duties are at present understood.

Mr. Burdon.—That is the great difference. The statutory audit is limited to an audit of documents. Though in theory the scope of audit in England is much wider, it is supposed to be an inspection by audit processes. I do not believe that in practice that is observed in England and it has certainly never been fully accepted here.

Chairman.—This is one of the cases where I have felt a slight difficulty. Although I am the Chairman of this Committee, which is in a position to make the criticism that we have not done enough, I am responsible as the Finance Member for the decision to go slow in this matter. But I do want to endorse the Auditor General's warning that you cannot get magical results out of audit systems, and we have very carefully to

balance the possible advantages against the cost involved. From this Committee's point of view, obviously they must insist on the maximum safeguards, and they rather tend to see the desirability of having the maximum possible audit check. But if you push the demand for a careful audit to extremes, you may almost duplicate your Government expenditure. One has to keep to the happy mean. I think myself that we have done all that is reasonably desirable so far, but if any member of the Committee wants to express his views he is at liberty to do so.

Mr. Burdon.—May I explain in conclusion that I have not yet come to an absolutely final decision myself as to what I shall recommend the Government to do. But you can see from what I have already told you that I have been breaking some rather new ground in the matter and I have got a good deal of material to go through. As soon as I have leisure, I will submit to Government a very definite and full opinion on the subject with certain constructive suggestions.

Chairman.—I was rather justifying our policy of going slow.

330. *Maulvi Abdul Matin Chaudhury.*—Do you still hold the view that there is need for concurrent audit ?

Mr. Burdon.—I repeat that I have never said that it would not be desirable to extend the concurrent test audit to the major ports, but you must not expect that it will have the effect of increasing your revenue by very large sums of money.

Mr. Hardy.—May I say in this connection that out of the 10 cases of fraud referred to in the Report, there is only one in which officers of the Custom Houses were concerned. All the other cases related to importers hoodwinking Customs officers, and it is exceedingly unlikely that the concurrent statutory audit would not also have been hoodwinked.

Maulvi Abdul Matin Chaudhury.—Now that the whole scheme is under the consideration of the Auditor General we may just leave it at that.

Chairman.—We may record that the Committee would be very interested to know the Auditor General's final views and that we should be fully informed of them again next year.

331. *Chairman.*—Item 15, Appendix II, also item 4 of Appendix IX. My own view is that it merges in the general office accommodation provision and it is really hardly of sufficient importance to be treated as a new service. That is the view I should have taken about it. I do not know whether the Auditor General has considered it again.

Mr. Burdon.—I have not, but I was very cautious when I put in my last sub-paragraph. It is actually the fact that I did not have an opportunity of discussing it with the Finance Department. But taking the facts as they appear on the face of the records I have seen, my opinion is that the provision of office accommodation for a public department cannot ordinarily be regarded as a new service ; and, if the building in this case is merely viewed as a new instrument of service, it would be consonant with previous decisions to hold that, the sum involved being relatively small, it was not necessary to obtain the vote of the Assembly.

332. *Maulvi Abdul Matin Chaudhury.*—We have not fixed any limit to the amount that will be required for the new service.

Chairman.—It would be very difficult to fix a limit. In this case it must have some relation to the general sum which we spend on office

accommodation. Supposing we are spending Rs. 5 lakhs a year on rent or hire of buildings and on maintenance of the existing buildings, then within that sum we could reappropriate say a sum of Rs. 10,000 for the purchase of a small house with a bit of land in place of a house which has been previously rented and if we only spent such a sum, it could hardly be regarded as a new service.

Sir Arthur McWatters.—If the case came before me, that is the view I should take. I do not think it is possible to fix a definite figure.

Maulvi Muhammad Yakub.—I agree with the view that it cannot ordinarily be regarded as a new service. It matters not what the amount is.

Chairman.—I would not go so far as to say that the provision of office accommodation is necessarily a normal part of the business, for I think that the decision to build a very expensive new building might have to be regarded as a new service.

333. *Mr. Burdon.*—Don't you think we should draw a distinction between a new service and a new instrument of service?

Chairman.—What would be the practical effect of that distinction from the point of view of going to the Assembly?

Mr. Burdon.—One of the examples Sir Frederic Gauntlett gave on the subject was that you could not call the appointment of a Chaukidar a new service but he was a new instrument of service. Obviously, the Chaukidar's pay being Rs. 15 a month, it would not be necessary to take the vote of the Assembly in such a case. Similarly, you said just now about a very expensive building. There, again, that comes immediately under the category of the new instrument of service, the expenditure on which requires the vote of the Assembly.

334. *Chairman.*—Making this distinction between new service and new instrument of service, I take your view to be that a new service should always be referred to the Assembly and a new instrument of service only when it has involved very substantial expenditure. On what do you base that distinction? Could you refer to any provision in the legislative rules?

Mr. Burdon.—I could not say that. I don't think there is any provision in the legislative rules. But Sir Frederic Gauntlett drew the distinction as a practical and convenient illustration.

Chairman.—My view is that in this particular case we cannot say that it is a new service. The most you can say is that it is a new instrument of service in that we are providing accommodation for a public department. If you accept that view, then, having regard to the relatively small expenditure and the fact that it could be met by reappropriation from within a grant provided for expenditure of this kind, it was not necessary to go to the Assembly for a special vote.

335. *Maulvi Abdul Matin Chaudhury.*—But Appendix IX says: "On the other hand, the provision of office accommodation for a public department cannot ordinarily be regarded as a new service."

Chairman.—I do not commit myself to that to-day. I can accept those words in a sense, because if you make a distinction between a new service and a new instrument of service, it will fall under the latter description rather than the former, but I do not say that because a thing

is merely a new instrument of service it need not go before the Assembly. If the amount is important, it might involve such a change of policy as to constitute something that ought to be put before the Assembly.

Maulvi Muhammad Yakub.—It is very difficult to find a definition of new service. Hence each case will have to be decided on its own merits and you cannot lay down any general principles.

Chairman.—I think if you can find money by re-appropriation out of a grant which covers that kind of expenditure, that creates a strong presumption that in the case of what is merely a new instrument of an existing service no special reference to the Assembly is necessary.

Mr. Burdon.—If I may say so, that was really my view on the case that we discussed at such length the other day with the Railway authorities,—the drain in Burma. My view really was that it was a new instrument of service, expenditure on which was so considerable that the thing ought to come before the Assembly. I think we arrive at the same result by a slightly different process of reasoning.

Maulvi Abdul Matin Chaudhury.—In the Railway there are large amounts involved and they cannot be met by re-appropriation.

Chairman.—What I thought was the important factor there was that they treated it as capital expenditure, and I suggested that in the case of capital expenditure there was a presumption that it was a new service at least in the sense that it ought to come up before the Assembly. If you can meet expenditure by re-appropriation from a recurrent grant, that is quite a different thing.

Mr. Burdon.—Quite.

Chairman.—It must be further remembered that, even if the purchase price of a building can be met from revenue, the purchase involves a recurring outlay in future years. Therefore, I would say that the maintenance charges should not be more than the rent that you would normally pay for similar accommodation. In such a case there would really be a substitution of a capital payment plus maintenance charges for the normal annual payment of rent, and I do not see how that makes such a distinct difference in the nature of the commitments as to need a special reference to the Assembly.

Maulvi Muhammad Yakub.—Probably in the case of a hired building also, you have got to incur maintenance charges.

Chairman.—Very likely.

336. *Maulvi Abdul Matin Chaudhury.*—Do you take the view that a new instrument of service, expenditure on which can be met by re-appropriation, need not go to the Assembly?

Chairman.—If it can be met by re-appropriation within a grant for the same kind of expenditure, then there is a presumption that it need not. There may of course be special circumstances in a particular case which may make you say that in that case the presumption is rebutted by other considerations. In any case, I think we want to be very cautious about laying down general rules.

Maulvi Muhammad Yakub.—Yes, we want to be cautious. Each individual case ought to be decided on its own merits.

337. *Chairman.*—The next item in Appendix II is 21,—submission of a full report on the commercial results of Government salt-producing undertakings. As a matter of fact, we have just got the Tariff Board's Report on Salt, and it is possible that arising out of that we may be able to make some change in the administration so that I personally feel that this question may be deferred for the time being. We have got the Tariff Board's Report in typewritten form and the question of publication is a matter for the Commerce Department. In the Finance Department we have expressed the view that it should be published as soon as possible. Normally, the Tariff Board's Reports are not published before the Government of India passes orders on them, but in this particular case as the public are taking an interest, we would like to see the Report published as soon as possible.

338. *Chairman.*—Appendix III—item 6, Revision of the Sea Customs Act of 1878. “The draft bill for the revision of the Act is under consideration. The proposals of the Government of India have been circulated to Local Governments for opinion. Some of the replies are still awaited.” We are proceeding with this matter as expeditiously as we can.

GRANT 16—CUSTOMS.

339. *Chairman.*—Let us turn to the main Report. We begin with demand No. 16, Auditor General's letter, paragraph 17. He says, “page 55, paragraphs 1 and 2. The Committee may wish to enquire whether more accurate budgeting is not possible under these sub-heads.”

Maulvi Abdul Matin Chaudhury.—Page 55, A.-3—Overtime and Holiday Allowances.

Mr. Hardy.—The savings under the first head, Burma Overtime and Holiday Allowances, are the result of rather a peculiar arrangement. Strictly speaking, the figure was not an estimate at all. It was based annually on the receipts of the previous year. Certain expenditure was made out of it and the balance was invested by the Collector in Rangoon pending a final decision as to what should be done with the surplus of Sunday fees. The Standing Finance Committee, as you know, has recently come to a decision on the distribution of Sunday fees and these savings here really represent the accumulations in the fund which the Standing Finance Committee has now decided to distribute.

340. *Maulvi Abdul Matin Chaudhury.*—Page 49, A.-3. You have not given an explanation as to why accurate budgeting was not possible.

Mr. Hardy.—We used to budget in Burma for the exact amount of the receipts of the previous year for distribution in the following year. Certain payments were made out of them and the balance was not intended to be surrendered. The balance was invested to build up this fund which the Standing Finance Committee have now decided to distribute. This arrangement was changed in the year 1928-29, but it went on up to the year 1928-29.

341. *Maulvi Abdul Matin Chaudhury.*—Page 55. Same explanation with regard to A.-8—Other Supplies and Services ?

Mr. Hardy.—That I am afraid was probably bad budgeting. Or rather, I should say it was not so much bad budgeting, since it was very difficult to estimate what amounts would be spent under these heads, as it was failure to surrender in time.

342. *Maulvi Abdul Matin Chaudhury.*—What is the particular difficulty there ?

Mr. Hardy.—You mean in budgeting or in surrendering ?

Maulvi Abdul Matin Chaudhury.—Budgeting.

Mr. Hardy.—Forecasting the course of trade and the amount of expenditure we shall have to undertake—that depends entirely on whether trade is brisk or not. For each of these years the figures are really based on those of the previous years.

343. *Maulvi Abdul Matin Chaudhury.*—Is it only peculiar to Burma, or does it not apply to other places also ?

Mr. Hardy.—It so happens that trade in Burma was changing very rapidly at that time.

Mr. C. V. S. Rao.—As a matter of fact, if there were savings in Burma, there have been excesses in Calcutta for the last three years. That shows how difficult it is to budget. It is a highly fluctuating head. Charges under this head depend very much on the condition of trade.

Mr. Hardy.—All one can say is that the Collector in Rangoon in these years might have been perhaps a little more careful in surrendering. He might have made a rather more accurate estimate of the balance of his requirements before the end of January and surrendered some of these amounts.

Chairman.—I do not think it is a serious point. It is a very special head.

344. *Chairman.*—“ Pages 55 to 63. The special attention of the Committee is invited to these cases of fraud and embezzlement. They will probably wish to ascertain what remedial measures the Government have taken or propose to take, with reference in particular to the cases reported in paragraphs 7 and 9.”

Mr. Burdon.—I have had a long memorandum from the Central Board of Revenue on the subject of customs audit and I have also a rejoinder from the Examiner of Customs Accounts, and on the whole, I think we have to accept most of the contentions of the Central Board of Revenue. There is this question, Mr. Hardy, of a change of system as regards the exhibition of documents before and after shipment. I wonder if you can explain to the Committee if you know the technical aspect of it.

Mr. Hardy.—The system in force in Bombay prior to these frauds made it unnecessary, or at least did not require in every case that documents should be submitted to the Assistant Collector before the goods were shipped. The details of the documents were scrutinised by an examining officer who verified the identity of the goods, checked marks, and so on. I do not think, and I believe the Examiner agrees with me, that mere submission of all these papers to the Assistant Collector before shipment would have seriously affected the matter.

345. *Mr. Burdon.*—Would that not have provided an automatic check against the commission of fraud ?

Mr. Hardy.—It merely would have meant that those involved would have had to commit another forgery in the process of fraud. What was really happening in this case was that people were obtaining possession, by collusion with a clerk in the Custom House, of genuine import documents for certain goods and forging export documents. The first step was to forge a receipt from the Chief Officer of a steamer to the effect that certain goods had been received on board, and then to obtain the collusive signature of the examining officer to the effect that he had examined and identified these goods. The so-called "mate's receipts" are used to claim payment after the goods have been shipped. They would not ordinarily be put before an Assistant Collector ; it is merely the statement by the examining officer that he is satisfied of identity that is put before the Assistant Collector. It would not enable the Assistant Collector to detect anything to see the mate's receipts. The first forged signature would be of the chief officer of the ship. That is not a thing that anybody can possibly check because we cannot be familiar with the signature of all ships' officers in port.

Mr. Burdon.—In fact, as you explained to me, it does not seem to be technically a forgery at all. It is merely a dummy signature.

Mr. Hardy.—Yes. The only real way of stopping collusion of this kind is for a senior officer to go round occasionally, make surprise visits and actually see the goods for himself. And it is very difficult for us, with our very limited staff, to spare time for the Assistant Collectors to do very much of that kind of work. It is particularly difficult in Calcutta where we have a very large area to cover and all our officers are supposed to go about that area at their own expense. Practically it means half a day's work in Calcutta for an Assistant Collector to go and do an inspection at the docks 4 or 5 miles away from the Custom House. There is a very large area to cover, and we have necessarily to trust the subordinate officers to some extent in this matter. There are certain other checks which we have introduced.

346. *Maulvi Abdul Matin Chaudhury.*—That shows the need of strengthening the preventive staff.

Mr. Hardy.—You mean in numbers ?

Maulvi Abdul Matin Chaudhury.—Yes, in numbers.

Mr. Hardy.—I do not think in numbers, though perhaps in quality. We have enough preventive officers. It shows the need for strengthening the staff of Assistant Collectors.

Mr. Burdon.—That is the view that the Examiner takes also.

Mr. Hardy.—We should like to have more Assistant Collectors who would be able to devote more time to what we call outdoor work. There are also certain other new checks which we have introduced—checks of documents, which would mean that to carry out a fraud one signature more would be necessary. One more forgery would be necessary to complete the fraud, but having already done 5 or 6 forgeries it would not have been difficult to add yet another forgery.

Mr. Burdon.—At one time the Examiner was inclined to take the view that if it had been incumbent on somebody to note the entries in the export manifest, that would have made it impossible for the frauds to take place. But on seeing the very careful statement of the position which has been given by the Central Board of Revenue to me, the Examiner is not inclined to stress that point, because he says that it would be a simple thing to interpolate entries into the copies of the export manifests which come to the Custom House.

Mr. Hardy.—Yes, certainly.

Mr. Burdon.—On the other hand, there is no doubt that it is really a most useful check, because, apart from physical examination it does interpose a very considerable difficulty, don't you see?

347. *Mr. Scott.*—The names of the shippers recorded on these shipping bills were completely bogus and that matter led to the discovery of these frauds. If you knew most of the shipping firms, that might help you in discovering any fraud?

Mr. Hardy.—If you take the case of Bombay, where trade is done on a smaller scale by a large number of people, a very large number of these documents pass through the hands of particular clearing and shipping agents who sign on behalf of the exporter, and if the name of a clearing and shipping agent was a familiar one, no suspicion would be aroused by his having obtained a new customer.

348. *Mr. Scott.*—Was a shipping agent in these frauds?

Mr. Hardy.—Yes. He was employed by the man who was said to be at the bottom of this fraud, but unfortunately the latter died before he could be brought to trial. He had got the shipping agent into his power, first of all, by hoodwinking him into carrying out certain fraudulent transactions for him and then by threatening to show him up. He got him into his power to such an extent that he was able to employ him as a shipping agent to carry out a majority of these transactions. The agent went to a firm of solicitors first of all and told them all about it, but they advised him to do nothing and so unfortunately we did not get to know anything about the frauds until three or four months after we might have done if he had come straight to the Custom House.

349. *Chairman.*—Would it be possible to maintain a register of shipping agents and exporting firms?

Mr. Hardy.—We do so as far as agents are concerned. This man was a registered shipping agent on our register. We have about 150 or 190 of them, but we can hardly expect to maintain a list of actual shippers as well as of all shipping agents.

350. *Mr. Scott.*—If a shipping agent were registered under a bogus name, you would have discovered it?

Mr. Hardy.—Yes. There are only about 180 people, I believe, who are shipping agents in Bombay. We have less than that in Calcutta.

351. *Maulvi Abdul Matin Chaudhury.*—We should like to know whether in Mr. Burdon's opinion the action which has been taken is sufficient.

Mr. Burdon.—Yes, it is sufficient. The moment it was discovered it was placed in the hands of the police and Government did take the most elaborate steps to obtain the best legal advice and the best arrangements were made for the conduct of the prosecution.

352. *Mr. Scott.*—What happened to the lawyer who gave this advice? Was he not entering into this conspiracy also?

Mr. Hardy.—I did not perhaps quite clearly explain the position of the solicitors in this matter. This is Mr. Greenfield's report: (Reads the report).

353. *Maulvi Abdul Matin Chaudhury.*—How far could the superior officers have prevented or detected these frauds?

Mr. Hardy.—I do not think under the system then existing it would have been possible, even with the greatest care, to detect them.

Mr. Burdon.—There is only one way by which it can be prevented, and that is, if a superior officer who is incorruptible and uncorrupted saw in every case the goods to be exported and saw them on the ship.

Mr. Hardy.—That is practically what it comes to.

354. *Chairman.*—One way of course is to make frequent changes in the personnel.

Mr. Hardy.—Where there is any danger of a man being in a job long enough to get into collusion with particular people, we do try to change him. In that case again we have to decide the delicate question as to whether it is more desirable to run the risk of collusion or to let a man get sufficient experience to know his work really well.

355. *Chairman.*—The Auditor-General has called attention to another case given on page 60, paragraph 8 (a) of the Report.

Mr. Hardy.—I have not been able to get definite information in regard to this case. It took me some time to discover the port in which it occurred but I now understand it occurred in Madras. As far as I understand it, the samples which the Appraiser saw were probably not proper samples of the goods actually imported.

356. *Mr. Scott.*—Were they shipment samples.

Mr. Hardy.—I imagine so. That is the reason why the Examiner, in commenting on this case, did not suggest that the Appraiser was in any way at fault. This case came up in the Examiner's test audit Report and as he did not suggest that any blame was to be attached to the Appraiser, the Board in passing orders on the Report did not comment on this case at all.

357. *Chairman.*—You might make a further inquiry.

Mr. Peck.—I did make a telegraphic inquiry about that case and so far as I can make out, the samples were believed to have been correct and in accordance with the Appraiser's report on the subject, and the duty short-paid originally was subsequently paid by the importer, probably because he was conscious of his guilt.

GRANT 17.—TAXES-ON INCOME.

358. *Chairman.*—There is an important comment at page 68.

Mr. Hardy.—I referred to the Commissioner of Income-tax, Bombay, about this. He has given a long explanation as to why the amount spent was considerably less than what was budgeted. Various odd things cropped up in the year which were unforeseen. What he, I am afraid, has not explained was why he was not in a position to surrender part of his grant before the end of the year. I find that the Board referred to him towards the end of January to see what he could surrender and he merely reported that he could surrender the lump sum of Rs. 1,28,000, which was already provided for, and nothing further. I think we must admit that if he had gone into his accounts a little more carefully he should have been able to surrender much more.

359. *Chairman.*—Persistent over-budgeting is the point specially made on page 68.

Mr. Hardy.—Yes. I should like to say in this connection that I think it is always very difficult for the provincial head of a department like this to budget accurately when he has got a lot of small offices distributed all over the province and has to depend very largely on reports from the subordinate offices for his budget. Also it is more difficult for him to follow the progress of expenditure when he has got to await information from all over the province. That is why one must necessarily expect less accurate budgeting in a scattered department like the Income-tax than where the whole of the staff is concentrated in one Custom House.

Chairman.—They might take a lesson from one or two years and arrive at an average.

Mr. C. V. S. Rao.—In the case of Calcutta where there is a separate accounts office for the Income-tax officer, he surrendered about Rs. 23,000 and the net savings in his whole grant were only Rs. 13,000 which is very much less than $\frac{1}{2}$ per cent.

360. *Maulvi Abdul Matin Chaudhury.*—What is the special difficulty in Bombay ?

Mr. Hardy.—We have a Pay and Accounts officer in Calcutta dealing with the whole Income-tax Department, whereas in Bombay the only accounts assistance the Commissioner gets is obtained from the Accountant-General. It is one of the undoubted advantages of separation of accounts and audit that it makes for better budgeting.

361. *Maulvi Abdul Matin Chaudhury.*—Does not the work in Bombay necessitate a pay and accounts officer ?

Mr. C. V. S. Rao.—Things are still on an experimental footing and the views of the Statutory Commission are awaited before any decision is proposed to be taken on the question as a whole.

Chairman.—Anyhow Mr. Hardy has admitted that it can be better done even with the present staff. I think we can content ourselves with calling attention to that.

GRANT 18—SALT.

362. *Chairman.*—The Auditor-General in paragraph 19 of his letter comments on the saving of Rs. 1,10,715 for writing down the capital value of certain plant and machinery. Have you got anything to say about that, Mr. Hoyle ?

Mr. Hoyle.—I can explain that. This business of selling plant introduces complications in the accounts because we cannot foresee exactly when we are going to sell our plant. The largest item in this case was an item of about Rs. 90,000 on account of some obsolete engines. We were for two years engaged in endeavouring to sell this plant and we eventually sold it in June, 1928. Our budget was prepared in the previous September or October. Therefore it was quite impossible to foresee when we could sell the plant or how much it would raise. There were several other similar but smaller items also.

363. *Maulvi Abdul Matin Chaudhury.*—On page 75 of the Appropriation Accounts, there are large savings under D-4. What is the explanation ?

Mr. Hoyle.—There were about 150 different works and so it was rather difficult to be sure exactly how much each would cost.

Mr. Burdon.—An explanation is given on page 76.

364. *Maulvi Abdul Matin Chaudhury.*—On page 76, item No. 3, there was a saving of 31 thousand out of 32. What is the explanation ?

Mr. Hoyle.—The explanation given here hardly meets the case. What happened was that the contractor who was employed on this work was extremely dilatory and we finally gave it up. He was simply wasting our time. We could not spare our pans for the length of time that he seemed likely to occupy them and so we gave it up after sanding 19 pans out of 30.

365. *Maulvi Abdul Matin Chaudhury.*—You gave up the contractor but you did not give up the work ?

Mr. Hoyle.—We gave the work up in the end.

Mr. Hoyle.—The contractor was very dilatory. We gave him extensions of time, and even so he could not get on with the work, and eventually he gave it up.

Mr. P. M. Rau.—The contractor has not been paid as yet.

366. *Mr. Burdon.*—I suppose the work was not an essential work, because you were able to get on without it ?

Mr. P. M. Rau.—That was of course more of an experiment. They found later on that they could get on without it. But I think they ought not to have embarked on that experiment unless they had tried and approved the new system recommended.

Mr. Hardy.—Surely you must do some experimental work.

Mr. P. M. Rau.—I think they started it at Gudha and they abandoned the scheme. It cost about Rs. 900 or so ?

Mr. Hoyle.—We gave it up, because the Railway were dilatory in supplying the material for the necessary siding and it interfered with the ordinary processes of manufacture.

Maulvi Abdul Matin Chaudhury.—When this sum of Rs. 81,000 was sanctioned, you must have been satisfied whether this expenditure was necessary or not. Now you say it was not necessary.

Mr. Hardy.—The whole position is this. The scheme would have been an economical one if it had been completed within a reasonable time, but it was held up for so long a time that the actual loss on the holding up of the work was going to be greater than the advantage to be gained.

367. *Maulvi Abdul Matin Chaudhury.*—Was there no time limit imposed when you entered into a contract with the contractor ?

Mr. Hoyle.—There was certainly a time limit.

368. *Maulvi Abdul Matin Chaudhury.*—What amount of compensation did you get from the contractor on account of his failure to fulfil the contract within the time limit fixed by you ?

Mr. Hoyle.—We got no compensation. He refused to accept what we offered to pay him.

Mr. P. M. Rau.—No contractor could be induced to accept the work at such low rates, and the contractor in this instance tendered too little, and he suffered a good deal of loss.

369. *Maulvi Abdul Matin Chaudhury.*—When you found that sanding was not necessary, why did you start the work at all ?

Mr. Hoyle.—Because the idea is, or was at the time, that it was in accordance with the best European practices in France and other foreign countries. They make salt there on sandy bottoms, and the idea was that if we could do that here, with that method we should get cleaner and whiter salt. Therefore, this experiment was undertaken in the belief, for which we had good ground, I think, that we should in course of time get a better quality of salt than we get from natural clay beds. We are always endeavouring to improve our practice. Our methods were rather primitive at Sambhar, and I suggest that we were justified in trying to improve upon those methods.

370. *Chairman.*—What is the actual position now ? Have you given up the idea ?

Mr. Hoyle.—What we are considering now, and shall do when we have an opportunity, is to lay out some sandy beds parallel with beds which have not been sanded but where the surface mud has been removed. We shall then test the relative advantages of making our salt on a sandy bed and on a bed cleaned of its silt. We had intended doing it last year, but we were interrupted by floods which interfered with almost all our new undertakings.

371. *Chairman.*—What it amounts to is this. Instead of your original idea, you are going to make an experiment in addition to continuing your work by the ordinary methods ?

Mr. Hoyle.—I think we can manage by using two or three of our existing pans.

Chairman.—Then you are going to make comparatively small scale experiments instead of trying out a new system wholesale ?

Mr. Hoyle.—We propose to use two or three pans only.

Chairman.—I think that supplies a reasonable explanation. I understand that the idea was that it would be a good thing to make this change so as to get a finer quality of salt than by the existing process. The work was entrusted to a contractor, and you found that he could not really work at the rates which he tendered. You then found that you could not get any contractor to accept the same work on reasonable terms and you decided to make a small scale experiment. That is really what it comes to. I think it is quite a reasonable explanation.

Maulvi Abdul Matin Chaudhury.—Because the contractor gave up the work and you could not get any other contractor, that means the end of the venture ?

Chairman.—Certainly not. It very often happens that you entrust the work to a contractor. He finds after a time that he cannot carry out the work at the rates offered to him, and he gets out of his contract in one way or another. That does not mean the end of the venture.

Mr. Hoyle.—One more point, Sir. We stopped the work, because we could not spare our pans for a long time. We wanted to get on with our ordinary processes of manufacture.

Maulvi Abdul Matin Chaudhury.—Since some expenditure has been incurred on this experiment, is it not possible to complete the work with the help of another contractor ?

Chairman.—I imagine the experience of that contractor has been such that you would not get another contractor to take on that work unless the rates were enhanced.

Mr. Hoyle.—Anyhow, we prefer not to proceed with it until we have tested the respective advantages of the alternative schemes.

372. *Maulvi Abdul Matin Chaudhury.*—Then you mean to say that you started this work without judging the respective advantages of the alternative schemes ?

Mr. Hoyle.—The sanding scheme has good authority behind it in European countries.

373. *Maulvi Abdul Matin Chaudhury.*—Do you think that the European conditions are applicable to India ?

Mr. Hoyle.—I don't see why they should not.

374. *Maulvi Abdul Matin Chaudhury.*—But you found they did not ?

Mr. Hoyle.—It has not been disproved. We are getting salt from these pans. But the process took so long a time that it interfered with our ordinary processes of manufacture.

Mr. P. M. Rau.—By the alternative scheme they got certainly finer and whiter salt, but the quantity produced was much less, and the crystals also were smaller in size.

Chairman.—All that you can say is that perhaps you were ill-advised in starting this wholesale alteration of salt pans without testing out the new method on a small scale in the first instance. I do not think there is anything much for special comment in this transaction.

Maulvi Abdul Matin Chaudhury.—Does it not come to this that they undertook this experiment without first making a sufficient test ?

Chairman.—At the very worst, it comes to this, they made a miscalculation. I am afraid we often make miscalculations.

375. *Maulvi Abdul Matin Chaudhury.*—Miscalculation which has led to a loss of about Rs. 26,000 ?

Mr. Hoyle.—There has been no loss. The pans are not out of use. We did not start sanding all 30 pans and leave them unfinished. Only 19 were treated. They were completely sanded and passed as finished, and they are now producing good salt.

376. *Maulvi Abdul Matin Chaudhury.*—If you consider that sanding was not necessary, why did you sand the 19 pans ?

Mr. Hoyle.—The process has certain advantages. We now consider that another process may yield equally good results or perhaps slightly better results. Those two schemes have yet to be tried out, and the results will be tested by comparison, but we do not admit that the sanding that was done in 19 pans was a failure.

377. *Maulvi Abdul Matin Chaudhury.*—You admit that there is a better method ?

Mr. Hoyle.—We realise that there is an alternative method which may yield better results.

378. *Maulvi Abdul Matin Chaudhury.*—You should have carried out sufficient tests in the beginning ?

Chairman.—I take it that the attempt to start on those lines would not have been practicable. But the work which has so far been done has not been valueless at all. They found that the alternative method with which they started was going to interfere with their current work and it was going to cost them more than originally anticipated. Therefore, quite rightly, they changed their original idea, and are now proceeding on a different basis.

There is not the slightest doubt, as I think you will find from the Tariff Board Report, that there is room for a great improvement in our methods in the way of producing fine white salt which would be suitable for the Calcutta market. It is up to us now to try at various centres of production in India, Sambhar amongst others, and see if we can produce fine white salt of the quality that is consumed in Bengal. They are working on those lines. One method is to improve the surface of the bottom of your pans, because if you evaporate your salt in a muddy pan, the mud gets mixed up with the salt and you get dirty salt. I don't think there is any criticism about that.

379. *Maulvi Abdul Matin Chaudhury.*—So that was an experiment ?

Mr. Hoyle.—It was an experiment. Possibly, it was a mistake to experiment on so large a scale to begin with.

380. *Mr. Scott.*—You very often find that they are not worked on a commercial scale ?

Mr. Hardy.—We probably placed too much reliance on Mr. Bunting's experiment which was worked on a small scale. As we found this scheme too expensive we had to give it up.

381. *Maulvi Abdul Matin Chaudhury*.—If you had known that it would prove a failure, you would not have undertaken it on such a large scale ?

Chairman.—I think we may say that it has been an error of judgment which has been found out and corrected without involving any appreciable loss. I think that is all you can say about it, and if we went through all the transactions in the various places where salt has been produced, I am sure you will find a great many instances of that kind. It is common to all manufacturing concerns thinking of changing their methods. I don't think this is a case for any serious criticism so far as I can see.

382. *Maulvi Abdul Matin Chaudhury*.—Can we get a note from the Deptt. concerned with regard to this particular case as to why it was started, how far the experiment succeeded and why it was given up ?

Mr. Hoyle.—I have reported on it to the C. B. R. The Audit Officer put in an objection about it, and I reported on it to the C. B. R.

Chairman.—Will you just look up that, Mr. Hardy, and see if it can be circulated ? If it wants any amplification, see that it is amplified. Let us have a note on this before the end of this week.

383. *Chairman*.—Then we come to the Appendix, pages 46 and 47.

Mr. Burdon.—Perhaps it would be a good thing if you first of all draw the attention of the Committee to para. 16 of my letter which introduces the subject of the Appendix and explains its genesis.

Chairman.—This Appendix has been prepared as a result of the suggestion made in para. 44 of our Report last year. It was confined to the accounts of those commercial concerns of the Central Govt. which come under the Auditor General and the Director of Commercial Audit, with the exception of the accounts of Army factories which are at present mostly dealt with by the Director of Army Audit. I hope the Committee will recognise that steady advance is being made now in the matter of watching the commercial results of commercial concerns. I do not know whether the Committee had time to read Appendix XIV. It is a very useful note on points relating to commercial accounts, and I hope that in course of time we shall get into the way of watching these commercial results and getting on to points that really matter.

384. *Maulvi Abdul Matin Chaudhury*.—Para. 20 of the Auditor General's letter. The question here is whether the books could not be maintained with regard to the Salt Deptt. "The reason why audit is unable to certify that the balance sheet shows the true position of the department is that no commercial books are maintained at the headquarters of the Northern India Salt Revenue Department and in auditing the accounts reliance is placed mainly on statements and correspondence received from the Audit Officer".

Mr. Hardy.—It is rather a complicated matter. We have had two notes printed on this question. The first was written in 1927, and there was another note written by the Board which was accepted by the Auditor General and which contains all our reasons. I can give copies of these notes to all Members of the Committee if they wish.

Maulvi Abdul Martin Chaudhury.—Can you explain in very simple words what are the reasons? We want to know the commercial results of the undertaking.

Mr. Hardy.—The chief reason from our point of view was that the ordinary methods employed in commercial departments led to such an extraordinary complication in the accounts.

Maulvi Abdul Martin Chaudhury.—But these commercial methods have been introduced in many other departments.

Mr. Hardy.—In this particular case they would have introduced very grave complications. That is the conclusion we came to.

385. *Maulvi Muhammad Yakub.*—Have you seen the reasons given by Mr. Hardy?

Mr. Burdon.—Yes.

Maulvi Muhammad Yakub.—Are you satisfied with them?

Mr. Burdon.—I am perfectly satisfied with them. Mr. Campbell, I think, will be able to explain the main features.

Mr. Campbell.—The point is that no commercial books of accounts are maintained at the headquarters of the Northern India Salt Revenue Department. My job is to check the compilation of these accounts from the returns and correspondence and slips of papers we get. That is why this balance sheet is not signed either by myself or by one of my commercial audit officers. We have signed the profit and loss account that is taken from Government Revenue and Expenditure accounts. We are satisfied with that, and although I have no reason to doubt the accuracy of the items in this balance sheet, I cannot certify as to their correctness, because they are not taken from any certified books. My men are fully trained in the double entry system of book-keeping, and under that system they can get at everything. But at the Northern India Salt Revenue Department we have no such commercial account books.

386. *Chairman.*—You are satisfied that you have got a proper commercial profit and loss account?

Mr. Campbell.—I am perfectly satisfied. I accept the figures from the Government accounts.

387. *Mr. Scott.*—Will it be possible to issue a weekly or monthly return which might act as a commercial basis for the audit?

Mr. Campbell.—They do send in returns now, some to the Commissioner's office, and some, I think, to the Audit Officer's office.

Chairman.—I should like the Committee to be clear on this point, that the difficulties referred to are only as regards the preparation of a balance sheet. I do not know whether the distinction is quite appreciated by the Committee. These remarks only apply to the balance sheet. A balance sheet gives a static picture of the financial position at the end of the financial year which of course has to be adjusted so as to agree with the profit and loss account. But what we really want to get on to is the commercial results. That we can get from the profit and loss account which can be compiled on an ordinary commercial basis.

388. *Maulvi Abdul Matin Chaudhury*.—Even with regard to the balance sheet, there will be decided improvement if we have a certified one.

Mr. Campbell.—I do not say that it is essential. It will be very much easier from the audit point of view if the books were maintained on the same principle as in hundreds of other commercial concerns in India.

389. *Chairman*.—What is your view of the reasons that have been given by the Central Board of Revenue for not making the change in their accounting system ?

Mr. Campbell.—I think in this instance they have a strong case for the non-maintenance of the commercial system of accounts and that is why we are really not pressing the point now for the re-introduction of these accounts. We only think it would be more desirable if a general ledger were maintained.

Chairman.—It will be more desirable from your point of view ?

Mr. Campbell.—It will prove of the greatest help as it has proved to the Opium Agent who has expressed so several times. A general ledger and, if necessary, a journal is all that we want.

Mr. Hardy.—This process involves an increase in the opportunities of making mistakes, in one particular matter an increase from one under the Board's system to 66 under the commercial account system. That is really our chief objection. The chances of error are increased.

Mr. Campbell.—I am not so confident that the balance sheet under the present system is as correct as that under the old system.

390. *Chairman*.—When were these journals and ledgers abolished ?

Mr. Campbell.—They maintained these books in 1924-25 and 1925-26. They may have maintained them for a few months later. They were maintained for two or three years.

391. *Chairman*.—The department maintains that their present system is adequate for producing this balance sheet in a reliable form and it will involve great increase of work to keep up other sets of books.

Mr. Hardy.—Yes. It will cost more to Government, I am afraid.

Mr. Campbell.—I think one clerk at the headquarters office could do all the work we want to be done. One clerk actually did the work.

Chairman.—For the whole undertaking ?

Mr. Campbell.—For the particular commercial ledger and journal that we were referring to. It only involves entries every month.

Mr. Scott.—There are only about a dozen entries in the book ?

Mr. Campbell.—The balance sheets appearing in the book are somewhat condensed in many cases.

392. *Chairman*.—Have you got anything to say, Mr. Burdon ?

Mr. Burdon.—I accepted the view which has been finally accepted by the department. The profit and loss account is more important than the balance sheet, and as the Government never intended to make a profit out of the salt production, that is an additional reason for not insisting upon the complete form of commercial accounts being adopted.

393. *Mr. Scott.*—It really requires very little extra trouble or extra work.

Mr. Burdon.—There appears to be difference of opinion as regards the amount of work.

Mr. Hardy.—It is explained in the notes. It will throw a good deal of work.

Chairman.—Can we reduce that into terms of extra staff ?

Mr. Hoyle.—One extra clerk anyhow at every source.

Mr. Hardy.—Salt production is generally seasonal and the unit of accounting for the purpose of costing cannot be less than a year. The monthly basis is not only unnecessary but actually productive of error.

Chairman.—The position is this. The note circulated by the Central Board of Revenue sets out their objections to going further than they do at present. I personally did not see that note at any time but it was settled between the Central Board of Revenue and the Auditor General who is quite willing to accept the Central Board of Revenue's point of view that for all practical purposes what they are doing is sufficient. As the Auditor General has accepted that position, we were satisfied but it is open to this Committee to say if they want to go further and if they want to make any recommendation to that effect, we would of course give careful consideration to that. But before that is done, I think it is desirable that there should be a further discussion between the Central Board of Revenue, the Auditor General and Mr. Campbell in order that we may arrive at an agreed calculation as to what the extra cost involved would be. There seems to be some difference of opinion about that. If that difference of opinion could be cleared up and if it merely amounted to a question of putting on one extra clerk at headquarters and if the Committee wish to have it done, I should have no objection to doing it and I think the Auditor General, although he has agreed with the Central Board of Revenue, would like to see that done. I think we might leave the matter at that.

394. *Chairman.*—Paragraph 22 of the letter and pages 54 and 55 of the Appendix. "In the case of Sambhar, the high percentage figure in respect of overhead charges as compared with the prime cost per maund of production is noticeable. This is due mainly to heavy royalties and salt compensation payments, interest on capital, and depreciation charges at that source."

Maulvi Abdul Matin Chaudhury.—These royalties and compensations are given as a result of political considerations under the treaties with the States ?

Mr. Hoyle.—They compensate the States for not being able to make any salt of their own.

Maulvi Abdul Matin Chaudhury.—Mr. Lloyd said it was a political item.

Chairman.—What Mr. Lloyd said refers to the technical point whether it should be a votable or a non-votable item.

395. *Maulvi Abdul Matin Chaudhury.*—It shows that the expenditure should go to the Political Department.

Chairman.—I do not think I can accept that view. It only means that it is not open to the Legislative Assembly to refuse to make payment. If I as a private person want to work the salt mines in the State, I would have to pay royalties in order to get the concession. That would be a private arrangement. As the Government of India carry out an exactly similar transaction, it is not called an ordinary commercial arrangement but a treaty. That is all that happens. Our treaty so far as it concerns the manufacture of salt is exactly the same as a concession to a private company. I do not think it has ever been suggested that this undertaking to pay compensation and royalty represents anything else than a consideration for the right to manufacture salt.

396. *Mr. Scott.*—Is it a lump sum payment or so much per maund manufactured ?

Mr. Hoyle.—It is based on the issues of salt.

397. *Chairman.*—There is both “compensation” and “royalty”. Royalty is based entirely on the quantity issued but what about compensation ?

Mr. Hoyle.—That is fixed. It varies for each different State.

398. *Maulvi Abdul Matin Chaudhury.*—Is it economical ?

Mr. Hoyle.—It has been attacked as being uneconomical. It adds greatly to the charges, of course.

399. *Mr. Burdon.*—I think the facts have not been made altogether clear in regard to this matter. The total amount of the salt compensation paid amounts to over Rs. 33 lakhs as you will see from the first entry on page 75 of the Appropriation Accounts and only some Rs. 8 lakhs are charged in the commercial accounts. I understand this is as the result of a discussion, which I know nothing about, of some years ago, and only part of the expenditure on salt compensation was separated out as correctly chargeable to the commercial account. To that decision I understand the Finance Department was a party. The Auditor General was not consulted.

Chairman.—Where do you get your figures for the amount included in the commercial accounts ?

Mr. Burdon.—At page 50 of the Appendix, if you will look down the first column. The whole of the 10 lakhs taken in the commercial account is included in this major head. That really includes royalties. ‘Royalties’ is only a redundancy.

Chairman.—The same head should appear in both places ?

Mr. Burdon.—I quite agree.

Mr. Hardy.—It should be “salt compensations and royalties”.

Chairman.—From these papers it is clear that the questions raised have been gone into very carefully before, and that whereas we show about 34 lakhs under compensations and royalties, the actual amount of that which is charged to the commercial accounts is only about 10 lakhs.

400. *Maulvi Abdul Matin Chaudhury.*—Does that not show that an excessive charge is made to the Salt Department ? That is raising the price of salt ?

Mr. Hardy.—It is a little difficult to arrive at any decision without seeing the discussions which led to that particular figure being adopted.

Maulvi Abdul Matin Chaudhury.—It leads to an increase in the price of salt ?

Chairman.—You must make some charge.

Mr. Scott.—Sambhar takes 8 lakhs out of the ten.

Chairman.—Have the Tariff Board commented on this in their Report ?

Sir Arthur McWatters.—Yes.

Chairman.—I certainly think the question will come under review in the light of the Tariff Board's Report. We ought to have some guidance from their Report.

Mr. Hoyle.—They referred to it when they examined me as a witness. They were much startled by it and thought it was inequitable that Sambhar should be debited with so much royalty and compensation.

Mr. Scott.—That is our opinion too.

Chairman.—What we ought to do is to record a recommendation that the allocation of this item should be again reviewed. That cannot be during the present session of the Public Accounts Committee, because it will have to be considered together with the Tariff Board's recommendations. We can do it next year.

Maulvi Abdul Matin Chaudhury.—We shall have the results of that review before us ?

Chairman.—Certainly,—very likely it will come up in connection with the discussion of the Tariff Board's Report.

401. *Maulvi Muhammad Yakub.*—Are there any proposals for reducing the royalties ?

Chairman.—That raises other questions. To reduce the amount which we debit to the salt production,—that is one thing we can do. That will come under review.

Maulvi Muhammad Yakub.—We might also make some reference to the total payments, which should also be considered in connection with the Butler Committee's Report.

Chairman.—Yes, that is an important point.

402. *Chairman.*—Paragraph 23 of the letter. Can we have any later figures ?

Mr. Campbell.—I received a statement yesterday from the Commissioner giving certain figures regarding the cost of production. (Showed the statement.)

Mr. Hardy.—There was short production at Sambhar owing to the floods and consequent bigger overhead charges and increased production elsewhere to make up for it.

Mr. Hoyle.—Production was affected by the floods. They delayed our manufacture at Sambhar ; instead of starting in March, we were not able to start extracting until May or June.

403. *Maulvi Abdul Matin Chaudhury*.—Will you turn to page 56 of this Appendix? The profit in 1927-28 was converted into a loss. What is the explanation?

Mr. Hoyle.—The sales in 1929-30 were very much less which is important if you review the results of the undertaking as a whole.

404. *Maulvi Abdul Matin Chaudhury*.—But the results in respect of other salt works are quite different from those in regard to Sambhar. Why has the cost of production gone up?

Mr. Campbell.—My reason for that is the increase under the head Interest on Capital on page 50 on the debit side of the account. There is an increase of Rs. 84,000 in Sambhar under Interest on Capital. That is due mainly to a change in the method of charging interest on capital. The old method used to be to charge interest only on fixed assets; now they charge interest on both the fixed and floating liabilities as the majority of commercial concerns do.

405. *Chairman*.—The big increase is under royalties and compensation. This brings up a large question. If the Committee is going to scrutinise the commercial results of the Northern India Salt Department—and we are now being put into a very much better position to do that than before because already this year you have got the figures of the cost of production, there was a great advance last year, and we hope we shall get audited figures in future—if we are going to do that, we must have together with these accounts what I would call the managing director's report on the working of the concern giving us the reasons for improved or deteriorated commercial results. Each section really ought to be completed by what I would call the managing director's report on the working.

Mr. Campbell.—For next year we have already fixed arrangements whereby the superintendents of the concerns will send a report to me.

Chairman.—Next year we shall want to have fuller explanation of all the variations, prepared by the man who is responsible for the commercial results and not by you who are merely responsible for telling us whether the accounts present a true picture or not. I think we shall waste a good deal of our time and we shall not get satisfactory results this year by asking a number of disconnected questions. Next year I hope the Committee will have before them a fuller report by the managing director.

406. *Maulvi Abdul Matin Chaudhury*.—Why has there been an increase in the cost of production at Sambhar?

Mr. Hoyle.—The items mentioned account for the whole increase.

Chairman.—I think we might ask Mr. Hoyle to prepare a note for us on the increased cost of production by the 5th July—that would be better than asking him questions now.

407. *Maulvi Abdul Matin Chaudhury*.—I have to ask a simple question on paragraph 3 of this memorandum (Appendix V). There are salt works in Bombay owned by the Government, at Dharsana and at other places. It was claimed that the Dharsana works are owned by Government. Some time ago the Bombay Government issued a communique that the Dharsana works belonged to some middlemen. What is the true position?

Mr. Hardy.—I am afraid I should have notice of that. I will inquire about that when I get a copy of the communique.

Chairman.—I think the facts are here in Appendix V, paragraph 5, showing that the Dharsana salt works are part of a consolidated system.

Maulvi Abdul Matin Chaudhury.—I want to know the exact position with regard to the Dharsana works, whether it is a private department or a Government department.

Chairman.—I do not know if the Public Accounts Committee is concerned with the statement of the Government of Bombay. We have given the information here.

Mr. Hardy.—As far as I know this is the correct position. But I am not acquainted with the communique to which you refer.

Chairman.—I think Mr. Chaudhury had better put a question in the Assembly about this matter. I do not know who has prepared this Appendix—I think it is the C. B. R.—but the statement is quite correct.

GRANT 19—OPIUM.

408. *Chairman.*—We now turn to Opium, pages 84-86. The total saving is of 26,58,000. Have you got anything to tell us about that, Mr. Hardy ?

Mr. Hardy.—The saving of about 25 lakhs is almost entirely due to short delivery of opium in 1928 by the Malwa States and lower produce of opium in the United Provinces owing to more unfavourable weather conditions than had been estimated. The Opium Agent has practically no control over these circumstances and he did surrender the sum of Rs. 25,59,000 before the conclusion of the year which is a very fair estimate as compared to the original estimate of 27 lakhs.

409. *Maulvi Abdul Matin Chaudhury.*—On what factors does the supply from Malwa depend ?

Mr. Hardy.—It depends on weather which is notoriously uncertain, Mr. Chaudhuri.

410. *Maulvi Abdul Matin Chaudhury.*—Is it not possible to make any approximate forecast ?

Mr. Hardy.—I do not think we can guarantee in the Central Board of Revenue to forecast the monsoon accurately.

Chairman.—It is not a case of ordinary budgetary estimating. They cannot control the monsoon.

Mr. Hardy.—So long as the figure shown in column 6 is reasonably low, I do not think there can be any serious criticism about it. We cannot make much of an estimate beforehand. So long as we surrender what is in excess during the course of the year, it ought to be satisfactory to the Committee.

Chairman.—I think it is quite a reasonable result and also a reasonable explanation.

411. *Chairman*.—Appendix, pages 63-67. I take it that the Committee will be very glad to have copies of accounts for the year ending 30th September 1929 to which the Auditor General refers.

Mr. Campbell.—In future years we hope to get them in these accounts. Actually, there are more accounts in Opium than there are in Salt. It is a very voluminous thing. I have not got copies made. There are so many profit and loss accounts for each commodity manufactured at Ghazipur. I can however give the cost and compare it with previous years.

Mr. Burdon.—These accounts might be circulated to the Public Accounts Committee along with the first quarterly statement. In the meantime Mr. Campbell might be able to tell us in a few words what the results were.

Mr. Campbell.—The net profit for 1926-27 was 1,69 lakhs, for 1927-28 1,98 lakhs and for 1928-29, 1,69 lakhs. For several years past it has not really varied much.

412. *Chairman*.—Appendix, page 71, paragraph 118.

Mr. Burdon.—I should like to explain that the comments which I have made in various portions of this commercial Appendix are based upon a synopsis which I got from the Director of Commercial Audit himself. I gave him the fullest liberty to draw attention to the things which he regarded as most important and most interesting in his opinion.

413. *Maulvi Abdul Matin Chaudhury*.—With regard to the opium stocks shown on page 66, it will be seen that the balance of raw opium is 28,578 maunds. Is there any justification for it ?

Chairman.—I think Mr. Hardy can explain to you why this stock is held.

Mr. Hardy.—I am afraid I cannot say off hand why it is necessary to keep it up to a particular figure. I will go into the matter and let the Committee have a report about it if they so wish.

Chairman.—At any rate, the balance is being reduced. We had a very big accumulation in the past.

Mr. Burdon.—The Central Government has got to manufacture by the season and it has got to hold the requirements of the Local Governments for a year.

Sir Arthur McWatters.—The manufacture takes a considerable period of time.

Chairman.—If you would like to see a note on the present position of stocks and why they are maintained at this figure, Mr. Hardy will prepare one.

414. *Maulvi Abdul Matin Chaudhury*.—Paragraph 133 of the Appendix. 101 maunds strikes me as a big figure for shortage. I do not think the explanation is very satisfactory.

Chairman.—I think this is the sort of figure which we can check only by comparing one year with another. There are a great many articles in the handling of which you have very big wastage. I have no technical knowledge of opium and cannot say whether it has a high percentage or low percentage of wastage.

Mr. Burdon.—I once read a very elaborate description of how these losses occur in a report which was submitted by Mr. Gaskell, the Opium Agent, Benares. He went through a number of processes in which the opium has to be taken from one receptacle into another and he explained in great detail and gave very convincing reasons how at each stage some loss necessarily occurred.

Chairman.—What one wishes to see is whether the loss is going up or coming down. Very often in a commercial concern the whole difference between success and failure depends on eliminating losses of this kind.

Mr. Burdon.—I think the percentage figures might usefully be given.

Chairman.—It is certainly a point to be noted in the Managing Director's report when we get it in future years. We want figures for a series of years so that we may be in a position to see whether the loss is going up or coming down.

Evidence taken at the seventh meeting of the Public Accounts Committee held on Wednesday, the 2nd July 1930, at 10-30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

} *Members.*

Present during the examination of the Appropriation Accounts relating to the Foreign and Political Department only :

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. C. V. S. RAO, Officer on Special Duty.

The Hon'ble Sir CHARLES WATSON, Political Secretary.

Mr. V. NARAHARI RAO, Under Secretary, Foreign and Political Department.

Rai Sahib CHUNI LAL, Foreign and Political Department.

Rai Sahib RAMA NAND, Foreign and Political Department.

} *Witnesses.*

Present during the examination of the Railway Appropriation Accounts only :

Mr. A. C. BADENOCH, Director of Railway Audit.

Mr. T. G. RUSSELL, Chief Commissioner, Railways.

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

Mr. M. K. MITRA, Controller of Railway Accounts.

Mr. T. S. SANKARA Aiyar, Director of Finance, Railways.

} Witnesses.

415. *Sir Charles Watson.*—I am sorry to say that Mr. Howell is unwell and I hope the Committee will be indulgent enough to allow the Foreign side to be represented by Mr. Narahari Rao.

Chairman.—Very well. Let us first take Appendix III.

416. *Mr. Scott.*—Item 28. What is that claim against the Persian Government for ? I am talking of (a).

Chairman.—Is there any chance of a settlement there ?

Mr. Narahari Rao.—The matter is really under negotiation with the Persian Government. It is connected with the treaty in various important matters which are now under very secret negotiation.

Chairman.—What are the main claims ?

Mr. Narahari Rao.—They relate to the War debts.

417. *Mr. Scott.*—The treaty was that Anglo-Persian Treaty of 10 years ago ?

Mr. Narahari Rao.—Yes.

Mr. Scott.—I do not think there is much chance of getting anything back.

Chairman.—I am afraid that may be so.

GRANT 30—FOREIGN AND POLITICAL DEPARTMENT.

418. *Maulvi Abdul Matin Chaudhury.*—Page 121 of the Accounts B.-Pay of Establishments. It says, " Assistants proceeding on leave in England drawing leave salary there ". Are the assistants in that department recruited from England ?

Mr. Narahari Rao.—They are not recruited in England, but there is nothing to prevent them from going on leave in England.

419. *Maulvi Abdul Matin Chaudhury.*—E—Other Contingencies. Smaller expenditure was incurred on books and publications. Could you not get this information from the publishers as to when the publication would be ready ?

Mr. Narahari Rao.—No. As a matter of fact, the publication is in the hands of the Foreign and Political Department itself. When they have completed the drafts then, of course, they will be sent to the press and they will be printed. It was expected that they would be able to send some matter to the press, and if that expectation was not fulfilled, then the question of payment did not arise.

420. *Maulvi Abdul Matin Chaudhury.*—By the beginning of January you could have realised that there was no chance of the book being published that year ?

Mr. Narahari Rao.—Apparently it was not the case.

Sir Charles Watson.—The delay occurred after the meeting of the Princes in March. So, it was almost impossible to anticipate that this would occur ; it was not anticipated at the time, certainly not in January.

GRANT 74—NORTH-WEST FRONTIER PROVINCE.

421. *Maulvi Abdul Matin Chaudhury.*—Page 399, sub-head C. In 1927-28 the same explanation also was given.

Rai Sahib Chuni Lal.—The estimates under this head were prepared on the information furnished by the Punjab Government. The excess was due partly to the average cost of training of a student at the King Edward's Medical College, Lahore, having increased from Rs. 953 to Rs. 1,106 and partly to the rise in the number of students. The rise was 2, from 47 to 49.

Maulvi Abdul Matin Chaudhury.—Does that account for the excess of Rs. 10,000 ?

Rai Sahib Chuni Lal.—Yes.

422. *Maulvi Abdul Matin Chaudhury.*—In the previous year there was the same excess and the same explanation was given. Is it not possible to calculate the probable expenditure on this item before-hand ?

Rai Sahib Chuni Lal.—But the increase in the number of students is very small. We prepare the estimates on the information furnished by the Punjab Government.

423. *Maulvi Abdul Matin Chaudhury.*—You send the students and you know the number of students you are sending ?

Rai Sahib Chuni Lal.—Yes.

Mr. Narahari Rao.—The Punjab Government fix the rates, and the actual charge made per student depends upon the actual expenditure of the institution.

Rai Sahib Chuni Lal.—Previously it was Rs. 953 and in 1928-29 it was Rs. 1,106.

Mr. Scott.—The extra cost seems to have been about Rs. 150 per student.

Mr. Kaula.—You are absolutely in the hands of the Punjab Government ?

Rai Sahib Chuni Lal.—Yes. We ask them to prepare the estimate.

424. *Mr. Kaula*.—Cannot you have an arrangement with the Government of the Punjab to have something more definite than what is being done now ?

Rai Sahib Chuni Lal.—That we can.

Mr. Narahari Rao.—We shall try, of course. At present the estimates are based on the actual expenditure of the previous year.

425. *Maulvi Abdul Matin Chaudhury*.—Page 427, F. 2. There is a saving there. When you were going to open a Normal School at Peshawar, you should have known that the other institution was to be closed.

Rai Sahib Chuni Lal.—But that was a private institution.

Maulvi Abdul Matin Chaudhury.—But you are making a contribution to that ?

Rai Sahib Chuni Lal.—Yes.

Maulvi Muhammad Yakub.—It was a private institution and probably the managers decided to close it during the course of the year and the Government did not know.

426. *Chairman*.—There is one comment in the Auditor General's letter, paragraph 9. Paragraph 33 of the Appropriation Accounts and the Report. There is an item which concerns the North-West Frontier Province. In February 1929 there was a supplementary grant of Rs. 86,000. It was not on a new service and it proved ultimately to be unnecessary as the final expenditure under the grant was well within the original grant.

Rai Sahib Chuni Lal.—The total saving shown on page 399 of the Report is Rs. 1,34,000, but does not take into account Rs. 17,000 surrendered to the Government of India from the grant under Education. A sum of about Rs. 14,000 was saved on account of the late receipt of sanction to the supplementary grant of Rs. 86,000. Excluding these two items the amount of saving is Rs. 1,03,000 only out of the total of Rs. 99,88,000, about one per cent. An enquiry was made from all heads of departments regarding anticipated savings in their grants before an application for the supplementary grant of Rs. 86,000 was made to the Government of India, but none of them anticipated any substantial savings at that time to meet the above grant. Savings to the extent of Rs. 25,000 and 14,000 have, however, occurred under heads B. 2 and B. 6 in Account I which require some explanation and the balance of the savings was made up of small items spread over several heads. As regards these two items, I may say that the savings of Rs. 25,000 under head B. 2 were due to the fact that smaller expenditure was incurred on the Peshawar and Dera Ismail Khan settlements than was anticipated at the time of the application of the supplementary grant to the Government of India. As regards the other item of Rs. 14,000 under B. 6, the savings were due to an unexpected credit of Rs. 11,000 having been afforded by the Survey of India after the close of the year on account of the cost of stores taken over by them on the disbandment of the settlement survey establishment.

Mr. C. V. S. Rao.—But for the grant of Rs. 86,000 the savings would have been only Rs. 50,000 or thereabouts. That means about half per cent. compared with the gross grant and that compares very favourably

with the 1.7 per cent. of savings on grants in the United Kingdom which has been quoted by the Auditor General.

427. *Chairman*.—Have you got anything to say on that, Mr. Burdon ?

Mr. Burdon.—Nothing : this is 1928-29.

Chairman.—Considering the complicated nature of this grant, the explanation seems to be fairly reasonable.

GRANT 75—BALUCHISTAN.

428. *Chairman*.—In the same paragraph, 33 of the Report, under head Baluchistan, they asked for a supplementary grant of Rs. 17,000 to meet the grain and cash allowances in favour of certain persons previously paid direct from the revenues received. There, again, although they asked for a supplementary grant, they had a saving on the total vote. Would you give the same sort of explanation in that case ?

Rai Sahib Rama Nand.—All that we asked for was an additional grant of Rs. 17,000. It was between the Finance Department and the Assembly that they got a supplementary grant and made an allotment to us out of their reserves.

Chairman.—I do not quite understand the explanation.

Rai Sahib Rama Nand.—The explanation is here in the Appropriation Accounts, page 437, Account I. C. The excess of Rs. 40,927 over the appropriation of Rs. 33,800 was due to the new system, introduced at the instance of Audit, by which the value of land revenue assignments, both in cash and kind, of tahsils, other than the Quetta and Pishin Tahsils, formerly paid out of land revenue collections before their credit into the treasury, was drawn from the treasury. So at the time of the preparation of the budget, the Administration did not know that the audit would insist on this amount being drawn from the treasury and appropriation would be required for it. The procedure was revised after the budget had been sanctioned.

429. *Chairman*.—I do not see what is the connection between that and the Auditor General's comment. The Auditor General's comment is that the supplementary grant was asked for when it was not necessary.

Mr. Scott.—Formerly before the revenues were paid in, this amount was deducted and paid in cash. Now, the whole total revenue is paid in and this amount is afterwards paid out of the treasury.

Rai Sahib Rama Nand.—If you will kindly turn to page 440, it is there also.

Mr. Kaula.—The point is this. You ask for Rs. 17,000 extra funds whilst under other heads you had large savings.

Rai Sahib Rama Nand.—At the time of asking this we had no such savings. The savings we had we had already taken into account. The actual expenditure was much bigger and we found the balance by re-appropriation ourselves. It was only a part of the additional requirements we asked for.

Mr. Narahari Rao.—The actual requirements under that head seem to be Rs. 40,000 and odd.

Chairman.—The point really is that you had on hand more than you required and we want to try and see that you keep a closer account of what the position is. I don't think we need pursue the point further.

430. *Maulvi Muhammad Yakub.*—At the bottom of page 437, it is stated : “ owing to the cost of clothing supplied to Quetta-Pishin and Sibi police having been met out of the accumulated balance of the clothing fund, etc ”. At the time of preparing the budget, you knew that there was an accumulated balance under this head, so why was the provision made in the budget under this head ? I think the balance must have been accumulated for some years ?

Rai Sahib Rama Nand.—The fact is that the expenditure on police clothing is not uniform every year. Sometimes they have to be supplied with very costly things. Then at the time of the preparation of the budget no one could say whether the expenditure would be exactly equal to the amount of the grant or whether the accumulated balance would have to be drawn upon.

431. *Mr. Ramsay Scott.*—I suppose in certain times you have to recruit extra police, and that means extra clothing ?

Rai Sahib Rama Nand.—Yes.

432. *Maulvi Muhammad Yakub.*—Why was this balance allowed to accumulate ?

Rai Sahib Rama Nand.—It is a local fund.

433. *Maulvi Abdul Matin Chaudhury.*—What is the total amount accumulated ? Why is it accumulated ?

Rai Sahib Rama Nand.—For meeting expenditure in times of necessity, but I could not tell you the exact amount. It was however sufficient to cover the expenditure for the year.

Maulvi Muhammad Yakub.—What was the expenditure ?

Rai Sahib Rama Nand.—Rs. 38,000.

Chairman.—I think the point really is about the existence of these funds, and I think the Committee would like to have a note on this fund as well as on any other funds of the kind which may be in existence.

Rai Sahib Rama Nand.—Now of course the system has been changed with effect from the commencement of this year. A personal account has been opened under orders of the Government of India in the Treasury for this clothing fund. So the grant-in-aid goes to the Treasury to the personal account of the Superintendent of Police, and he draws on it as and when he requires the amount.

Chairman.—I think it is no use pursuing this particular inquiry unless we have the note before us.

434. *Chairman.*—Paragraph 57 of the Auditor General's letter refers to this grant also. Page 463—paragraph 2 of Important Comments. In view of the continuing and increasing loss, we should like to have some information on this.

Rai Sahib Rama Nand.—The year 1928-29 was an exceptional one so far as fruit was concerned, and the loss shown in the balance sheet is not on that account, but we had to incur some initial expenditure during the year which amounts to Rs. 3,800. The balance is of course loss on account of the failure of the fruit crop. There is no doubt that the Government of India have said that this farm is to continue only as long as it is self-supporting, but since the farm was inspected by H. E. Lord Irwin in April 1927 and since the bigger question of the development of agricultural conditions in Baluchistan was taken up, it is understood that the condition imposed by the Government of India in 1923 that the continuance of the farm depended on its being self-supporting, is no longer to be insisted upon. This question will however be taken up as soon as possible after the arrival of the new Agricultural officer under whom it is proposed to place this farm along with the other farms in the province.

435. *Chairman.*—Is this on account of the experimental farm dealt with in the Appendix ?

Mr. Burdon.—The accounts here are not maintained on a true commercial basis, and the loss shown here is very much under-stated. It is now a permanent loss.

Rai Sahib Rama Nand.—Efforts have always been made to make the farm self-supporting, and with good years there is no reason why it should not be self-supporting.

436. *Mr. Burdon.*—I thought you said that the condition is to be withdrawn.

Mr. Narahari Rao.—It is to be made more a demonstration farm than anything else.

437. *Chairman.*—Can you tell us anything about the actual results in 1928-29 ? Was the year 1929-30 better ?

Rai Sahib Rama Nand.—It has been better, though there has been a deficit in this year.

Chairman.—What is the deficit this year ?

Rai Sahib Rama Nand.—The net loss in 1929-30 is Rs. 3,892.

438. *Mr. Das.*—We need not have a demonstration farm for the benefit of the local zemindars. If the utility of this farm is finished, I don't see why we should continue to keep it going ?

Chairman.—I think that the time has really come for the Government to consider whether they are going to abandon the principle that this institution must be self-supporting. Personally, I am speaking from the point of view of general policy, I should be very sorry to see anything cut down which the Central Government is doing to encourage agriculture in Baluchistan. Even if it is not self-supporting, I would not myself hold the view that the farm should be abolished. But I think it is time that the policy should be reviewed and a decision arrived at, and I think we might ask that next year we should have a special Report on this farm so that we may have the ideas of the Local administration fully before us and consider whether we, as Public Accounts Committee, ought to make a recommendation about it.

439. *Maulvi Muhammad Yakub*.—What is the idea in keeping a demonstrating process which runs at a loss? We don't expect the people to copy a thing like that.

Rai Sahib Rama Nand.—I might say that the area under gardens has improved four times in the Quetta Tahsil since the opening of this farm, and the good quality of the fruit grown in this farm has encouraged other people to introduce into their own gardens the same species of fruit which grows in our farm. So if the farm has given a direct loss of a few thousand rupees, it is undoubtedly bringing in extra revenue from other sources. It is also helping to improve the industry generally.

440. *Maulvi Muhammad Yakub*.—Has the revenue increased?

Rai Sahib Rama Nand.—Yes, since the garden area has increased in the Quetta Tahsil four times or so.

441. *Maulvi Muhammad Yakub*.—How do you connect the improvement in the revenue with this demonstration farm?

Rai Sahib Rama Nand.—The people round about are very much interested in this. They come and learn things for themselves; they take advice from the officer in charge and often take cuttings and seedlings. We issued something like 33,000 plants during the last five years.

442. *Maulvi Abdul Matin Chaudhury*.—That has been reduced since the local zemindars are also growing fruit?

Rai Sahib Rama Nand.—That is not the case. There was a little reduction during the year 1928-29, but during last year 1929-30 there has been an increase. Everything depends upon the season. Sometimes zemindars want more seedlings.

443. *Chairman*.—I think what I suggested would be a satisfactory way for dealing with this matter. We want more information, and I think we ought to have a Report. I imagine that this Farm is performing a very useful function even if it is not self-supporting. The point has been raised that the *pro forma* accounts look defective. You would perhaps take up that point, Mr. Burdon.

Mr. Burdon.—Yes, Sir. It will of course be a question of putting the accounts on a proper commercial basis.

Mr. Campbell.—The question was taken up about three or four years ago, and it was decided at the time that it would not be necessary for the commercial audit branch to go there, and nobody was sent from Bombay, and it was decided that the accounts be left in their present state.

Chairman.—From a cursory examination you will find that there are obviously some items which ought to be included in the accounts. That might be settled by correspondence with the authorities concerned, without the necessity of an actual visit.

444. *Maulvi Abdul Matin Chaudhury*.—Page 458, A.-2. You say here: "Savings occurred in the provision for purchase of water owing to the zemindars having demanded exorbitant rates and on account of re-transfer of the portion of the Residency Garden from the fruit farm." What do you mean by this?

Rai Sahib Rama Nand.—A portion of the Residency Garden was attached to the fruit farm which is very limited in extent. Some three or

four acres are left for vegetables and the other area is used for dry crop experiments. There was a question of expanding it three or four years ago.

445. *Maulvi Abdul Matin Chaudhury*.—Are you thinking of extending the demonstration farm ?

Rai Sahib Rama Nand.—The experiments in the Residency Garden were not successful, because both the fruit farm and the Residency Garden are situated at some distance. The officer in charge of our fruit farm could not do justice to his work in the Residency Garden, and so it was given up.

446. *Maulvi Abdul Matin Chaudhury*.—The saving occurred in the provision for the purchase of water from the zemindars because they demanded exorbitant rates ?

Rai Sahib Rama Nand.—We budgeted for about Rs. 10,000 to enable us to purchase the water, but by the time the sanctioned budget came, the zemindars got scent of this and they raised their prices which we did not care to pay. We did not purchase the water, nor did we utilise the budget grant. The old arrangement, which was of course temporary, was continued. We pumped a portion of the water and made temporary arrangements for the additional water required.

447. *Maulvi Muhammad Yakub*.—Why do you at all purchase water if you can provide water from your pumps ?

Rai Sahib Rama Nand.—We have of course got two or three borings there, but still it is always necessary to make temporary purchases in the season when we have to save our fruit trees and other vegetables.

448. *Maulvi Muhammad Yakub*.—Wherefrom do you raise money for these temporary arrangements ?

Rai Sahib Rama Nand.—It is in the *pro forma* account. Part of it was spent towards the items we have been discussing now on account of land assignments, and so on.

449. *Chairman*.—What happened last year ?

Rai Sahib Rama Nand.—The Irrigation Department are making experiments with the new engine. We made arrangements to purchase a new engine last year as the zemindars wanted to put up their price for water, and the Irrigation Department are experimenting with that engine.

450. *Chairman*.—Are the zemindars still trying to extort exorbitant rates from you ?

Rai Sahib Rama Nand.—Yes, Sir. But it is expected that the Irrigation Department will be able to give us more water by means of our new engine at much less expense.

451. *Maulvi Abdul Matin Chaudhury*.—Page 451, A (1). Here there was a saving of about Rs. 57,000, and the total administration explains that certain allowances of Sardars of Sarhad were kept in abeyance. What is the nature of the service that they render for which this allowance is made ?

Rai Sahib Rama Nand.—It is tribal service. They are helping the Government in the collection of land revenue and in all sorts of ways. They also help us in detecting crime and in bringing offenders to justice ; they

further help us by sitting in Jirgas. They act as levies. Every tribe has its tribal responsibility, and if anything happens in any area the head-man is held responsible for it.

452. *Maulvi Muhammad Yakub.*—Page 455. I want to ask a question under the head of scholarships. It is stated under H. (2) (1) that the classes in the High School not being in full swing, the total sanctioned number of scholarships could not be awarded. Have you made any inquiries as to why these classes were not in full swing ?

Rai Sahib Rama Nand.—This is in regard to the High School which was started in that very year, and it took the Local administration some time to start it. Since then the school is certainly doing well.

453. *Maulvi Muhammad Yakub.*—Then it is stated that the secondary scholarships of the Dera Bugti School remained undischursed, owing to there being a proposal to abolish it. Why was it contemplated to abolish it ?

Rai Sahib Rama Nand.—This is with regard to the new school which was sanctioned in our five-year programme, but when the question of actually starting the school came, administrative difficulties came in. The Bugti Chief did not favour the idea of pursuing the matter further although he was very enthusiastic about it in the beginning.

454. *Maulvi Abdul Matin Chaudhury.*—Page 449, A.4. Here an increase of Rs. 12,000 on the purchase and maintenance of motor cars is shown. Do you think it would not have been in keeping with the dignity of the Hon'ble the Agent to have a car of lesser value ?

Rai Sahib Rama Nand.—It was within the grant sanctioned.

Mr. Burdon.—There is a scale for cars laid down for all high officials by the Secretary of State and the maximum price varies in different cases according to the status of the high official, and I think I am right in saying that these standard prices are reviewed periodically. I think they were reviewed only last year.

Chairman.—I think that the Agent in that sort of place has got to keep up a certain amount of dignity and is entitled to have a car suited to his position. I am told that the scale was reviewed only last December.

GRANT 77—AJMER-MERWARA. —

455. *Chairman.*—Page 487. There is a comment in the Auditor General's letter on sub-head B.—3 which says that the surrender of Rs. 10 on the 11th February 1929 is strikingly out of relation to the saving which actually occurred. What is this about ?

Mr. Narahari Rao.—I must confess that it was not the A. G. G. who was responsible for this. It was done more or less in the Foreign and Political Department itself. When they got these statements of excesses and savings through the audit officer, they reviewed them and made a minus entry of Rs. 10 against that item. I am not aware how it happened. There was nothing to lead to the conclusion that there would be this big saving of Rs. 3,000 and odd at that time, and the Foreign and Political Department merely made a cut of Rs. 10. I do not think we can blame the Agent.

456. *Mr. Das.*—Page 496, paragraph 1. The Civil Superintendent at Ajmer utilised all the surplus money in March 1928, for the purchase of grain. But did he deduct an equal amount in the budget of the next year ?

Mr. Narahari Rao.—I cannot say. We will have to wait for the Appropriation Accounts of the next year.

Chairman.—So you do not know whether he has taken the warning given here to heart ?

Mr. Narahari Rao.—We cannot say yet.

457. *Mr. Das.*—Page 496, paragraph 2. What about this Pay and Accounts Office ? Has it been sanctioned ?

Mr. Narahari Rao.—I think it will depend really upon very much bigger changes that may be made elsewhere. The Auditor-General will probably be able to explain that point.

Mr. Burdon.—I know that one of the recommendations of the Simon Commission is that accounts should be separated from audit and that accounts should come under the administrative department. It is possible that general changes of that kind may have to take place and at the present moment there is no need to deal with these isolated cases piecemeal. A similar question is under consideration in the case of the Andamans. But the general question may come up almost immediately.

458. *Chairman.*—In the meanwhile the appointment of the Financial Assistant has improved the position sufficiently to carry on with ?

Mr. Narahari Rao.—Yes.

GRANT 79—RAJPUTANA.

459. *Chairman.*—Page 557. The Auditor-General has some comments to make on this. Have you got anything special to say about that ?

Mr. Narahari Rao.—Nothing very special except that in the case of item (1) the local Administration had actually provided Rs. 5,000 to meet the debits from the Railway Department but they were not informed of these debits till the year had closed. The debits were passed on by the Railway Company direct to the Accountant General, Central Revenues, who adjusted them. In future they have arranged that these debits should pass through the local administration who should then be able to take note of them and avoid this kind of irregularity.

460. *Mr. Das.*—Does the local Administration pay the full cost of the Railway police or do they share it half and half ?

Mr. Narahari Rao.—They share it of course.

461. *Maulvi Abdul Matin Chaudhury.*—Is it not the duty of the Railway to bear this expenditure ?

Chairman.—This matter of the distribution of cost of police on railways has been under consideration for a long time. It is a complicated issue.

462. *Maulvi Abdul Matin Chaudhury.*—Page 555. Please look at F. 2. Did you sanction money for this building even before the Railway got sanction from the Home Board ?

Mr. Narahari Rao.—We give a grant-in-aid and they have to supplement it with certain expenditure of their own which would require the sanction of the Home Board.

463. *Maulvi Abdul Matin Chaudhury.*—So you sanctioned the money before they decided to build the school ?

Mr. Narahari Rao.—We must have been satisfied on our side that this was all right. I have no more details than what is given in this note with regard to this point.

464. *Maulvi Muhammad Yakub.*—Please look at F. 3. Why was this scholarship for a female student at the Delhi Medical College not utilised ?

Mr. Narahari Rao.—I can say nothing more than what is stated in the note. Apparently a student did not come forward or did not join.

Maulvi Muhammad Yakub.—Was no effort made to advertise the scholarship ? Or is there any other reason ?

Sir Charles Watson.—It is quite possible that no student came forward. I do not think it is conceivable that the scholarship was not advertised locally. But sometimes students do not come forward.

Maulvi Muhammad Yakub.—Efforts should be made to spread female education and encourage female students to join the Medical College. The attention of the local Administration should be drawn to this.

Chairman.—You might perhaps look up the point and let the Maulvi Sahab know the reasons.

465. *Chairman.*—Have you anything to say with regard to the Auditor-General's comment in paragraph 8 (v) of his letter ?

Mr. Narahari Rao.—We are dealing here with the budget for 1928-29, and when the estimates were prepared, it must have been sometime in December 1927. At that time the question of the incidence of political expenditure at Aden was very nebulous and the explanation for not making any budget provision is the same as I gave last year ; that is, the Finance Department decided that no provision need be made or could be made till the position was more definite. Towards the middle of 1929, the various complicated questions were at last settled and we sanctioned an additional appropriation towards the end of 1929 for 1929-30. But the position for 1928-29 was the same as in 1927-28 and we did not know what to do.

466. *Chairman.*—You could not have made any appropriation even in the latter part of the year ?

Mr. Narahari Rao.—No, Sir.

467. *Mr. Das.*—Even if no sanction had been received, you could have come to the Finance Department in February or March.

Mr. Narahari Rao.—We would then be blamed for over-budgeting or under-budgeting.

468. *Mr. Burdon.*—Did you make an appropriation in 1929-30 ?

Mr. Narahari Rao.—Yes. When I appeared before this Committee last time, I promised that I would do it and I actually carried out the wishes of the Committee.

Chairman.—This thing will not occur again anyhow.

Mr. Narahari Rao.—No.

469. *Maulvi Abdul Matin Chaudhury.*—On page 600, under "F—Entertainment Charges", the grant is Rs. 21,000 and the expenditure is Rs. 1,11,264. What is the explanation?

Mr. Narahari Rao.—This is expenditure connected with Aden. The whole of this is recoverable and has been recovered from His Majesty's Government.

470. *Maulvi Abdul Matin Chaudhury.*—What are these entertainment charges which amount to such a large sum?

Sir Charles Watson.—This is spent on the Arab emissaries who come to Aden to confer with the Resident. They are entertained there at the cost of the Resident.

471. *Chairman.*—Why were they so high in this particular year?

Mr. Narahari Rao.—They were not budgeted for and so they appear high.

Mr. Burdon.—The actual charge apparently is a normal one.

Mr. Narahari Rao.—Yes. Moreover, the whole charge has been transferred to His Majesty's Government and recovered from them.

472. *Chairman.*—Para. 43 of the Appropriation Report. What does this sum of money in dispute represent?

Mr. Narahari Rao.—This represents the pay, allowances, pension contribution and leave salary of certain assistant surgeons whom the Government of India were deputing in the past for quarantine work in the Persian Gulf. It was a very old arrangement and the Persian Government were paying all right till 1923. But suddenly they took it into their heads that we had no claim to recover the pension contributions and leave salaries and they refused to pay. We represented that we were entitled to be paid because they had paid it all these years. They asked us to show a regular acceptance of these charges and we have not been able to do that.

473. *Mr. Das.*—Do you get it direct or do you negotiate with the British Foreign Office?

Mr. Narahari Rao.—We negotiate through the Minister at Teheran.

474. *Chairman.*—What is the present position?

Mr. Narahari Rao.—We have been writing to the Minister and reminding him and he has been writing to the Persian Government. The previous arrangements have ceased since August 1928.

Sir Charles Watson.—The Persian Government have accepted their liability for the pay and allowances but they question the leave salary and pension contribution.

475. *Chairman.*—Will it not be satisfactory to arrive at a settlement on the basis of recovering their pay and waiving the pension contribution and leave salaries?

Mr. Narahari Rao.—We might take up that point, and it might eventually come to that.

Chairman.—The sooner it comes to that the better.

POLITICAL.

476. *Mr. Das.*—Page 599-D. Is it not your practice that this cost is shared half and half between the British Government and the Government of India ?

Mr. Narahari Rao.—Yes.

477. *Mr. Das.*—When you over-estimate your budget how do you recover from the British Government ?

Mr. Narahari Rao.—We send actual statements.

Mr. Das.—Do they pay in every case ?

Mr. Narahari Rao.—Yes.

478. *Mr. Das.*—Then what about this comment in the Home Auditor's report ?

Mr. Narahari Rao.—That is a very special point quite outside this. That was really part of certain war claims.

Chairman.—We can discuss the Home Auditor's report later.

Mr. Burdon.—The real point is that there is a joint sanction in the case of all Persian expenditure and a half share of all expenditure incurred in accordance with that joint sanction is accepted by His Majesty's Government without comment.

479. *Maulvi Muhammad Yakub.*—Page 609. Have orders been received now about this case and if so what are the orders ?

Mr. Narahari Rao.—Orders have been issued and the ministerial head of the office has been compulsorily retired.

FRONTIER WATCH AND WARD.

480. *Maulvi Abdul Matin Chaudhury.*—Page 614. This expenditure in connection with the Triangle and the Naga Hills expeditions,—is it political or military expenditure ?

Chairman.—We are following an established practice in these matters but there are always certain items which might be classed either under military expenditure or political expenditure. It is very difficult to draw the line. All these questions will be settled at the next revision of the constitution.

481. *Maulvi Muhammad Yakub.*—There are comments on some irregularities on page 618. I want to know why the man was not prosecuted. Why was this concession given to him ?

Mr. Narahari Rao.—The Burma Government have explained that the allegations were not proved. It had not been proved that the Government had lost money owing to the irregularities and that the proof would be very difficult and the loss, even if it could be proved, could hardly be recovered. The Government would be further involved in the expense of paying for the voyage out and subsistence allowance and all that. They thought it would be throwing away good money after bad and the Secretary of State accepted the resignation.

482. *Maulvi Muhammad Yakub.*—Was legal opinion obtained ?

on rect ^{Chao} ^{aghari Rao.}—The Burma Government must have taken legal
 Venditur exp^{ssure} to be ^{to be}—A general summary of the case is given on page 619. It
 a gene^{re} judgment of the Local Government having regard to all the
 w^{happene}nces of the case. We do get these cases from time to time. It is
 y^{unlike} the case of the Veterinary Officer in Muktesar. It is rather
 difficult for us to express any useful opinion now.

Mr. Burdon.—Now and then you get one or two cases where the men would not pay attention to rules, who are not actually dishonest. They are human incidents. You cannot prevent them. Much the best thing in these cases is to get rid of the man.

483. *Chairman.*—The only question is whether he could have been dismissed.

Maulvi Muhammad Yakub.—I think some exemplary punishment ought to have been given as a lesson to others.

Chairman.—What is your own view, Mr. Burdon? Do you think that the standard of the service is likely to deteriorate because exemplary punishment has not been given in a case like this? p

Mr. Burdon.—I do not think so. I think the man has suffered a good deal of personal hardship. I do not think the conclusion that has been arrived at in this case is in the least likely to encourage others to follow the same course of action. That is my experience. q

Sir Charles Watson.—These cases are rather rare, { a man acting irregularly without being dishonest.

Chairman.—In this case probably the man was a keen fellow, anxious to get on with his work and he had to do certain things which were not authorised and he found a way of getting money to do it. I think we might say, without wishing to criticise the decision of the Local Government, that it is only in very exceptional circumstances that action of this kind should be condoned in this manner.

484. *Mr. Das.*—I want to raise a question about an item on page 613. "Mainly due to savings in Burma under Expeditionary Charges", etc. Whenever the Army carries out any war expenditure, they have to come up for extra sanction to the Governor General in Council or to the Assembly but here the Political Department which is under the Governor General sanctions this expenditure without authority.

Chairman.—I think this particular item is a case where there has been a definite policy to deal with certain area by sending strong armed patrols through it at regular intervals, with the idea that that territory will be eventually brought under civil administration.

Mr. Narahari Rao.—It is really connected with the slavery expedition, in the Triangle.

Mr. Burdon.—Putting down human sacrifice and slavery.

Chairman.—The Finance Department went into this case very carefully.

Mr. Burdon.—Mr. Das is not correct in his assumption that the Foreign and Political Department is not, in the case of expenditure of this

nature, under the control of the Governor General in Council is.

Mr. Das.—The portfolio is under the Viceroy.

at this cost is
Government

Mr. Burdon.—The portfolio may be, but the Foreign and Department in their expenditure is subject exactly to the same conditions as the Finance Department as the other departments of the Government in India.

485. *Mr. Das.*—Then may I take it that the Governor General in Council accepted this policy of the expeditionary force ?

Mr. Burdon.—Most undoubtedly. In this case it was a joint decision of several departments of the Government acting in consultation.

Chairman.—If we in the Finance Department had objected to this expenditure, we could have had the case brought up in Council. In this particular case we went into it very carefully. It was part of the policy which had been settled some years ago. I remember going through it carefully with Mr. Burdon. It is a very carefully prepared plan for dealing with a certain area and that plan must be carried out.

486. *Mr. Das.*—Can we not question this policy of the conquest of a certain piece of territory, which is not in British India ?

Chairman.—It is not a conquest. It is a territory which is not yet administered but in which we have to stop certain practices like slavery and that sort of thing, and the idea is to bring the people in those areas under normal civil administration. I take it that is the idea ?

Mr. Burdon.—Yes.

WESTERN INDIA STATES AGENCY.

487. *Chairman.*—Page 637 of the Appropriation Accounts and para. 61 of the Auditor General's letter. "Vacancies in the Police Force for want of suitable recruits" is the reason which has been assigned for the savings in each year. A suitable lump cut appears to be called for.

Mr. Narahari Rao.—We recognise that the A. G. G. has been over-budgeting and we have asked him to check this tendency. I have personally made a note of it for the next budget to see if a lump cut is feasible.

488. *Chairman.*—Para. 62 of the letter. "Home Auditor's Report on the accounts of the Secretary of State in Council, paragraph 7. The attention of the Committee is specially invited to this paragraph". All we can do is to endorse the Home Auditor's comment and press the need for further action to be taken in this matter in order to effect this recovery. I do not think we can say anything more. I think it will strengthen the hands of the department if we strongly endorse the remarks of the Home Auditor. I think this finishes all the points that we have to raise in connection with the Foreign and Political Department.

RAILWAY ACCOUNTS.

489. *Chairman.*—I am sure that we are all glad to welcome Mr. Russell, the Chief Commissioner of Railways. Mr. Russell has very kindly consented to appear this morning before us.

arranged at our last meeting, Mr. Parsons has now got some information to expose to the Committee. We might perhaps take Mr. Parsons's views on this point and bring any questions to the Chief Commissioner.

Mr. Parsons.—I have not been able to collect information on all the general questions. Two questions were asked, one with regard to item 33, Appendix I, where I think Mr. Mitra wanted to know the date when the recommendations made by the Workshops Committee with regard to the piece-work and bonus system were introduced on the N.-W. Railway. It was introduced in 1928-29 by degrees.

The second point was, exactly what was the action so far taken to get commercial accounts of colliery working. I have looked up the papers. The action taken relates chiefly to the preparation of budget statements and does not amount to complete commercial accounts. That is a matter which I shall go into with the Director of Railway Audit and I will submit a memorandum for the use of the Committee next year.

490. *Maulvi Abdul Matin Chaudhury*.—Have the piecework and the bonus systems been completely introduced on the N.-W. R. ?

Mr. Parsons.—It was introduced gradually during 1928-29, first in one branch or for one class, then for another class. It is complete now.

491. *Mr. Scott*.—How is it proceeding ?

Mr. Parsons.—I shall have to inquire from the N.-W. R.

492. *Mr. Das*.—I would now like to ask the Chief Commissioner regarding the financial control of Railways—see para. 26 of the Auditor General's letter and also the tables given on pages 20 to 31 of the Director's Report. It would be better if Mr. Russell could tell us the full facts about this as I can say he has now grasped the whole problem of the railways.

Mr. Russell.—I do not know what Mr. Das wants.

Chairman.—Mr. Das is referring to para. 26 of the Auditor General's letter. That should now be taken as the text.

Mr. Russell.—The first question is, how we estimate for the expenditure of the year and then Mr. Das wants to know how we control that expenditure. Well, as regards the estimate of expenditure for the year, the estimates are gone into by the Financial Commissioner of Railways and myself for each Railway. We go carefully into every detail—take for example the workshops. The Agent sends up his proposal, and in passing what we consider as reasonable expenditure for next year, we take into account the expenditure of the year before under the different items, also what we anticipate would be the saving on account of more up-to-date methods and more up-to-date machinery ; and we watch from each month's statistics how the expenditure is going and how it compares with the budget estimate, e.g., what it is costing the Loco. Department for repairs, what it costs the Carriage Department for repairs, and what it costs on the transportation side. All this is watched in the Railway Board's office. If there is an increase, we ask for reasons ; the Agents themselves do exactly the same for their individual Railways.

493. *Mr. Das*.—Do you take into account also the revenue month by month,—the revenue of the Railways ? You see the revenue is going down every year while the administrative and the operating cost is going up.

How are you going to assure the general taxpayer a definite contribution to the general revenues? What safeguards are the Railway Board adopting so that there should not be an undue rise in the Government administration costs? **at this cost is Government**

Mr. Russell.—That is a very difficult question to answer in a way, but I can assure you that every thing is watched very very carefully by the Railway Board by keeping an eye on each and every item of the expenditure, and I can assure you that when we see any increase in any item, we take up the point immediately.

494. *Mr. Das.*—We find for example that the general contribution from the Railways is decreasing every year. We are anxious to see the contribution on the same level as it was in 1924-25 and 1925-26.

Mr. Russell.—You mean to say that the contribution in 1928-29 is less than that of 1927-28 and that the Budget for 1930-31 is less than the revised estimate for 1929-30? I am afraid there we are in the hands of the gods. Our contribution depends entirely on the state of the monsoon, the state of the country; for last year I think the deficit was to a great extent due to the disturbed state of trade and the failure of crops in various parts of the country.

495. *Mr. Das.*—As the head of the Railway Department which manages 750 crores of rupees of capital, is it not necessary that you should see that a certain fixed sum goes to general revenues? Take one item, the loss on strategic lines borne by general revenues. In 1924-25 it was 121 lakhs, now it has gone up to 172 lakhs. It is growing. What is the definite policy of the Railway Board about strategic railways?

Mr. Parsons.—That was due to the fact of the opening of the Khyber Railway and to a lesser extent of the Swat-Fort Sandeman Railway. As to the question of the strategic railways, it is not so much a question of the policy of the Railway Board as of the Government of India. Proposals in that connection are put forward by the military authorities to Government and always go to the Finance Department because it affects general revenues.

496. *Mr. Das.*—Do I take it that as regards the extension of new strategic railways, you are guided by the recommendation of the Military Department subject to the control of the Finance Department?

Mr. Parsons.—The decision is taken by the Government of India and the Railway Department are of course always asked for their opinions and to frame estimates of cost. The decision will not rest with the Railway Department at all; it will rest on the Government of India chiefly in the Army and Finance Departments.

Mr. Das.—Then I understand the Finance Department approves every new strategic project before it is taken in hand.

Mr. Parsons.—Yes, not only the Finance Department but the Government of India in the Departments concerned; in regard to building new strategic lines, the Railway Department chiefly occupies an advisory position.

497. *Mr. Das.*—These lines are not placed before the Governor-General in Council but only before the Finance Department and the Army Department?

Chairman.—That means the Government of India in those Departments. *Das.*—I take it that the Government of India in the Finance Department have not been any new strategic lines undertaken during the last two years. *Chairman.*—You can take it that strategic lines are decided by the Governor-General in Council, certainly not by the Railway Department on their own or by the Army Department on their own, for that is a matter of policy which would be very carefully watched. This increased expenditure is going on as the result of past commitments ; no commitments have been undertaken for the last two years.

Sir Arthur McWatters.—The procedure in dealing with such questions is exactly the same as that of dealing with any other important class of questions. Big questions of policy always come before the Governor-General in Council.

499. *Mr. Das.*—My point is that strategic lines are loading our general contribution.

Chairman.—Of course this is the result of commitments undertaken some time ago, but I must point out that there has been no recent extension of strategic lines.

500. *Mr. Das.*—We may turn to Mr. Kaula's report, page 20, paragraph 27, where the profit and loss account is given. I may point out that Sir Charles Dickinson recommended that the Railway Department should institute a profit and loss account of Railways. May I know Mr. Russell's views on the matter ?

Mr. Russell.—You mean a profit and loss account or the capital at charge ?

Mr. Das.—I believe Sir Charles Dickinson wanted that in the appropriation accounts the Railway Board should submit every year to the Assembly or to the Government of India a profit and loss account of every Railway. Such an account has been prepared, I believe, by Mr. Badenoch for Government commercial concerns, and the Railways being a commercial concern, we should have such an account for these also.

Mr. Badenoch.—It was explained, Sir, that things were held up owing to difficult technical matters. That question has been under discussion for some time, and until it is decided, no profit and loss account is possible.

501. *Chairman.*—I am not quite clear about this technical difficulty. I see no difficulty at all about preparing for each Railway a profit and loss account in the same way as it would be prepared for any ordinary Railway at Home.

Mr. Parsons.—It is the payment of the correct interest charge for each Railway that is difficult to arrive at.

Chairman.—It should not be impossible to arrive at some fairly rough approximation of the correct result by charging interest to each Railway on the basis of the average rate paid on the entire capital. It is not really necessary to say for this portion of a particular Railway that we had to borrow money at 6 per cent. and for another at 4 per cent. For

the purposes of presenting a view to the public of India, to the Government it would be quite sufficient if an average charge was taken. At this cost is

Mr. Badenoch.—I think it would be very difficult to attach Government particular capital to a particular Railway.

Mr. Kaula.—The answer to the difficulty may be furnished as answer to the question, “Do not these Companies in India maintain their own accounts?” If they can do that, why cannot the Government of India do it separately for each Railway on some basis?

Mr. Parsons.—Sir Frederic Gauntlett I think took the view that the capital should be distributed over the Railways according to the period in which the money was provided. But I think you, Sir, said at the meeting the day before yesterday that you wished to discuss the matter with me. If we merely took our total interest charges and distributed them over the Railways in proportion to the capital spent, that would not produce an absolutely accurate picture; still it would produce some sort of profit and loss account which would give a fair view of the position.

Chairman.—What we really want is that you should start to give us a picture from which we could begin making comparisons between the results of one year and another. I recognise of course that if you merely make a division of the whole capital lumped together, the result may not be quite fair to one Railway and may be too generous to another as it is possible that one line might have been built at a particular time when money was cheap and opportunity was taken to build that particular line which would not have been built if it was known that the Railway would have to pay an average, say of 5½ per cent. That may operate unfairly as between railways to some extent but it would not appreciably interfere with the general picture which we want. What we want to know is how the results of one year compare with another year,—whether the results are improving or deteriorating, that is the real matter.

Mr. Kaula.—Sir Frederic Gauntlett had proposed that the capital should be allocated according to the year to the particular Railway.

502. *Chairman.*—The Auditor General will not I think mind my saying that in cases like these, if we say we want a particular picture drawn in a particular way and if we do not insist on every detail being presented with absolute accuracy, it would not be for the Auditor General to raise any objections to our getting what we ask for although we may point out in what respects the picture may be inaccurate.

Mr. Burdon.—No, Sir.

503. *Mr. Scott.*—Do Railways pay interest on money that the Railway Board give them, or what is the procedure?

Mr. Badenoch.—In every estimate there is allocation to revenue, to renewals and to capital and the capital account is built up year by year, but we do not allocate so many particular lines to a particular year. The capital account really has been generally for all Railways.

Chairman.—The difficulty is this. For our purposes the whole State-Railway undertaking is pooled. If then an attempt is made to present a balance sheet and profit and loss account for each individual Railway, it is almost impossible to avoid introducing certain inaccuracies. As an illustration, it might be the policy of Government to buy up the Southern

in direct expenditure in that year. It might be that the result of that, if the expenditure went badly, would be that a very large amount of money would have to be borrowed at a high rate of interest, say six per cent., whereas the general average rate in the past had been, say 5 per cent. If that happened, the borrowing of a large sum of money at 6 per cent. would put up the average rate of interest payable on the capital at charge of the whole State Railway undertaking. Suppose in that year a particular Railway, say the G. I. P., had incurred no capital expenditure at all. If the G. I. P. had to come into the general pool, they might say, "it is very unfair that our capital charges should be put up merely because a large sum of money was spent on other Railways in a year when money was dear."

Mr. Parsons.—What it comes to is that you will not be able to get from the profit and loss account any real opinion whether an individual Railway has been a good investment or not because you will not know what rates of money you had to pay on the capital expenditure. At the same time I do not see why it should not give a comparison of the working results of one Railway with itself from year to year.

Mr. Scott.—And with other Railways if the interest was at the same rate?

Mr. Parsons.—That is a little difficult; what is more easy is a comparison of how one Railway has done in one year compared with another year.

Chairman.—The difficulty is that the interest charge on capital is not a stationary charge: the interest that we charge to Railways varies from year to year; it is the same for every Railway. I had intended before we met this morning to have a talk with Mr. Parsons about it. But I think we should not allow ourselves to be deterred by these technical difficulties.

504. *Mr. Das.*—Paragraph 36 of the Report. As regards capital expenditure what is the policy of the Railway Board? Do you accept the statement that the profits should not go down unnecessarily? I want to point two Railways—the Bengal-Nagpur Railway and the North-Western Railway. Both the Railways have been running at a loss for the last 3 years. In the case of the North-Western Railway the capital expenditure has gone up by 16 crores. At the same time, the losses are increasing. What is the policy of the Railway in the case of individual estimates for new capital construction? You must bear in mind that the profits of the Company should not unnecessarily go down because of this new capital construction.

Mr. Russell.—I think we can say that we do bear that point in mind. One of the reasons for the increasing loss is that we had a number of new lines which have only recently been constructed. The North-Western Railway have constructed a great number of new lines. You cannot expect a full return before the end of 5 or 6 years. I am quite sure that all the lines which have been constructed will in time be a profitable investment.

505. *Mr. Das.*—Last year the Public Accounts Committee said that a statement should be attached showing the amounts that these particular Railways are paying.

Mr. Russell.—A statement was laid on the table at the last session of the Assembly showing the results of those lines which have been opened and which have been working for one year.

Mr. Das.—That does not help us here.

Mr. Kaula.—It all depends upon what degree of details you require. There are so many Railways in India. Do you want the details in respect of each Railway to be given to you every year for all the new projects that are sanctioned and for how long? As you know, ultimately a new project merges in the old line.

Mr. Das.—It takes 5 years to find out the actual profit or loss from a line. We have to see whether the estimates of the Railways have been correct or not.

Mr. Russell.—You want to have a statement from year to year till such time as the Railway becomes a financial success just to show whether our estimates of the earnings in 5 years' time have been correct or not. I may tell you that we do keep these figures and we can give them to you.

506. *Chairman.*—I wish to make one general comment on this subject. There are vast numbers of figures available and there is a vast amount of information available which is accessible to the public and the members of the Legislative Assembly. But I think there is a room for great improvement in the way in which this information is presented. For the purposes of the Public Accounts Committee we ought to have a general review of the working results prepared in a way which would call attention to important points. I think this would serve a very useful purpose. It requires a good deal of thought as to how you would prepare it. For instance, a comparative statement covering a series of years in a convenient form of percentage of operating charges to gross expenses would be very useful.

Mr. Parsons.—We have got all this in our Administration Reports.

Chairman.—I think such a statement would improve things from the point of view of presenting a simple picture calling attention to the important points and that it would be useful to the members of the Public Accounts Committee. I should like to consider that matter with the Railway authorities.

507. *Mr. Das.*—I should like to explain my position in this matter. At the time of the separation of the Railway finance from the General finance there was a certain section of us who were doubtful about the efficacy of the separation. What we feel now is that as the Railway Administration has to contribute a certain amount to the General finance, there is a desire to spend as much as it can, with the result that the least amount comes to the general finance. My personal view is that we should get more to the general finance. There has been a desire on the part of the Railway Administration to spend more on capital and to spend more of the revenue on the administration and operating expenses than a proper commercial control would permit.

Chairman.—I am sure Mr. Russell will dispute that statement.

Mr. Russell.—I would like to say at once that if this is intended as a direct charge against the Railway Board for incurring unnecessary expenditure merely to reduce the contribution to general revenues, I can assure you that that is absolutely unfounded.

508. *Mr. Das.*—If you will kindly read the Assembly debates of that time you will see this point mentioned there. These are the apprehensions which most of us entertain and I would like you to clear them. Let us take the example of the North Western Railway. What steps are you taking to reduce the expenses of that Railway in order that there may be a profit. I can see from page 27 that the operating expenses have gone up from 27.71 to 28.90 crores.

Mr. Russell.—If we construct hundreds of miles of new lines, I am afraid the operating expenses will go up and so will the cost of repairs and maintenance.

Mr. Parsons.—The ratio of expenses to earnings will always go up if the earnings fall off. Actually in the year 1928-29 our gross earnings on the N. W. Railway were something like 50 lakhs less than the previous year. I may point out however that in accordance with the terms of the convention we have reduced, since the separation, rates and fares to an extent anticipated to cost us something like 5 crores of rupees.

509. *Mr. Das.*—But you would agree with me that the North Western Railway is not doing well and yet the cost of administration under every head is going up?

Mr. Parsons.—I do not think myself that the North Western Railway is doing badly, but it is a Railway from which our earnings always fluctuate very considerably because they depend so largely on the wheat crop. The actual reason for the loss shown is that it is the only Railway which has strategic lines and the figures you are dealing with here include the expenditure on strategic lines.

510. *Chairman.*—I think that in reviewing actual results, you have got to take into account a tremendous lot of factors. I want to make a suggestion to Mr. Russell. We have had put before us by the Director of Commercial Audit this year a very useful note for the information of the members of the Public Accounts Committee. I think it would be extremely useful if you could get out a simple note for the use of the members of the Public Accounts Committee and also the members of the Legislative Assembly giving hints as to how to interpret Railway statistics, and as to what are the points which really tell you whether a particular concern has been well managed and is on the upward grade or on the downward grade. Mr. Russell knows perfectly well that there are certain things which he looks at every month which seem to him as an indicator of how things are going. I think it is very important in considering the future of the Railways to do everything we can to instruct public opinion about railway working, because, after all, the Indian State Railways are about the biggest concern in the world, and there is always a tendency towards inefficiency in State undertakings. They do not work under the same spur of competition as private companies do, and unless the public, which is represented by the Public Accounts Committee and the Legislative Assembly, watches things very carefully, there may be tendency to be satisfied with stereotyped methods which may lead to loss of efficiency. As India passes on to more responsible government, I think it will become more and more

important that the working of State commercial undertakings should intelligently criticised. I think we shall have to ask Mr. Russell to fit us in this matter by asking his Agents to prepare statements of the kind I have suggested. It is quite a simple idea and I feel sure that you know exactly what I mean. I think you can help us a great deal in that way.

Mr. Scott.—Each Agent would write a report of his own Railway and would explain the points concerning it.

Mr. Russell.—A very full report is received from every Agent.

Chairman.—What I would like to have is a popular Report on the Railways where you could perhaps summarise the Reports of the Agents and take out the salient points. What we really want is the sort of picture which any public Railway Company produces in its annual Report and to have attention called to the sort of things that the Chairman of the Company deals with in his speech at the annual meeting of the shareholders. We want that kind of thing about each Railway. It might be supplemented by some simplified statistics on the one side and on the other by the note which I have suggested of points to be looked into by every member of the Public Accounts Committee. Such a thing, I am sure, would help us a great deal in making an intelligent examination of the working of the railways.

511. *Maulvi Muhammad Yakub.*—I may inform Mr. Russell that there is an idea lurking in the minds of the members of the Assembly that the Railway Board exercise very little supervision over their Agents.

Mr. Russell.—I can assure you that we do our best to supervise them in every possible way.

Mr. Parsons.—My own experience is that they are taking the view in recent years that the supervision has been too great. That view was at one time represented to me by a recent Agent of the Great Indian Peninsula Railway. It seems to me that what you say can be exemplified from the North Western Railway which Mr. Das has mentioned. If he had at the same time looked a few columns further on, he would have seen that the working, at any rate, has improved. I pointed out that the traffic had fallen off in this year. At the same time the ratio of total expenses has dropped from the previous year under general administration, ordinary repairs and maintenance. They rose very slightly under appropriation to the depreciation fund because of the capital expenditure which had been incurred in the previous year on the line. The working in that year was better than in the previous year. It was more economical work. The trouble was that our traffic was considerably smaller and that is always the trouble in dealing with figures like these which are tabulated in the first column.

512. *Mr. Das.*—I quite appreciate that point. As you know, traffic is getting smaller every year and therefore we cannot expect that the railway revenue will increase any further. Keeping that point in view, I ask Mr. Russell whether there ought not to be an examination into the administration of the North Western Railway so as to cry halt over capital expenditure in future years and also to reduce the general expenditure on the cost of general administration.

Mr. Russell.—We are spending a good deal this year on the increase of wages which we consider to be absolutely essential. You never can reach a saturation point.

on *Mr. Das*.—But something should be done by you or by *Mr. Parsons* or by the Director of Railway Audit to bring down the expenditure on the North Western Railway.

Mr. Russell.—*Mr. Parsons* has just pointed out that we have brought down the expenditure during the last two years.

Mr. Das.—We want to see the net result.

Chairman.—We want you to help us again, *Mr. Russell*. It is quite possible to get down your train mile figures and yet produce very bad results by having an exceedingly inefficient factor of train loading. Train miles in this do not tell us anything.

Mr. Russell.—You want a reduction of train miles and an increase in the traffic.

513. *Mr. Das*.—Is not *Mr. Jukes* inquiring into the Railway administration ?

Chairman.—Not yet.

Mr. Russell.—I think this note which we are going to prepare will help *Mr. Das* in his difficulties. In this we can show the cost per train mile, the train miles and whether the average load per wagon is improving or getting worse. We would also give the number of train miles run and the amount of traffic we carry with this number of train miles.

514. *Mr. Das*.—That will satisfy the experts but not the layman. The layman is concerned with the Agent's profit account. When he finds that a particular Railway is not paying for several years, he is alarmed.

Chairman.—We want to create a class of laymen who have a certain expert training. At the same time we cannot get away from the position that, although we want the same standard of management as prevails in Company-managed Railways, we are not dealing with private Companies but with State Railways. And in the case of State Railways certain standards have to be set, and attention is apt to be concentrated by the public rather on the services rendered than on profits earned. That is natural, for Railways are essentially public utility undertakings. What we want to do is to combine cheap and efficient facilities for the benefit of the public who use the railways with a reasonable measure of profit for the benefit of the public in their capacity as tax-payers. Take, for instance, the North Western Railway that *Mr. Das* has singled out for examination. Do you think that there is a case for a serious overhaul ?

Mr. Russell.—You mean in the number of staff employed ?

Chairman.—General commercial efficiency.

Mr. Russell.—No, I do not think so. I am not prepared to say that no economies can be effected, but we spend most of our time in considering what economies can be effected on the railways and everything is very carefully gone into. In the cost of repairs, we endeavour to get a reduction every year.

Mr. Parsons.—In the case of the North Western Railway it must be remembered that the figures that are tabulated here take into account the losses of strategic lines as well.

Mr. Das.—But these strategic lines existed before 1927 also except Khyber Railway.

Mr. Parsons.—I do not agree with the view that the traffic on the North Western Railway is always falling, but it does go up and down. As I explained before, it very largely depends on the wheat crop. It is one of the Railways from which you should not expect steady returns. The losses have gone up partly because the losses on strategic lines have gone up by about 50 lakhs.

515. *Mr. Das.*—Would it not be better for the Railway Board from your point of view if the strategic lines are shown separately?

Mr. Parsons.—I think it would be better to show the strategic lines separately from the commercial lines.

Chairman.—It would certainly be much better for statistical purposes.

516. *Mr. Das.*—You will remember the debate on the Railway Budget. Some of us tried to press, when the Finance Department wanted Mr. Jukes to inquire into the retrenchment in the general administration, that the Railways also required to be looked into. Apart from the Government of India appointing a Retrenchment Officer to look into the retrenchment of the Railway administration, we wanted to know whether you are alive to the situation that the profit is not increasing and therefore something should be done.

Mr. Parsons.—We are alive to the situation. I may say that our traffic on the N. W. Railway has gone up this year. We have already discussed the question whether we can get this year further economies.

517. *Chairman.*—When you start comparisons with the years 1924-25 and 1925-26, you are starting with what must be regarded as peak years. Those were exceptionally favourable years.

Mr. Parsons.—The year 1924-25 was ever so much the best year that the Railways in India have had. It was absolutely the peak year.

Chairman.—You really want to go back much further to get a proper idea of the picture. What has always seemed to me to be a point which wants careful watching, is this. Five years ago, a policy of much more active capital expenditure on railways was started, and they were generally started on estimates of traffic receipts which showed that they were going to pay. I think the time will be coming very soon when we ought to have a special review of the extent to which those estimates have been justified or have verified themselves in practice and whether that period of active construction did not itself contribute something to the general favourable results shown by the Railways. I do not know to what extent your construction traffic can affect your general traffic—I do not know whether it has any direct effect,—but it has certainly an indirect effect, for when a large amount of construction is going on, that may have an indirect effect

on the general condition of the country, and so on the railway traffic. What I think we want to establish is whether the traffic estimates are being borne out in practice, whether we can confirm the opinion formerly held that it will pay to go on building lines in India, whether we can safely say that there are thousands and thousands of miles which can be built in India and still pay 5 to 6 per cent. It is a big question, that. It had always struck me, coming as an outsider, that India was the most favourably situated country in the world so far as railway construction was concerned if those figures were accurate, for it is very difficult to go anywhere into any country in the world and find cases where there are large lengths of new lines ready to be built which will pay from the very beginning. I dare say India is specially favourably situated because it is thickly populated and railways do develop traffic. But I think one wants to verify those traffic estimates and we shall soon be at a period when you can stand back and review the construction policy started in 1923-24 and see whether the estimates had been borne out.

Evidence taken at the eighth meeting of the Public Accounts Committee held on Thursday, the 3rd July 1930, at 10-30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR MCWATERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. L. J. PECK, Accountant-General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. C. V. S. RAO, Officer on Special Duty.

} *Members.*

Present during the examination of the Appropriation Accounts relating to the Commerce Department.

The Hon'ble Mr. J. A. WOODHEAD, Secretary,
Commerce Department.

Mr. J. C. B. DRAKE, Joint Secretary, Commerce
Department.

} *Witnesses.*

Present during the examination of the Appropriation Accounts relating to the Department of Industries and Labour.

The Hon'ble Mr. J. A. SHILLIDY, Secretary,
Department of Industries and Labour.

Mr. TIN TUT, Deputy Secretary, Department of
Industries and Labour.

Mr. H. HUSSAIN, Under Secretary, Department
of Industries and Labour.

Lt.-Col. F. C. SHELMERDINE, Director of Civil
Aviation.

Mr. E. E. COOMBS, Controller, Printing and
Stationery.

Mr. A. BREBNER, Consulting Engineer to the
Government of India.

Sir ALEXANDER ROUSE, Chief Engineer, Delhi.

Mr. E. W. GRINDAL, Central Accounts Officer,
Delhi.

Witnesses.

518. *Chairman.*—Let us take Appendix III, item 16.

Mr. Das.—We would like to know at what stage this is and how a change is going to upset the ecclesiastical budget.

Mr. Woodhead.—I have made a preliminary examination. Ecclesiastical expenditure in connection with the Army is spread over several budget heads. Speaking generally, the position is as follows. Church of England expenditure in connection with the Army is debited entirely to the Civil Estimates under 28 Ecclesiastical, 41 Civil Works and Superannuation Allowances and Pensions. The pay of Chaplains of the Church of Scotland on duty with Scottish regiments is debited to the Army Estimates. So also is their leave pay provided the leave is sanctioned by the military authorities. Expenditure on Civil Works in connection with Scottish Churches, whether Military or Civil, is debited to 41 Civil Works and pension charges are shown under "Superannuation Allowances and Pensions" in the Civil Estimates. As regards the Church of Rome allowances to chaplains are already debited to the Army Estimates, but expenditure on the fabric of churches is debited to Civil Estimates under 41 Civil Works. Cemeteries are usually used jointly for military and civil burials and expenditure is charged to the Civil Estimates, expenditure on Establishment to 28 Ecclesiastical and that on Civil Works to 41 Civil Works. My own provisional view—this is my personal view as the matter has not been examined by other Departments—is that it would be practically impossible to apportion the expenditure, item by item, between "Military" and "Civil". Military chaplains minister to the civilian population (European British-born Government servants) as well as to troops and also, though not perhaps to the same extent, the civilian chaplains minister to troops. The cemeteries, as I said, are usually joint and the churches are in many cases used both by army and civil personnel. It would be practically impossible unless there was an army chaplains' service with separate garrison

churches to apportion accurately the expenditure between the army and the civil.

519. *Mr. Das.*—Last year, Mr. Burdon, the Financial Secretary, explained that there was no chance at present of separating the army chaplains from the civil. I think that is the tentative conclusion arrived at by the Government ; at present they have no intention to separate the two ?

Mr. Woodhead.—That is, as far as I know, correct.

Mr. Burdon.—I explained to the Committee the great difficulties attendant upon the formation of a regular army chaplains' service such as they have at home. That was one of the points that came up before Lord Rawlinson when he was carrying out the reorganisation of the army services in this country, but for a variety of reasons, one of which was expenditure, it was given up.

520. *Maulvi Abdul Matin Chaudhury.*—Is it considered one of the duties of the Government to provide chaplains for the civil population also ?

Mr. Woodhead.—The Government of India have always provided chaplains for European British-born servants of Government.

521. *Maulvi Abdul Matin Chaudhury.*—They are spread all over India and you will have to provide for all of them ?

Mr. Woodhead.—We do not provide chaplains at every station at which there are European British-born servants of the Government. We effected a reduction in the cadre of chaplains 7 years ago and the strength of the cadre is now again under discussion.

522. *Maulvi Abdul Matin Chaudhury.*—In a big city you have chaplains ?

Mr. Woodhead.—Civil chaplains ? Yes, very largely in the big cities. We also grant allowances in other places where a Government chaplain is not provided.

523. *Maulvi Abdul Matin Chaudhury.*—Is it consistent with the policy of religious neutrality of Government ?

Mr. Woodhead.—That is a question of principle and I would not like to express an opinion on it.

524. *Chairman.*—In the remarks column it is said, " The matter is under consideration in the light of dissolution ". Are we to take it you have already reached the conclusion that separation is practically impossible ?

Mr. Woodhead.—No. I can't say it has got quite as far as that. My own view is that an accurate separation is impossible but the matter has not as yet been examined by the Army and Finance Departments. I have carefully examined the whole expenditure with regard to the present classification and my own provisional conclusion is that so long as the present system of administration continues it would be impossible to make an absolutely clean cut between the military and the civil expenditure.

525. *Chairman.*—What is the amount that is involved ?

Mr. Woodhead.—The total of the 28 Ecclesiastical budget is somewhere about Rs. 33 lakhs. It might be possible to make an approximate apportionment of the expenditure on the pay of chaplains because the number of military chaplains is definitely fixed. It might be possible to make some adjustment of this kind.

526. *Mr. Das.*—Owing to the separation of the Church of England you do not anticipate any increase of expenditure on this head ?

Mr. Woodhead.—I do not think that will make any change in the expenditure.

527. *Chairman.*—The position really is that an accurate allocation is impossible. The question for our consideration is whether it is desirable that there should be an approximate allocation.

Mr. Woodhead.—That is the conclusion I have arrived at.

528. *Mr. Das.*—In the event of separation there is no chance of the civil estimates under Ecclesiastical being voted. It would still be non-voted ?

Mr. Woodhead.—Ecclesiastical expenditure is non-voted.

529. *Mr. Scott.*—If the army make any further expenditure that comes out of their budget ?

Chairman.—Yes, and, of course, we would resist any increase for army purposes.

530. *Mr. Das.*—Would you like part of the estimates charged to the civil head being charged to the army head ?

Chairman.—My provisional view is that these long established practices might well be allowed to remain. I do not see any particular reason for altering the practice in this case for every one knows what the position is. It is difficult to make an accurate allocation. No practical result would be achieved. From the point of view of the Assembly control there would be no advantage gained. I think we might take note of the position and record the view that apparently an accurate allocation is impossible but that an approximate allocation would be possible and that we desire that a further report should be submitted next year on the subject. I think that is about all that we can say at present.

531. *Chairman.*—Item 27, Appendix III. The position is that the draft ecclesiastical rules have been received, and the rules are now being further revised ; in the light of this information, I do not think there is anything for us to say on the matter. These will come before the Committee again.

Mr. Woodhead.—They are expected to be finished by next year.

GRANT 45—PORTS AND PILOTAGE.

532. *Chairman.*—In paragraph 6 of the Auditor General's letter, reference is made to paragraph 19 of this Report and it is said, " In dealing with individual grants, the Committee will no doubt wish to investigate the causes of the continued overbudgeting under the grants mentioned in this paragraph and to enquire whether there is no effectual means of improving the estimation in these cases ".

Mr. Das.—You have now fully given effect to the reorganisation of Ports and Pilotage service ?

Mr. Woodhead.—Yes, practically so, so far as staff is concerned.

Mr. Das.—Part of this over-estimating was due to giving effect to the scheme ?

Mr. Woodhead.—The over-estimating was very largely due to one item, namely, the provision of over 4 lakhs for the purchase of a new Light Vessel. Budget provision was made for the entire cost of the Light Vessel. This was a mistake as there was little likelihood of the entire amount being spent in one year.

533. *Chairman.*—What has happened in 1929-30 ? Has there been any improvement ?

Mr. Woodhead.—I should hope so.

Chairman.—You have not got the actual figures ?

Mr. Woodhead.—No.

Chairman.—I hope the Committee is satisfied and accepts that special explanation.

534. *Chairman.*—In paragraph 56 of the Auditor General's letter, referring to paragraphs 260 to 268 of the Appendix to the Report, it is said, "It will likely interest the Committee to glance at these audited accounts, the first of their kind to be presented. The Persian Gulf Lighting Service is, however, now intended to be, and apparently is, self-supporting and receives no grant from public funds. The Committee may wish to know the reason why no interest is charged on the Government capital". What is the position about interest ?

Mr. Woodhead.—The position as regards interest is that no interest is charged on the capital value of the assets as they stood on the date from which the fund was placed on a commercial basis.

535. *Chairman.*—Is not part of the expenditure interest on capital ?

Mr. Woodhead.—It was decided not to charge any interest on capital expenditure.

536. *Chairman.*—Do you know why that position was taken ?

Mr. Woodhead.—Originally the expenditure was met half and half by His Majesty's Government in England and by the Indian Government. After the war, it was decided, if possible, to make shipping pay for the services given, and a purely voluntary arrangement was arrived at between the shipping companies plying in the Gulf and His Majesty's Government at Home and the Government of India. The dues paid are on a purely voluntary basis and are collected at Basra. At the time the voluntary arrangement was made, it was never suggested that any interest should be charged on the capital expenditure. Partly for this reason and partly because contributions were to be made from revenue to Depreciation and Renewals and Replacement Funds, it was decided that interest should not be charged on the capital value of the existing assets. Personally I am not quite certain why interest should be charged, even apart from those considerations.

537. *Chairman.*—The point, I think, is this. If you are going to revise your shipping dues from time to time so as to try and get the receipts balance almost exactly with the expenditure, if that is to be the idea, then it would be important to include interest on capital, because it really does represent part of the cost of providing the service.

Mr. Woodhead.—On previous capital expenditure? I am not quite clear why services, the accounts of which have been placed on a commercial basis, should be required to pay interest on the capital value of the assets as they existed at the time it was decided to keep the accounts in a commercial form.

Chairman.—The whole object is to arrive at what is the cost of providing the service for which payment is received.

Mr. Woodhead.—What is to happen to the interest? Is the Government going to get it?

Chairman.—It makes no difference to the Government. It all goes into one pool, whether it comes as profits or as interest on capital. But it does make a difference for the purpose of justifying the charges which you levy and for showing to the shipping world that you are making no profit out of the service.

Mr. Woodhead.—I suggest that Government would be making a profit out of the interest.

Chairman.—If that is likely to be the view of the shipping world then it is a false view. It obviously costs the Government something to provide money to build lighthouses.

Mr. Woodhead.—Previously capital expenditure was met out of the ordinary revenues of Government but now it will be met out of the light dues.

Chairman.—But the idea is that shipping should be on a commercial basis and that the Government or the tax-payer should not be out of pocket for providing these lights.

Mr. Scott.—Has the capital been met out of profits? There have been profits during the last two or three years.

Chairman.—That does not alter the situation. We have made a fresh start. Whether the capital invested was provided out of profits or not, does not matter. The important point is this, that although you may start with all your capital outfit, provided, in a sense for nothing, nevertheless, as time passes, you will have to rebuild the lighthouses and replace your capital, and then you will have to put up fresh money and whether that money is taken from past savings or fresh borrowing it will cost the Government money to provide it, for either they will lose interest which they would otherwise have earned, or they will have to pay interest on the borrowed money. Then if your charges have been based on the cost figure which does not include interest, you would certainly have to put them up so as to include interest on the new capital. It seems to me that however the capital was originally provided, in order to arrive at an accurate estimate as to what it would cost the Government to provide the service, you ought to include interest on the capital.

Mr. Woodhead.—We have a depreciation fund.

538. *Mr. Scott.*—On page 149, there is shown an interest of Rs. 86 thousand odd.

Mr. Woodhead.—That is interest on investments.

Chairman.—That presumably is interest on their own reserves. What you say just brings out the point I was making. If you invest your depreciation fund and your credit balance in new assets, then you cease to have that money as profit or as interest which is shown now on your receipts side.

Mr. Woodhead.—When calculating the rate at which the dues should be levied, no account would be taken of the interest on investments.

Chairman.—The important point is this. If you calculate your dues, so as to produce an even balance on your profit and loss account, then you have got to include interest on your capital on the expenditure side. The second point has now been made that when you have to replace your own capital, you will have the money in your depreciation reserves. I answer that by saying that when that happens, you will lose the interest receipt which you have hitherto been getting and which has been contributing to produce an even balance. Therefore if you are to maintain an even balance, you will have to replace that receipt by a charge of interest on the capital invested.

Mr. Woodhead.—In calculating the dues, I would not take account of the interest earned on investments.

539. *Chairman.*—You are now taking a new point which has some practical significance. If you are providing in your depreciation fund a sufficient sum of money to replace your wasting capital assets, and if your original capital assets have cost you nothing, and if you exclude interest on your depreciation fund and on other balances from your profit and loss account, so that those receipts are not taken into account in adjusting the charges which you are making on the shipping, then I agree it is arguable that you need not charge interest. But I think this method would be very misleading, and that if you are trying to produce a profit and loss account which means anything—and if it means anything it must show what it costs you to provide the service,—then the straightforward method would be to include interest on your capital at charge in your costs.

Mr. Scott.—So that it looks as if the sum of 7 lakhs is part of the profits invested, because five per cent. on it would be very nearly that figure, Rs. 36,318 which is due from interest.

Mr. Woodhead.—That is the capitalised value of the assets as they stood when the service was placed on a commercial basis,

540. *Chairman.*—The fact that it was handed over as a gift is to my mind quite irrelevant, because this profit and loss account is in essence a *pro forma* account in order to give you an accurate picture of the commercial results and, in order to get an accurate picture of the commercial results, I think you ought to pay interest on your capital at charge. I do not see any reason why in this particular case, you should depart from a principle which is followed in the case of every other commercial undertaking.

Mr. Woodhead.—That would mean that the dues would have to be raised.

541. *Chairman.*—You have got apparently quite a big profit in this particular trade.

Mr. Woodhead.—We have reduced the dues to one anna and so we are not making much profit now. The profit that is shown was made in this way. When the Persian Gulf Lighting service was first commercialised, the expenditure was very heavy, very largely because we employed an R. I. M. boat as lighthouse tender. The dues were originally fixed at three annas per ton. We have gradually reduced the rate to one anna. While the dues were at a rate higher than one anna per ton, we made this profit. With the dues at one anna, we shall make very little, if any, profit. If we have to pay interest, I presume Government will get that interest, it will have to be paid to somebody.

542. *Chairman.*—The charge would be extremely small.

Mr. Woodhead.—The total income is somewhere about 3 lakhs, and the interest would amount to about thirty-five thousand rupees a year. That is a very considerable item.

543. *Chairman.*—What are your receipts now ?

Mr. Woodhead.—Our receipts on the basis of one anna are slightly under 3 lakhs. The receipts were higher when the rates were 3 annas per ton.

Chairman.—The whole of your expenditure in the year before us was 2,70,000, so that it looks as if there should be a margin of about 35,000 to cover that interest.

Mr. Woodhead.—That is not quite so.

544. *Chairman.*—You seem also to have other items of receipts. You have got contribution from the British Government.

Mr. Woodhead.—That is under revision. It will certainly not be continued at the present rate.

Chairman.—I think the Public Accounts Committee ought to express the view that if the arrangement is intended to be one which puts upon the shipping companies the obligation to pay dues to meet the expenses of the services, then interest on the capital ought to be included in the expenses.

545. *Mr. Woodhead.*—It has been definitely accepted by the Home Government and the Government of India that that should not be the position.

Chairman.—I cannot help that. The Public Accounts Committee has got to express its own views and that is the view which I, as Chairman of the Public Accounts Committee, have expressed. If this Committee agrees with that, we shall have to record that view. No doubt it is a very small matter, but it involves a principle. Once we start trying to present things on a commercial basis, I do not see why we should make an exception in this particular case.

546. *Mr. Das.*—You now receive £5,000 as contribution from His Majesty's Government for five years ?

Mr. Woodhead.—The five years' period expires in October next.

547. *Mr. Das.*—Are you going to ask for further contribution ?

Mr. Woodhead.—It is under consideration at the present moment.

548. *Mr. Das.*—Is the delay due to the fact that the control is not in the hands of the Government of India ?

Mr. Woodhead.—We administer the fund, but of course cannot decide the contribution that is to be paid by His Majesty's Government. As I explained already, the fund is on a purely voluntary basis, there is no legal sanction to the dues paid by the shipping companies.

549. *Mr. Das.*—The old arrangement still stands. You can take half from the British Government at Home. Supposing you go on accumulating profits, would the Government claim them ?

Mr. Woodhead.—No. Government would not claim them.

550. *Mr. Burdon.*—If you turn to page 147 of the Appendix, you find that the Commercial accounts of the Bengal Pilot service have not been included in the printed Appendix. Mr. Campbell has since received the accounts and would state the results to the Committee if they would like to hear them.

Mr. Campbell.—The accounts must be regarded as provisional, because there has been very great delay, not really on the part of the Pay and Accounts Officer, who is responsible for writing up these accounts, but because he did not receive orders of Government on certain questions, the most important of which were the valuation of light ships and launches. Even now, we had to take a provisional figure. Also, the orders of the Government had not until recently been issued in regard to the proportion of the Port Officer's salary and expenses which has to be debited to the Bengal Pilot service and one or two other minor questions. There was also some delay in getting orders issued. That is the reason why the accounts did not appear in the Commercial accounts Appendix this year. We have just completed the audit a few days ago and we had to take a provisional figure. On the accounts I have got, I can say that the results for the year show a surplus of 2,12,000, on pilotage receipts of 18,88,000.

Chairman.—I think that is a sufficient information for the present. Next year, we shall have full accounts.

551. *Mr. Das.*—I should like to know if the first batch of cadets from the "Dufferin" have all been provided.

Mr. Woodhead.—Yes. They have all been provided with posts. One has obtained a post in the survey department of Port Commissioners at Calcutta, one in the Port Commissioners, Bombay, on the engineering side, and a third has been awarded a scholarship for marine engineering in England. All the others have been placed as apprentices with shipping companies.

552. *Maulvi Abdul Matin Chaudhury.*—At page 160, D-4, there is an excess of Rs. 7,479.

Mr. Woodhead.—Formerly the marine survey department used to occupy rooms in the Port Commissioners' building without the payment of rent. The Port Trust was of opinion that there was no reason why rent should not be paid and we agreed to pay rent.

GRANT 61—COMMERCIAL INTELLIGENCE AND STATISTICS.

553. *Maulvi Abdul Matin Chaudhury*.—At page 244, G.-2, there is a saving which is retained to meet unforeseen claims. What are they ?

Mr. Woodhead.—I cannot say what the unforeseen claims were.

Chairman.—Eventually a sum of Rs. 16,000 was surrendered.

Mr. Woodhead.—The final balance was Rs. 1,059. This was the amount which was retained to meet unforeseen charges.

Mr. Burdon.—It was retained merely as a precaution. They surrendered a round sum and left a little.

GRANT 64—JOINT STOCK COMPANIES.

554. *Chairman*.—The Auditor General has got a comment referring to page 250, sub-head E.-2.

Mr. C. V. S. Rao.—I am afraid the Accounts Officer should have shown the voted and non-voted items separately as is usually done in such cases. If the Committee would kindly see E.-4, the expenditure under non-voted and voted is shown separately. So far as the question of funds is concerned, all that is necessary in such cases is to surrender the voted provision and ask for a corresponding non-voted appropriation. The difficulty is due to the fact that the Controlling Officer when he sent up the budget estimate did not show voted and non-voted provision separately. I am issuing suitable orders to remedy this.

GRANT 83—EXPENDITURE IN ENGLAND UNDER THE CONTROL OF THE HIGH COMMISSIONER FOR INDIA.

555. *Mr. Das*.—I would like to know what is the work of the Dy. Trade Commissioner in London.

Mr. Drake.—Originally that post was created in order to give the Trade Commissioner more time to tour. There is a great deal of work to be done, and it was found very necessary to keep one man permanently at headquarters to answer Trade inquiries which come in very great numbers.

556. *Mr. Das*.—Do you receive an Annual Report from the Trade Commissioner ?

Mr. Drake.—At present it is a two-yearly Report and is published.

557. *Mr. Das*.—Is it necessary that there should be a Secretary to the High Commissioner ?

Mr. Drake.—He deals with everything. He has four other large departments under him, and he has an extremely small staff.

558. *Mr. Das*.—Could you tell me, with your experience of the High Commissioner's office, if there is any possibility of reduction in the establishment of the Stores Department in London ?

Mr. Drake.—That is not our concern in the Commerce Department. It is dealt with in the Industries and Labour Department. But I do personally know that steps are being taken already.

559. *Mr. Das*.—One more question, Sir. I would like to know something about the establishment of the Trade Commissioners, if you will

permit me. Could we get any information about the appointment of these Trade Commissioners at Milan, New York and Hamburg ?

Mr. Drake.—There are six posts altogether. We are beginning to make the selections now.

560. *Mr. Das.*—Are you going to fill in all the six posts or only three ?

Mr. Drake.—That is largely a question of finance. We cannot go faster than we are allowed by the Finance Department, but we are preparing for three posts this year, instead of two as in the original scheme.

561. *Mr. Das.*—I suppose you will take all new men for these posts ?

Mr. Drake.—Yes, but the Deputy Trade Commissioner may also be considered and can be used, if necessary, for one of the posts. It is not settled whether he will be selected for any post abroad, but if he is, he will have had the advantage of training in England for some years, and if it is considered desirable to send him to any other place, he would be available.

562. *Chairman.*—We shall now take up the Department of Industries and Labour. Our first question arises on Appendix No. II, item 23. I hardly think we can wait while Members read this Report (Appendix X). If any member feels he has not given sufficient study to it and has any points to raise afterwards, I will try to find time to deal with them.

GRANT 47—METEOROLOGY.

563. *Maulvi Abdul Matin Chaudhury.*—Page 175, A-5—Supplies and Services and Contingencies. Here it is said that the savings are due to smaller expenditure on cost of removal operations and office furniture in consequence of the earlier move of the headquarters. How does the early move affect the removal operations ?

Mr. Tin Tut.—It fell in the previous budget.

564. *Maulvi Abdul Matin Chaudhury.*—H-4, page 178. You say here “smaller contingent expenditure was incurred owing to the postponement of the opening of certain Upper Air Stations”. Why was it postponed ?

Mr. Tin Tut.—They were not ready at the anticipated time and so they were postponed.

565. *Maulvi Abdul Matin Chaudhury.*—Why were they not ready ? What was the particular difficulty ?

Mr. Tin Tut.—Administrative. The Director of Observatories had to arrange for a full complement of staff ; he had also to get out the equipment. In any case there was no desperate urgency about it.

GRANT 48—GEOLOGICAL SURVEY.

566. *Chairman.*—The Auditor General has some comments on this Grant in paragraph 7 (iv) of his letter. Have you got anything to say about it ?

Mr. Tin Tut.—That was due to our over-caution about trying to avoid asking for a supplementary grant which might not be required. We were

informed by the audit authorities about January that we might anticipate a deficit of about Rs. 8,358 under non-voted. Our own calculations were that at the most the deficit would be less than Rs. 3,000 and the Finance Department agreed with us that there was no likelihood of the deficit at the worst exceeding Rs. 3,000 and we felt that if it was going to be only Rs. 3,000, there was every chance of unexpected savings accruing after January and before the end of the year. We thought it was worth while trying to see whether we could get those savings. Eventually we realised something like Rs. 7,000 or a little over that sum. But we were short of our expectations by about only Rs. 1,708. We knew definitely on the 11th March that we would be short by that amount, but unfortunately it was too late for us to get a supplementary grant.

GRANT 59—INDUSTRIES.

567. *Maulvi Muhammad Yakub*.—Page 238—B., State scholarships. I want to know why the grant of scholarships was postponed ?

Mr. Tin Tut.—We had not decided at the time on the precise conditions on which the artists should be sent. We had to send the work of the artists to the High Commissioner to enable him to form an independent judgment after taking expert advice as to who were the best of them, and that caused a little delay.

568. *Maulvi Muhammad Yakub*.—For how long have these scholarships been in existence ?

Mr. Tin Tut.—These scholarships were advertised, and the scholars were sent out about a year ago. We decided to select 4 Indian scholars and send them to Europe for special art training on 18 months' scholarships. All the four Indian artists are in England at present.

GRANT 60—AVIATION.

569. *Mr. Das*.—I want to ask what amount of service is rendered by the Civil Aviation Department to the Royal Air Force and whether any money is refunded by the Royal Air Force. I find under E—Supplies and Services. The explanation that savings were "due to less expenditure on works in connection with the scheme of flights across India and Burma incurred by the R. A. F.". I believe you made a budget provision for expenditure that would be incurred by the Royal Air Force, but does not your Department exist only for the civil side ?

Colonel Shelmerdine.—That is expenditure which the R. A. F. incurred on our behalf. They very often have to make arrangements for us and we refund the amount which they incur on our behalf.

570. *Mr. Das*.—Do you occasionally ask the R. A. F. for refunds on account of their using your aerodromes and for giving them other facilities ?

Colonel Shelmerdine.—I think we use their aerodromes far more than they do ours.

GRANT 71—STATIONERY AND PRINTING.

571. *Chairman.*—The Auditor General has got a comment on this in paragraph 54 (a) of his letter.

Mr. Shillidy.—In the General Staff Branch certain delays occurred in the production of certain manuals and the General Staff Branch were very anxious that the Controller of Printing and Stationery should guarantee to produce these manuals within a prescribed time. The Controller was unable to give this guarantee owing to the very heavy work that was in the press. The General Staff said that they must have the manuals by the prescribed time. We could not undertake to do the work by the prescribed time and therefore it was agreed that on that occasion they should have the work done at a private press. We are now considering the question and have in mind to call a conference to come to some arrangement about the matter.

572. *Mr. Burdon.*—Ordinarily it is not allowed ?

Mr. Shillidy.—No. We could not do the work because they wanted it by a certain date and we had pressure of work at that time.

573. *Chairman.*—The question we want to ask is whether the General Staff might not have sent in their demands earlier so as to give you longer notice.

Mr. Shillidy.—I am afraid I cannot answer that.

Chairman.—I think we might make some comment on that.

574. *Maulvi Abdul Matin Chaudhury.*—Mr. Shillidy said that at that time the pressure of work was very heavy. In which particular press was the work very heavy ?

Mr. Coombs.—In all of them.

575. *Maulvi Abdul Matin Chaudhury.*—If you turn to page 334, you will find that there are some savings under the head "Operatives", and the explanation given is that it was due chiefly to less earnings by piece-workers than anticipated. Does that mean that you had not sufficient work for the piece-workers ?

Mr. Kaula.—I suppose they earned less because of the piece-work system. It does not mean that the work done was less.

Chairman.—It may very well happen that all the departments may come with rush orders exactly at the same time and then the Press cannot do all the work, and then during another period of the year the department of Stationery and Printing may be comparatively idle for months in the year. This sort of thing happens if the departments do not anticipate their demands in good time. I think we might make a short comment on that and express the view that it is very important that the departments should give the Central Printing Office long notice of their requirements so as to make it possible to arrange work in the most economical way.

Mr. Coombs.—I may say that Committees and Commissions are also rather troublesome and we get a lot of evidence and reports to be done all at once.

Chairman.—I quite appreciate your difficulty.

576. *Mr. Burdon*.—There is a remark at the bottom of page 345 which has not been answered, and that is about the additional grant of Rs. 60,000.

Mr. Tin Tut.—Before asking for the additional grant, we consulted the Finance Department who said that they could not give us money from the Reserve. So we obtained this additional grant and after we had obtained it, the Finance Department surrendered the sum and gave us instead Rs. 60,000 from their Reserve. It made no difference to us and we accepted the position.

Chairman.—The point of the comment is that Rs. 60,000 was not required either by way of a supplementary grant or by reappropriation from the Reserve.

Mr. Tin Tut.—We did want that amount. We could not get it from the Finance Department Reserve and so we obtained a supplementary grant.

577. *Mr. Kaula*.—How does it come about that you had a saving of Rs. 87,000 on that page ?

Mr. Tin Tut.—We could only go by estimates at the time.

Mr. Kaula.—Your estimate was probably not correct.

Mr. C. V. S. Rao.—The whole question was that some time in December or so they wanted 12 lakhs on big stationery stores and they were able to reappropriate from other sub-heads to the extent of only a little over 11 lakhs with the result that they had to go for a supplementary grant for Rs. 60,000. The gross amount of the grant is a little over a crore, and the net is about 55 lakhs ; and so early as December it would be very difficult to calculate to a nicety a saving of Rs. 27,000 on a big grant of over a crore. And particularly in this grant the special difficulty relates to recoveries which cannot be estimated accurately at all. We used to experience similar difficulties in connection with survey grants where certain recoveries were made from the provincial Governments. The same difficulty is being experienced in this grant also, but the result shows that there has been an improvement from year to year, and after all the net savings would only be Rs. 27,000 in a grant of 55 lakhs, and they could not anticipate this saving.

578. *Chairman*.—Mr. Burdon, having regard to the size of the grant do you think this calls for any special adverse comment ?

Mr. Burdon.—No, not in view of what Mr. Srinivasa Rao says.

579. *Chairman*.—Page 364, paragraph 1—Losses of stock.

Mr. Campbell.—This point has not been definitely settled yet. I am at present in communication with the Examiner of Press Accounts and I have not received any orders yet. There are some difficulties to be settled and an entirely new organisation will be required for the audit of press accounts. I am discussing the whole matter next month with the Examiner of Press Accounts in Calcutta and it will take another two or three months for the matter to be definitely settled.

Mr. Tin Tut.—We have already made arrangements for having the stock-taking done by an Audit and Accounts Officer. The last stock-taking was done only last month and the Committee will doubtless be pleased to know that he has found nothing seriously wrong with the stocks now.

580. *Chairman.*—What about this question of introducing commercial audit ?

Mr. Tin Tut.—We are considering the question as to whether it was necessary to commercialise the Central Publication Branch. We thought that a good deal of wastage was taking place in free issues and the branch was commercialised with effect from the 1st April, 1928, and we have effected a lot of economy. At the same time a large extra staff will be required and we are considering now in consultation with the Finance Department whether it is any longer necessary to commercialise the department. I think that the department need not remain commercialised but at the same time I think we should try to maintain the economy in free issues by charging the departments for any free issues which are made at the request of the different departments.

Chairman.—I think we must leave it at that until it has been further discussed.

Maulvi Abdul Matin Chaudhury.—Why do you hold the view that the accounts should not be commercialised ?

Mr. Tin Tut.—Because of the heavy extra expenses.

Chairman.—I do not think we can say anything more about it in this Committee at the present time.

581. *Chairman.*—Pages 364 to 366—The Auditor-General has some comments to offer in regard to this case in his paragraph 54 (c).

Mr. Shillidy.—It is rather difficult in this way that the actual transaction took place in 1925 with a Controller who is no longer here, and we cannot say now why it was particularly decided to get rid of the machines for Rs. 8,000 only. The mere fact that the price is something less than the book value does not mean a great deal because while the Accountant-General himself in his note at page 365 says that machines were frequently sold at a higher value than the book value, he gives instances in which they were sold at less than the book value.

582. *Maulvi Abdul Matin Chaudhury.*—But the disproportion between the book value and the value realised is very large.

Mr. Shillidy.—Yes, but as I said, the transaction was made in 1925 and we have not got any information about it. But I am prepared to assume that the Controller at the time made the best bargain he could. The other point made is that he bought too expensive machines and it is stated that he paid Rs. 87,673 in 1925, and that machines were bought in 1916 for Rs. 74,086. But there was very great difference between the prices in 1925 and 1916, because the prices in 1916 were pre-war prices. Another point is that various improvements have been introduced in these machines since the war for which you have to pay more.

583. *Chairman.*—I do not think we are concerned at this late hour in trying to find out to what extent the bargain was a good or a bad one. The important point is the comment on page 365, where it is said,

“The action of the Controller in negotiating for a private sale with the firm which deals with these machines in India and for a nominal price, was highly irregular and involved a loss to the public revenues.”

The important point is the irregularity of the procedure. That is really the aspect of the matter we are concerned with. I should like to know whether that is strictly correct. Is it highly irregular for the Controller to enter into a dealing of that kind? Are there any rules prescribed?

Mr. Coombs.—There is nothing in the rules to prevent it as far as I know. As a matter of fact, the Examiner of Government Press Accounts has agreed in the case of monotype machines that I should do so, because it gives me a better price than I would get in the market.

584. *Chairman.*—Have you anything to say, Mr. Burdon?

Mr. Burdon.—The general rule is that when you are disposing of Government property you should have a public auction, if necessary fixing a reserve price. That is the general principle, unless there is any special sanction.

585. *Chairman.*—In this case was any special sanction given?

Mr. Shillidy.—No. We can only assume that the Controller did his best, thinking he got the best bargain.

586. *Chairman.*—The point we are specially concerned with is whether there has been any irregularity of procedure here. We cannot consider whether it was a good or a bad bargain.

Mr. Shillidy.—It would be an irregular procedure now. I am not prepared to say that it was in 1925.

Chairman.—We are concerned with the point whether it was an irregular procedure and whether the procedure has now been changed so as to prevent this sort of thing occurring again. I am satisfied that this is the case. I think that is all we need say about this.

587. *Mr. Scott.*—What is your rate of depreciation?

Mr. Coombs.—Eight per cent. They were revalued in 1921 and were obviously revalued at a higher rate.

Chairman.—That is another point on which we may comment, the danger of over-valuation of assets of this kind.

588. *Maulvi Abdul Matin Chaudhury.*—How long are your machines used generally?

Mr. Coombs.—From 10 to 15 years.

589. *Maulvi Abdul Matin Chaudhury.*—I should like to ask a question about depreciation charges, page 346. The actual expenditure on replacement in Calcutta, Delhi, Aligarh and Simla seems to be out of all proportion to the fund that is being accumulated there.

Mr. Coombs.—They have been examined by the Government Examiner of Press Accounts in consultation with the Controller. I do not think they are excessive. We bought a lot of machinery in 1924-25. We have not bought very much since then but it will have to come sooner or later.

590. *Maulvi Abdul Matin Chaudhury.*—According to the Government calculation, the machines ought to be replaced every twelve years. In the case we just discussed, they seem to have been used for 17 years and

the Accountant General seems to think that they could be used for some years more.

Chairman.—That includes the war period when it was very difficult to replace machinery. I do not think that this single example can be regarded as decisive. Moreover generally speaking, if I were running a commercial concern, and if I found that I could utilise machinery for 17 years, for which I had only calculated the life as 12 years, I should be very pleased. I certainly would not say that I have been too cautious in my estimate.

591. *Mr. Scott.*—The cost of running may be excessive and when you have got your repairs, the charges may be so excessive that it does not pay to use the machine.

Chairman.—Yes. There is the factor of obsolescence to be taken into account. It is quite possible that after a certain number of years it might be more economical to scrap a machine (even though it could still be utilised) and buy new machines which could be operated at much less cost and which would be more up to date. I think we must leave this matter to the department and if those responsible for running the department think that the 8 per cent. basis is a proper one, we at any rate have not got any evidence before us to suggest that it is too conservative.

592. *Mr. Scott.*—In factories, the general practice is to allow 7½ per cent.

Chairman.—It depends very much on the type of machinery and the use to which the machinery has been put.

Mr. Coombs.—There are certain types of machines on which we allow a higher rate of depreciation than linotype machines.

593. *Chairman.*—What is the rate of depreciation allowed as a deduction from profits by the Income-Tax Department on this type of machinery ?

Mr. Coombs.—I am sorry I cannot answer that.

GRANT 22—IRRIGATION, ETC.

594. *Chairman.*—Pages 94 to 104 of the Appropriation Accounts. The Auditor General's comments are contained in paragraph 7 (i) of his letter.

Mr. Brebner.—In this case we have pointed out the mistake to the Local Government and I do not think it is likely to recur. Further the question of altering the system of budgeting is at present under the consideration of the Government of India.

595. *Chairman.*—Para. 9 of the letter, para. 24 of the Report. Can you give us any explanation of that ?

Mr. Brebner.—Provision was made for a lump sum cut of 2 lakhs which did not materialise. The suggestion made is that we should have approached the Finance Department for an additional grant. This is quite correct. I am afraid we overlooked the fact that this was necessary.

Chairman.—That accounts for 2 lakhs ?

Mr. Brebner.—Yes, and as regards the figure, there seems to have been some misapprehension here. 8,63,000 and not 16,63,000 was the real saving surrendered to the Finance Department. The difference of 8 lakhs was set off against the probable savings, *vide* page 301 of the Report. The amount surrendered was therefore not in excess of the actual savings, but short by 4,30 lakhs.

596. *Chairman.*—You have got to explain that ?

Mr. Brebner.—That is made up of savings of a lakh and a half against the block grant for expenditure on Road Development which we were not able to spend because we did not have any meetings of our Standing Committee, leaving a sum of 2,80 lakhs which is made up of a large number of small items, which in all represent only 1.74 per cent. of the total grant. What we feel is that this is not a very bad record.

597. *Chairman.*—There is another item in that paragraph relating to surrenders of anticipated savings under certain grants when no savings actually accrued.

Mr. Brebner.—The details of this are as follows :—

	Rs.
(a) Suspense, N. W. F., Province ..	1,03,731
(b) Pensionary charges, Baluchistan ..	17,334
(c) Various small items, particularly in the N. W. F. Province	27,444
Total ..	1,48,509

I think we must admit that as regards the North West Frontier Province, the control has not been as good as it should have been. We intend drawing their attention to this.

598. *Chairman.*—Have you done anything to improve matters ?

Mr. Brebner.—In a general way we have, but we have not done anything in regard to this specific item because I thought it would be better to await the results of the investigations of this Committee.

Mr. C. V. S. Rao.—They have got a separate Accounts Officer now and we might expect better results.

599. *Mr. Das.*—On page 97 there is this remark : “ Due to observation of discharges of the River Indus at Attock which was not anticipated while framing the Budget ”. Are you keeping these observations regularly or did you keep them only for that particular year ?

Mr. Brebner.—I cannot say definitely, but I should think it is more than likely that we do take them regularly.

GRANT 69—CIVIL WORKS.

600. *Chairman.*—Para. 8 (iv) of the Auditor General’s letter says : “ The excess of Rs. 2,01,469 over the total appropriation appears to be due to the fact that the anticipated saving of Rs. 2 lakhs did not materialise. The Committee may wish to inquire why additional funds

could not be obtained before the close of the year to cover the excess." Have you got anything to say ?

Mr. Brebner.—We did not realise till after the Appropriation Report for 1927-28 was received that we ought to ask for a supplementary grant in a case like this.

Chairman.—This was a case of a lump cut which did not materialise ?

Mr. Brebner.—Yes.

601. *Chairman.*—Para. 52 (a) of the Auditor General's letter and also para. 1 of the Comments on page 320 of the Appropriation Accounts : " It was suggested that details about comparatively small works need not be furnished and that the monetary limit for major works for which details are required should be raised from Rs. 50,000 to Rs. 1,00,000. The Auditor General in paragraph 56 (g) of his comments invited the special attention of the Committee on Public Accounts to this matter and commended the suggestion for their consideration. The Committee do not appear to have made any recommendation on this suggestion. The statement has therefore been prepared on the old lines. As the question is one of importance, the Committee may perhaps like to make their recommendations this time ".

Mr. Peck.—According to the old Reports, when the question was discussed by this Committee before, they apparently thought that 14 to 16 pages of items of this kind are very difficult to go through and that if the number of pages were reduced by confining the Report only to the more important cases, it would be easier for the Committee to deal with it. If the works between 50,000 and a lakh were eliminated, the size may be reduced by practically half and it might therefore be more easy to examine.

602. *Chairman.*—Have you got anything to say, Mr. Burdon ?

Mr. Burdon.—I think really it is a matter for the Committee to say. It is not a question of financial control.

Chairman.—I gather that the views of the Committee are that they would prefer to maintain the existing rule. We therefore decide to recommend no change for the present.

603. *Mr. Das.*—I should like to know whether the officers and staff employed on the New Delhi scheme have been now absorbed by the Public Works Department and are now under the control of the Public Works Department ?

Mr. Brebner.—The Staff for Delhi and Simla was reorganized in the beginning of this official year. We have reduced the number of circles and the number of divisions. We still have an architect.

604. *Chairman.*—May we take it that apart from a special short arrangement for retaining Sir Edwin Lutyens to complete certain minor work, the main contract with Sir Edwin Lutyens and Sir Herbert Baker was terminated at the due date.

Mr. Brebner.—Yes, that is the position.

605. *Chairman.*—Is Sir Edwin Lutyens coming on himself again ?

Mr. Brebner.—Yes, he will be coming to Delhi in connection with the opening ceremonies in any case.

606. *Chairman*.—Item No. 51, Appendix II. Committee of the Legislature to deal with Members' residences in Simla. The question is held up pending the discussion of the Report of the Public Accounts Committee in the Assembly. We did not want to pass any orders on the recommendation of the Public Accounts Committee until we had given the Members of the Legislative Assembly an opportunity to express their views, which opportunity we thought the discussion of the Public Accounts Committee's Report would give them. We thought this would give an opportunity for expression of opinion. It was not in any case an important point, and as we have waited so long, I think we had better wait now until the debate.

Maulvi Muhammad Yakub.—It is important matter. Every year Members are grumbling about their accommodation.

Chairman.—It would be very easy to express views in the course of the debate if Members would like to have such a Committee appointed.

607. *Chairman*.—Appx. III, item 13.—Transfer of roads and buildings in the N.-W. F. Province from the Military Engineering Services to the Public Works Department. The question is said to be still under consideration.

608. *Mr. Brebner*.—The Army Department are still considering the matter.

Mr. Scott.—Does that come out under the Army Budget ?

Mr. Brebner.—No. The Military Engineering Services are our agents for maintaining roads on the Frontier and the suggestion is that we should take over certain of these roads from them and employ instead the Public Works agency which is primarily occupied in looking after irrigation. There would be advantages in making such a transfer but also many disadvantages. It is a somewhat difficult question to settle. I do not think Government as a whole are losing by allowing the present system to continue.

609. *Mr. Burdon*.—What does the *pro rata* share of the establishment charges come to ?

Mr. Brebner.—Somewhere about 23 per cent. It used to be less.

610. *Chairman*.—I gather your own feeling is that on the whole it is better to leave things as they are.

Mr. Brebner.—From the point of view of efficiency, I should leave things as they are. The military works people do our work very well.

611. *Mr. Das*.—The Army Department does not contribute any sums towards the maintenance of these roads ?

Mr. Brebner.—They do towards some of them.

612. *Chairman*.—Mr. Brebner is for leaving things as they are, but he has not expressed any opinion about it being more costly or not ?

Mr. Brebner.—The question is a difficult one to answer off hand. If the Irrigation Department take over these roads, I think it almost certain that they will have to strengthen their staff, and until we know the extent to which they will have to strengthen it, it is very difficult to say whether

it would be cheaper for us or not to employ them. There would be advantages in having the irrigation staff in charge of roads in areas which they irrigate, because it means that you would not have two different sets of officers covering the same ground. I do not think that the Irrigation Department would maintain them in any better state.

Chairman.—My first impression would be that the present arrangement must result in a greater economy in overhead charges; for, if we were to separate the work under two departments, it is very likely that the army would not save very much in overhead charges, and we should have to incur additional overhead charges. I think what we can say is that it is rather unsatisfactory to get the answer every year that the question is still under consideration, and that it would be better if the Government of India could arrive at a definite decision once for all, and I think we might ask that the matter should be decided one way or the other in the course of the next year. I am not at all satisfied, however, that the change ought to be made.

Maulvi Muhammad Yakub.—Personally, I think it would be better to continue the present arrangements.

613. *Chairman.*—Before we come to the Delhi capital outlay, there is one point arising out of the Civil Works grant No. 69, on page 321 of the Appropriation Accounts volume under the heading Important Comments, No. 4 at the bottom, relating to the supply of furniture to the tenants of residential buildings. [Para. 52 (a) of the Auditor General's letter]. Can you tell us if the financial results are now available?

Sir Alexander Rouse.—I have got the figures here. The standard rent amounts to Rs. 1,67,239, and the actual recoveries are Rs. 76,918, the loss being Rs. 90,321. This loss is due to the fact that most of the houses are only occupied for five months in the year. Then again the Commander-in-Chief gets furniture free, and Members of the Legislative Assembly occupy their quarters for 2½ months only. The C.-in-C.'s furniture rent is Rs. 7,589, and the rent of the furniture in the M. L. A.'s' quarters is Rs. 12,841, making a total of Rs. 20,430. If you deduct this sum from the standard rent, you get Rs. 1,46,809 as the standard rent of furniture in the ordinary officers' and clerks' residences, of which we recovered Rs. 75,298, this showing a loss of Rs. 71,511. The rent which one might expect to recover for five months out of the standard rent of Rs. 1,46,809 is Rs. 60,000 as compared with our actual recovery of Rs. 75,000. That was the state of affairs in 1929-30.

614. *Mr. Das.*—Has not the Central Accounts Officer also intimated that the orders of the Government of India have been obtained as to the revaluation and revision of rents for residential furniture and that necessary action would be taken in the summer?

Sir Alexander Rouse.—We are undertaking a revaluation. It does not necessarily mean an increase, it might mean decrease in the case of a lot of the furniture which is very old.

615. *Mr. Scott.*—If the premises were occupied the whole year round, it would be just about square?

Sir Alexander Rouse.—We should be more than square. Very few of the houses are occupied all the year round, and we do not give furniture to non-migratory tenants.

616. *Chairman*.—It means the migratory officers pay more for their houses than their proportionate share ?

Sir Alexander Rouse.—No : they generally pay for rather more than five months ; last year it was probably ten days more.

617. *Mr. Das*.—Last year the rent of the Members' quarters was reduced by that new order of the Secretary of State. You could have easily kept a little margin to recover these Rs. 12,000.

Sir Alexander Rouse.—The rent for furniture in their case is a separate item not covered by those orders. The actual assessed rent of the furniture in the M. L. A.s' quarters is Rs. 12,841 and the amount recovered was Rs. 1,620.

Chairman.—I am afraid the Public Accounts Committee have nothing to get out of the situation.

618. *Maulvi Muhammad Yakub*.—Actually the loss is due to the fact that the C-in-C. does not pay any rent for his furniture. As the furniture is all on one stock, we should I think exclude the case of an officer who does not pay for furniture. If you exclude that, what would be the loss.

Sir Alexander Rouse.—Excluding the M. L. A.s' and the C-in-C.'s furniture rent the total loss was Rs. 71,000.

Chairman.—What would be the loss on the M. L. A.s' rent ?

Sir Alexander Rouse.—It would be about 11,221.

Maulvi Muhammad Yakub.—At any rate we can order that the C-in-C.'s furniture should be excluded.

Chairman.—Yes.

GRANT 92—DELHI CAPITAL OUTLAY.

619. *Chairman*.—Paragraph 53 of the Auditor General's Comments mentions continued overbudgeting ; any remarks ?

Sir Alexander Rouse.—The question of budgeting in Delhi is extremely difficult. We have improved, as the Auditor General I think has shown. We were down to 17 per cent. in 1928-29 whereas at one time it used to be about 40 per cent. For this particular year I submitted a budget for a certain sum of money to which the Finance Department or somebody under pressure from them added Rs. 10 lakhs, for an administrative reason, and I told them I was doubtful whether I would be able to spend it, and I did not. They did not want that the period of construction should be dragged out longer than was necessary. That accounts for 10 lakhs. The amount surrendered for furniture and fittings in Government House was 7 lakhs. The Budget provision for this was, I admit, optimistic, and deliberately so far very much the same reason as the Government of India put on that 10 lakhs. I wanted to get drawings as quickly as possible out of the Architect. Again when we got down to the work of selecting and designing the furniture, we felt it was not wise to hustle unduly, because the furniture was costing a great deal of money and hustling would only have resulted in loss due to undesirable purchases and an unsatisfactory scheme of furnishing.

620. *Chairman.*—How have results worked out for 1929-30 ?

Mr. Shillidy.—We are going to the extent this time of meeting all the criticisms of the Public Accounts Committee by having a slight excess of Rs. 7,462 or .001 per cent.

Chairman.—Having regard to that information, we need say no more on that point.

621. *Chairman.*—Pages 661-662 : Loss due to large accumulation of serviceable as well as unserviceable stores : can you tell us anything about that now ?

Sir Alexander Rouse.—I have supplied a note to the Secretary of the Department on this subject, which is a very old one and has been brought up year by year before the Committee since 1926. The fact of the matter is that the subject of stone in New Delhi has been gone into several times by the Committee and twice we have told them (last year and the year before) that the total loss would be about Rs. 12½ lakhs. At present we have reached a loss of about 10.4 lakhs, and we do not anticipate that there will be any excess over the sum that we have already intimated to the Committee.

The stock is being reduced. Our total was 35 lakhs in 1926 ; it has now come down to 15 lakhs. Out of this 15 lakhs, 5.46 lakhs represents fans which are in use in the offices and bungalows in New Delhi. The Government of India have not yet decided whether the value of these fans should be charged off to any particular head of account or whether the fans should be retained with stock lists and hired out as required.

Mr. Shillidy.—Stock worth 5½ lakhs is required immediately. Then there is other stock worth about Rs. 3,20,000 which represents the value of pipes, which do not depreciate. We can keep them in stock.

622. *Chairman.*—When will this account be finally wound up ?

Sir Alexander Rouse.—If we are going to build a large number of bungalows, the serviceable stock will all be used up. That is the reason why we have not disposed of it. If we did so, we would only have created a slump in the Delhi market with pipes and other stores which we reasonably expect to use upon further works.

623. *Chairman.*—I am not suggesting that you should sell them, but merely that you should close this particular New Delhi Stores account and take the stores on to your General Public Works account.

Sir Alexander Rouse.—We will do so with the closing of the project.

624. *Chairman.*—When will that be ?

Sir Alexander Rouse.—I cannot say. If the Government of India proceed with the supplementary project of building bungalows, it is likely to go on for another 4 years.

Chairman.—Putting it very broadly, the housing requirements are not yet satisfied. The question is : are we to go on erecting these buildings against the original capital project or are we to treat Delhi as part of the ordinary business of the Government and build houses every year against revenue ?

625. *Mr. Das.*—Regarding this house rent, I find you have transferred clerical quarters to Civil Works. They are not shown under New Delhi Capital outlay.

Sir Alexander Rouse.—These are maintenance charges.

626. *Mr. Das.*—You are gradually handing over the maintenance to the Public Works Department.

Sir Alexander Rouse.—When the buildings are completed they are handed over to the Public Works Department. All the Viceregal quarters are handed over to the Military Secretary to the Viceroy, and the others go under 41-Civil Works, i.e., demand No. 69.

627. *Mr. Das.*—What about the mural paintings of the Assembly and the New Secretariat? Are they charged to Civil Works?

Sir Alexander Rouse.—I think they are regarded as subsequent embellishments to a completed building.

628. *Mr. Das.*—And what about the mural paintings of the Viceroy's House?

Sir Alexander Rouse.—We are not doing any at present except the ordinary painting of walls. We are not doing any decorative painting. We have not given up the idea; it has not yet taken shape.

Chairman.—I think what we have heard about stores account is quite satisfactory. I do not think there is any more room for comments now.

629. *Maulvi Muhammad Yakub.*—There are some important irregularities mentioned on pages 663 to 666. For instance, take the case of the Cashier. I would like to know why such a small security as that of Rs. 500 was taken from a Cashier who deals with thousands and thousands of rupees. It is case No. 5.

Sir Alexander Rouse.—It looks rather as if he had a very large amount of cash but in this case the amount of money that was in his hands at that time was the pay of the staff which should have been paid out entirely on that very day. He only handles such large sums of money for one day in the month.

630. *Maulvi Muhammad Yakub.*—Did he commit the embezzlement in one day?

Sir Alexander Rouse.—No there were certain sums of money left in his hands on account of leave pay. There was one man who was on leave in Madras a long way away and we heard from him when he got angry because the cashier had not sent him his leave pay. Normally, leave pay is not paid unless it is demanded. The account of arrears of pay and imprest which was found short was Rs. 1,200.

631. *Maulvi Muhammad Yakub.*—How did the loss of Rs. 3,907 occur?

Sir Alexander Rouse.—That was the amount that he took away in his pocket at the end of pay day and lost. He was paying out the money to the staff and when it was getting too late to complete the payments, he put this money in his pocket and lost it. That was his story. He did not put it back in the safe.

632. *Maulvi Muhammad Yakub.*—Besides the loss of Rs. 3,907 the amount misappropriated by the Cashier was Rs. 1,230. This was over and above this amount. How did this amount come into his possession ?

Sir Alexander Rouse.—That was the amount he had drawn for leave pay and his imprest account.

Maulvi Muhammad Yakub.—So he had to deal with large sums of money.

633. *Chairman.*—Maulvi Muhammad Yakub's point is that the Cashier used to handle large sums of money and therefore more security ought to have been demanded of him.

Mr. C. V. S. Rao.—It is only on the 1st day of the month that he has got to handle a large sum of money.

Mr. Shillidy.—He simply draws the amount from the Bank and pays it out.

Chairman.—He was in possession of the money and he seemed to have said to the staff : " I will not pay to-day and it has got late. "

Sir Alexander Rouse.—It is now all done in the presence of the Person's Assistant.

Chairman.—The only satisfactory answer is that machinery has now been introduced for checking the position as regards the money, so that it will now be impossible for the Cashier to put the notes in his pocket and walk away without being seen by somebody else.

Mr. C. V. S. Rao.—He actually handles in a day something like 3 or 4 lakhs of rupees.

Chairman.—That may be so. But what we want to know is what checks there are so that he cannot put the money into his pocket.

Mr. C. V. S. Rao.—At the end of the evening some responsible officer is required to check. That is being done.

634. *Maulvi Muhammad Yakub.*—If he had this money to pay to other officers, why was the matter not reported earlier ?

Sir Alexander Rouse.—It was reported the next day or the day after.

Mr. Grindal.—Actually what happened was that the Cashier drew the pay towards the end of the day and the clerks got impatient and left office. There were two holidays afterwards and it was only when the office opened that it was discovered that the cashier had not paid the money.

Mr. Scott.—What day was that ?

Sir Alexander Rouse.—I cannot remember it exactly, but I think it was about the 5th or 6th.

635. *Chairman.*—The point of real interest is that we want you to give us a definite assurance that the procedure has now been altered so that this sort of thing will not happen again.

Sir Alexander Rouse.—That has been done.

636. *Maulvi Muhammad Yakub*.—On page 664 we find that sums of Rs. 1,887 and Rs. 451 are outstanding against two Gowalas on account of rent of certain stalls rented to them. Why were such big sums of rent allowed to be accumulated? Why were they not asked to pay rent every month?

Mr. Shillidy.—They were asked to pay and they declined to pay.

637. *Maulvi Muhammad Yakub*.—If they did not pay for one or two months, why were they not asked to vacate the stalls?

Mr. Shillidy.—They were asked to vacate.

Sir Alexander Rouse.—He had been allotted 36 stalls and the rent of each stall was Re. 1|8|0 a month. This question of the housing of cattle is a very difficult one in the clerks' quarters.

Mr. Shillidy.—The Estate Officer asked the Gowala to come along and sign the agreement. The man refused to sign the agreement. The Estate Officer took advice about clearing him out and he was advised by the Magistrate and the Government Pleader that he could only do so by taking a legal action in a court. That eventually was done.

Mr. Grindal.—This particular stall is situated in the midst of the Clerks' quarters and the clerks have no other supply of milk. When my predecessor put this man in, it was for the convenience of the tenants of this locality, mostly people who live down there throughout the year. It was always possible to turn this man out by force. This could have been done without even going to the court of law, but the tenants would have suffered. Lots of clerks with their families and children live there.

638. *Maulvi Muhammad Yakub*.—It was for the sake of convenience of these tenants that you allowed this sum to accumulate. No proper action was taken.

Mr. Grindal.—Action was taken throughout. I myself visited the place half a dozen times and I could get no change out of the man at all.

639. *Maulvi Muhammad Yakub*.—Perhaps he sends his milk to the occupants of quarters who are Government servants. Why was not the amount deducted from their pay?

Mr. Shillidy.—That is impossible.

Maulvi Muhammad Yakub.—They should have been asked to pay the rent for the price of the milk.

640. *Chairman*.—I gather that you have realised this difficulty and that you have now got monthly tenants. But you are still up against the same difficulty. If you turn the man out, there will be milk difficulty.

Sir Alexander Rouse.—What happens now is that practically the whole of the cattle there belong to the clerks. When the Estate Officer visited the place, the Gowala said he had got only 10 stalls although allotted 36. The other cows belonged to the clerks of the Public Works Department. We give the clerks a stall if they want to put their cattle in at a rent of Re. 1|8|0 a month. If however, they are already paying 10 per cent. of their pay in rent, they pay nothing more for the stall.

641. *Maulvi Muhammad Yakub*.—It makes the matter still worse. These clerks were implicated in it and, in fact, they ought to have paid the rent.

Sir Alexander Rouse.—They are not charged ; they get it free under the orders of the Government.

Mr. Grindal.—The Gowala has got wise after the event. He has farmed out the whole of his cattle to the clerks. We do not now recognise the man. Every stall is occupied by a cow belonging to a clerk. I charge them Re. 1-8-0 or Rs. 2-8-0 a month subject to 10 per cent. of the pay. But they are all paying 10 per cent. of their pay in the shape of rent, so we do not get any rent from them. He was an ignorant man and he did not, until somebody tutored him, think of adopting this method of keeping the cattle free. We have no relation with the man at all now. I went down myself with the Bailiff and asked him where his cattle were. He told me he had no cattle of his own. All the cattle belong to the clerks. These are our practical difficulties.

Sir Alexander Rouse.—We are very anxious that these stalls should be utilised by the clerks, because if they do not do that, they keep the cattle in a most insanitary manner in their own small courtyards.

642. *Chairman*.—There seems to be something wrong about this 10 per cent. rule, unless there is some limit to the allowance of stalls.

Sir Alexander Rouse.—They are allowed one stall each. What the clerks want us to do is to build shelters inside their own compounds so that they can keep their cattle there. We as the administrative department are very anxious to stop it and so are the Health people, because it only leads to the breeding of flies and to insanitary conditions. That is why we have tried to encourage the use of these stalls.

Chairman.—It seems to me that the Gowala had the best of it.

643. *Maulvi Muhammad Yakub*.—Could you explain the case mentioned in paragraph 3 on page 664 ?

Sir Alexander Rouse.—We had a rate in the original contract for plaster generally. It is very difficult in an enormous building like the Secretariat to settle the rate for every small item in advance, and in fact it is practically impossible. To begin with, it was a kind of work new to the contractor. When the contractor came to do this item of work, he said he was not going to do it at the agreed rate for ordinary plaster and he put forward certain contentions. We could not stop the work while this argument was going on, so we settled the rates as the work went along.

644. *Maulvi Muhammad Yakub*.—But he must have known before he started the work that he will have to plaster the dome.

Sir Alexander Rouse.—It was not a lump sum contract. It was a rate tender. It is not included in a lump sum for the whole work. His contention was that this plaster was something quite different to what the ordinary rate included ; we admitted the contention and we settled this rate with him afterwards.

645. *Maulvi Muhammad Yakub*.—You had to pay exorbitant rates for several months ?

Sir Alexander Rouse.—We paid him a reasonable rate ; we cut down his claim.

646. *Maulvi Muhammad Yakub.*—Have you now adopted the rule that no work should be started without settling the rates ?

Sir Alexander Rouse.—Wherever it is possible it has been adopted. It was then also adopted. I should still be completing the Secretariat if we had stopped the work every time it was necessary to settle a new rate for an item of work.

647. *Chairman.*—If you do that there may be cases where no contractor will take up a contract. There may be some occasions where you have to get work done on a percentage on cost basis.

Maulvi Muhammad Yakub.—Such work can be done on daily wages.

Sir Alexander Rouse.—It will cost you a great deal more.

648. *Chairman.*—In this case you are satisfied that you only had to pay a reasonable percentage on the actual cost.

Sir Alexander Rouse.—It was worked out on observation of the man's labour and materials used and above this we usually allow 10 per cent.

649. *Chairman.*—Item 23, Appendix III. I think we have already covered all the points there except (c), the incidence of expenditure on the residences, etc., of His Excellency the Commander-in-Chief. But here the Army Department will simply say that the arrangement about the stabilised budget was made without this being taken into account and "if you want us to meet these charges, then we shall have to ask for more money".

Mr. Peck.—The matter is still under reference between the Industries and Labour Department and the Army Department. I heard this last February. The Army Department have not yet turned down the question entirely. They are still considering it.

650. *Chairman.*—Mr. Burdon, do you happen to know from your own knowledge as to what the position is, that is to say, what line the Army Department will take in regard to this question ?

Mr. Burdon.—I imagine they will take up the same line, which I think is correct, as they do in regard to the Reuter's telegrams to the Army Member. There is no reason why there should be a different incidence in regard to that matter in the case of the Army Member from that which applies in the case of other Members of His Excellency the Viceroy's Council. The only military buildings that are charged to Army grants are military buildings in cantonments.

651. *Chairman.*—We cannot get away from the fact that the Government have been working for a very long time with a certain practice. It may be that the practice could be criticised on the ground that it is not quite logical, but it is very difficult to alter it now.

Mr. Burdon.—Our principle of classification is that the expenditure on residences is classified under the Works head. For example, the Finance Member's house is not classified under the Finance Department ; similarly with other Departments. The recognised principle of classification is that the expenditure is classified under the Department which controls it.

652. *Mr. Kaula*.—The question first arose a few years ago when for the first time systematic endeavours were made to differentiate between those charges which do not belong properly to the civil department and are for the benefit of the military department. For the last 4 or 5 years several questions have cropped up from time to time and they are still cropping up. Occasionally, audit officers notice a charge which is in connection with some service rendered to the military department, and in accordance with usage and past practice adjusted under the civil head. It is really an important question on which in view of the arrangements connected with the stabilised budget, there should be some definite expression of opinion.

Chairman.—The only thing is that this question arose long before the present arrangement about the Army budget was made and I think the Army Department's answer would be : " we never understood that we should have to meet this charge against the Army Budget ".

653. *Maulvi Muhammad Yakub*.—Will it be a very large sum ?

Chairman.—About 6 or 7 lakhs. It is a question of capital charge.

Mr. Kaula.—And also annual maintenance. It will be noticed that this question was raised in 1926-27.

Mr. Burdon.—The Military Engineer Services would be responsible for maintenance of one Member of Council's house in Simla and Delhi and the Public Works Department would be responsible for the maintenance of the rest. It would not be convenient, nor would it be an economical arrangement.

654. *Mr. Das*.—When we raised the question, we thought that the Commander-in-Chief should pay as the other Members pay. We don't mind the Viceroy not paying, but we do not like the Commander-in-Chief to enjoy those facilities which the Viceroy enjoys. That was the point that was raised.

Mr. Burdon.—Quite.

Chairman.—On this question we are discussing now, about the various points in item 23, all we can say is that you should try and get the points cleared up as early as possible.

655. *Chairman*.—Item 29, Appendix III. The remarks say that the Government of India have decided that the Capital and Revenue Accounts of residential buildings in New Delhi should be prepared as from the 1st April 1929.

Mr. Das.—That meets our point.

656. *Mr. Das*.—Item 23, Appendix II. Regarding this memorandum which you have submitted on Meteorology (Appendix X), I think it came out of certain questions that I raised last year, and last year the Chairman suggested that a highly scientific department should be centralised and controlled by one department. After reading this memorandum, I come to the conclusion that the Meteorological Department should be controlled by the Industries Department and all work should be done through one department. At present, the R. A. F. are only controlling two places, Peshawar and Quetta, and there is every likelihood of their being transferred to the control of the Industries Department.

Mr. Skillydy.—Yes. I think the question mainly raised was whether the R. A. F. should make any contribution. Dr. Normand has examined that. We do something for them and they do something for us and it is really very difficult to assess the contribution that each should make. They had two officers of their own ; they have now taken over one of ours, and there is a possibility that they will take over another of ours, so that the whole work will very probably in a short time come under our control.

Chairman.—If you are satisfied with that memorandum, then there is no further need to discuss it.

Evidence taken at the ninth meeting of the Public Accounts Committee held on Friday, the 4th July 1930, at 10-30 A.M. *

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. C. V. S. RAO, Officer on Special Duty.

Sir FRANK NOYCE, Secretary, Department of Education, Health and Lands.

Mr. G. S. BAJPAI, Joint Secretary, Department of Education, Health and Lands.

Mr. A. B. REID, Deputy Secretary, Department of Education, Health and Lands.

Mr. RAM CHANDRA, Additional Deputy Secretary, Department of Education, Health and Lands.

Mr. W. SMITH, Imperial Dairy Expert.

Members.

Witnesses.

GRANT 34—DEPARTMENT OF EDUCATION, HEALTH AND LANDS.

657. *Chairman.*—In paragraph 33 of the Report, there is a comment on this Grant.

Mr. Reid.—The supplementary grant voted by the Legislative Assembly subsequently proved to be unnecessary largely because the cost of distributing copies of the Linguistic Survey of India was very much less than anticipated. The probable expenditure reported by the Central Publication Branch was Rs. 3,500 more than what proved in the end to be

the actual expenditure. That was only known after the supplementary grant had been asked for.

658. *Chairman.*—Could this not have been known earlier ?

Mr. Reid.—We had to rely on the Central Publication Branch. There was no reason to doubt the figure it supplied in the first instance. It was only when it gave revised figures two months afterwards that we found out that the sum already asked for was in excess.

659. *Chairman.*—I presume you made a suitable comment on that.

Mr. Reid.—Yes. We have.

660. *Maulvi Abdul Matin Chaudhury.*—When the final expenditure was well within the original grant, why was a supplementary grant asked for ?

Chairman.—You are raising another question. Even though money was expected to be spent, could it not have been spent by reappropriation within the total grant, even though they misled you as to the cost ?

Mr. Reid.—The difference in the two estimates, the correct and the incorrect one received from the publication branch, was a matter of Rs. 3,500. Seeing that there was a saving of Rs. 12,956 in the department, your question is, why was a supplementary grant necessary at all ?

661. *Chairman.*—Why did you not take the chance ?

Mr. Reid.—If you look at head F in this Grant, you will see the budget of the Office of the Keeper of Records was responsible for a saving of over Rs. 5,000. That is an entirely separate budget, even though it appears under the budget head of this department ; and we have always held ourselves precluded from re-appropriating from that head.

Mr. Kaula.—You have the power to reappropriate.

Mr. Reid.—We think we are precluded from doing that.

662. *Mr. Kaula.*—What is your authority for saying so ?

Mr. Reid.—The Officer in charge of the office of the Keeper of the Records controls his own budget. We have always held ourselves precluded from reappropriating from it.

Mr. Kaula.—But you present the same Demand to the Assembly for the two things together.

Mr. Reid.—That may be the case, but we always held ourselves in practice precluded from reappropriating.

663. *Mr. Kaula.*—The Audit Officer would not object ?

Mr. Peck.—No.

Chairman.—I think that is a sufficient explanation on that point.

GRANT 55—MEDICAL SERVICES.

664. *Chairman.*—Pages 212-13. There is a comment by the Auditor General in paragraph 42 of his letter. Have you got anything to say in reply to that comment ?

Mr. Ram Chandra.—The only thing we would like to mention is this. This statement was prepared in accordance with the instructions given by

the Accountant General, Central Revenues. It was his desire that the financial results of the sale of old and unserviceable stores should be shown separately. If this form were sent to the Accountant General, Central Revenues, for revision, we should be glad to prepare a *pro forma* account in any new form which he might devise.

Mr. Peck.—I think the account in its present form would serve the purpose, if a foot-note is placed below working out these figures in accordance with the Auditor General's comment. That is the instruction I have given for future years, so that the figure shown as profit in *pro forma* account should not be misleading. The foot-note would explain the exact position.

Chairman.—It does seem to be a misleading way of presenting the position. You show as a credit item what is really an actual loss and I do not quite understand why that form is adopted.

Mr. Peck.—If I were preparing the grant, I should not have written that in the form that has been accepted in the past. If I am authorised, I would change the whole form and I think it would be much better to do that rather than show it by a foot-note.

Chairman.—It would be much better.

Mr. Peck.—I will obtain permission and alter it for future years.

Chairman.—As a matter of fact, the account does show the whole position, but it does so in a misleading way.

Mr. Campbell.—May I make a suggestion? The best way would be to show the stores at the end as a gross figure, less the amount written off by loss, bringing out the net figure which would increase the loss correspondingly on the other side of the account.

Chairman.—That probably would be the best way. What you suggest is the way in which I think the account ought really to be arranged.

665. *Mr. Scott.*—The loss on account of depreciation in the value of stores seems very large.

Chairman.—Is there any special reason for that?

Mr. Ram Chandra.—X-Ray stores generally get obsolete after a very short time owing to new inventions and new discoveries. Considerable depreciation has therefore to be allowed.

666. *Chairman.*—Does this really represent a sort of accumulation for several years? It looks as if you have been landed this year with something which represents more than the normal year's depreciation?

Sir Frank Noyce.—It would possibly help the discussion if I were to mention that the institute was closed down at the end of March and it is now in liquidation.

Mr. Burdon.—Surely this must represent one of the preliminary stages in liquidation in getting rid of things.

Mr. Ram Chandra.—This account is only up to 31st March 1928.

Chairman.—I think as the institute is being closed, we shall really be interested only in the final liquidation accounts.

667. *Mr. Das.*—Are you going to distribute these apparatus to provincial hospitals and provincial governments, or are you going to sell them in the open market ?

Mr. Ram Chandra.—The idea is to get the best value for this material. We have asked the Director of Contracts, Army Department, to help us in selling these stores. Negotiations are still going on.

668. *Mr. Das.*—Last year you said that the Army Department had no further interest in the institute.

Mr. Ram Chandra.—I did say so. That is the reason why we are closing down the institute and we are asking the Director of Contracts, Army Department, to help us.

669. *Mr. Das.*—In the last two Public Accounts Committees, we suggested that in the case of obsolete articles, you should ask the Provincial Governments if they could utilise them in their hospitals.

Mr. Ram Chandra.—Two years ago we tried to get rid of a lot of obsolete articles and we asked the Local Governments whether they would like to take some of these things. They sent us their requirements and we prepared a statement according to which we distributed the stores free of cost. Later on, I heard that some of the Local Governments were repenting why they had got those stores and why they spent money even on freight.

670. *Maulvi Abdul Matin Chaudhury.*—There is not much chance of your getting value for the obsolete stores.

Mr. Ram Chandra.—Very little indeed. We may be able to get 10 or 15 per cent. We find for instance that dentists are anxious to get X-Ray apparatus from the Institute for taking dental films.

671. *Chairman.*—What was the reason for closing down the institute ?

Sir Frank Noyce.—I think it was unavoidable because the institute was no longer required for training men for the Army Department. As regards the provinces, training in X-Ray work is a provincial matter and the provinces have their own X-Ray Institutes now.

672. *Chairman.*—Will the local institutions be as good as the Central Institution and would they not benefit by having a Central Institution ?

Sir Frank Noyce.—I think the local institutions will be as good. I know the one in Madras well and it is very good institution indeed. There is no need for a central institution for this work. It is purely educational work, not research work.

673. *Chairman.*—When will the accounts be finally wound up and liquidation completed ?

Sir Frank Noyce.—It all depends upon how long we take to dispose of the stores. We will make every effort to expedite matters.

674. *Mr. Scott.*—Do you think this institute has been run on an extravagant basis ?

Sir Frank Noyce.—I think there was a good deal of extravagance in this as in everything else during the war period. There has so far as I know been no extravagance in recent years.

675. *Mr. Das.*—You are taking steps to reduce the establishment ?

Sir Frank Noyce.—Yes.

Mr. Ram Chandra.—The Superintendent has left. Only a Military Assistant Surgeon is now in charge of these stores.

Chairman.—I think we might leave it at that. We shall have to consider the matter again when we take the final liquidation accounts.

GRANT 56.—PUBLIC HEALTH.

676. *Chairman.*—In para. 33 of the Report, it is said that a supplementary sum of Rs. 37,000 was asked for which was found to be unnecessary later on.

Mr. Ram Chandra.—This grant consists of several miscellaneous items, for instance, expenditure on Port Health establishments in the various provinces and under A—Public Health Establishment, expenditure on the Public Health Commissioner's office. There are thus various items of all sorts included in this grant. It is very difficult to foresee when we ask for a supplementary grant whether there is going to be any saving in any province. In particular, I may be permitted to draw the attention of the Committee to the fact that under D—4 a sum of Rs. 7,139 represents the cost of certain English stores which was not debited actually till April 1929 through a mistake on the part of the Audit Office. This sum could not be utilised until we knew whether the debit was going to be raised or not. Then, similarly, under C—5, there is a sum of Rs. 5,200 for which debit had been raised in the accounts for the previous year, although we were asked to make provision in the year 1928-29 for adjustment of arrears of overseas pay of Dr. McVail, and the pension of Dr. William Forsyth both of whom belonged to the Port Health Department, Bengal.

Chairman.—All we can say is that it should be watched carefully in future.

Mr. Ram Chandra.—Generally, whenever we ask for a supplementary grant, we try to find out from the various provinces whether they expect any savings. Sometimes we have to incur expenditure in the beginning of the year and it is impossible to foresee at that time whether any saving is likely to occur, especially when the sums are very large.

677. *Maulvi Abdul Matin Chaudhury.*—Under C—2 (4) you asked for a supplementary grant for the purchase of a new hull for the steam launch. When there was a saving of Rs. 4,000 in the original allotment, why should you have asked for a supplementary grant ?

Mr. Ram Chandra.—The actual expenditure was Rs. 6,656.

Maulvi Abdul Matin Chaudhury.—I am talking of the original allotment, Rs. 10,658. Out of that you made a saving of Rs. 4,000.

Mr. Ram Chandra.—This saving occurred in the provision for the purchase of stores, etc., and other contingencies.

Chairman.—It looks as if you should have paid more attention before you asked for a supplementary grant. I think that is all we can say.

678. *Maulvi Abdul Matin Chaudhury.*—On page 222, from the sale of vaccines, there is a drop from Rs. 3,63,778 to Rs. 2,62,263. What is the reason ?

Mr. Ram Chandra.—It may be due to less demands from the provinces, and it is just possible that in 1927-28 some amounts were recovered which were really due on account of arrears in previous years.

679. *Mr. Scott.*—Has there been a drop in the price ?

Mr. Ram Chandra.—I do not think there has been a change in the prices.

680. *Mr. Das.*—The provinces are not manufacturing their own serum ? They buy from you ?

Mr. Ram Chandra.—Yes ; they indent on the Central Institute.

Sir Frank Noyce.—For certain sera and vaccines, there is, for example, the Haffkine Institute in Bombay.

681. *Mr. Das.*—I find in another instance in Muktesar the sale of veterinary serum increased by 2 lakhs or so, whereas last year at Kasauli it went down.

Chairman.—I think in the case of these accounts where there is a big variation of that kind it will be useful if a foot-note is given.

Sir Frank Noyce.—I quite agree that we should explain differences of this kind, and we will make such a foot-note in future.

682. *Mr. Das.*—Do you make the small-pox vaccines at Kasauli also or do you make them only at Muktesar ?

Sir Frank Noyce.—No vaccines for human use are made at Muktesar ; vaccines meant for use of animals are made there.

Mr. Ram Chandra.—Some of the provinces have their own institutes for manufacture of vaccine for small-pox, for example, in Bombay and the Punjab.

GRANT No. 57.—AGRICULTURE.

683. *Chairman.*—Para. 43 (b) of the Auditor General's letter. Any explanation ?

Sir Frank Noyce.—The fault is not that of the Education Department. I think there was a mistake in the Finance Department. What happened was that we were informed that the provision for the cotton cess staff had been made in the budget of the Agricultural Adviser. A copy of the communication was endorsed by the Finance Department to the A. G., Bombay. The Pay and Accounts Officer, Miscellaneous Central Departments, deals with the A. A.'s budget, and we sent a copy to him, and that led to a double provision. It was not till the 5th of April that the mistake was discovered. It was too late then to make any change. The Pay and Accounts Officer brought the fact to our notice and suggested that provision should be left to the A. G., Bombay.

Mr. C. V. S. Rao.—That explanation refers to sub-head N and not to sub-head F.

Sir Frank Noyce.—Sub-heads F and N, as you will see, both relate to the Central Cotton Committee.

Mr. C. V. S. Rao.—There seems to have been a misapprehension. In this case a sum of Rs. 21,000 was surrendered from the expenditure heads,

It does not seem to be necessary to make any surrender at all. All that is necessary in such cases is to make a re-appropriation, and it ought to be sufficient. It is after all expenditure incurred with the exception of certain items. For example, if Rs. 50,000 had been spent, Rs. 50,000 would have been recovered, but ultimately it was noticed that Rs. 50,000 would not be spent but only Rs. 30,000 would be spent; consequently, only Rs. 30,000 would be recovered, so that it will be observed that no formal surrender is necessary at all.

684. *Mr. Das.*—Has the department no opportunity to take your advice on financial matters?

Mr. C. V. S. Bao.—They have. They have got an accountant who advises them on these matters. They have an accounts officer.

Sir Frank Noyce.—I am sorry, Sir. I have made a mistake. I was referring to sub-head N instead of sub-head F. I think that it was the Secretary of the Indian Central Cotton Committee and the Agricultural Adviser who made the mistake in regard to sub-head F-5.

Chairman.—At any rate, it is simply a question of a mistake in regard to which steps could be taken to prevent a recurrence. I don't think we need concern ourselves as to who was responsible for this mistake, but the important thing is to see that that sort of thing does not occur again.

685. *Chairman.*—Then para. 43 (a) of the Auditor General's letter deals with page 226, and says, "The Committee may wish to inquire whether the natural increase of the farm herd referred to in the explanation could not be anticipated". What can you tell us about that?

Sir Frank Noyce.—I am afraid this is the fault of the department. The expenditure was anticipated by Mr. Smith, who is here, and he asked for a provision of Rs. 45,000 which was reduced by the department on the basis of past actuals. They might have seen a little further ahead than they did.

686. *Chairman.*—There is nothing more to be said about that. I take it that suitable instructions have been issued to prevent a recurrence of this mistake.

Sir Frank Noyce.—The responsibility rests with me. I don't think it will happen again as long as I am here.

687. *Maulvi Abdul Matin Chaudhury.*—Page 231. Sub-head 1-5. Other Supplies and Services and Contingencies. Here there has been an excess of Rs. 15,000. What was that due to? The explanation is "Owing chiefly to replacement of old machinery and purchase of a weighing machine for weighing coal and other heavy stores". When the estimate was prepared, could it not have been foreseen that the old machinery would have to be replaced?

Sir Frank Noyce.—I think it should have been foreseen. But the future of this Creamery has not yet been settled. We are awaiting the arrival of the new Director of Pusa, who is expected in October, and we propose to defer the question of the future of these institutions in order that it may be settled in consultation with him when he arrives.

688. *Mr. Das.*—Are you thinking of doing away with these institutions?

Sir Frank Noyce.—We have an open mind on the question. The Anand Creamery seems to be doing very good work at present, but it has been up till now on a temporary basis, and we should like to get it settled soon whether we ought to continue it or not.

689. *Chairman.*—We now turn to para. 44 of the Auditor General's letter. This is a question of valuation.

Sir Frank Noyce.—I think the position is, that they are now adopting a more sensible system of valuation than they did before. The previous system of valuation was made, as stated here, on a fixed formula irrespective of the fluctuation in the market values and the condition of the individual animals. That is obviously a very unsound way of arriving at a correct valuation of the animals concerned, and it is much better that they should be valued on their condition and also on their actual market value. Mr. Ware, the Director at Muktesar, will, in future, scrutinise all the valuations himself. It is rather an expensive matter to get a man up from Pusa as suggested by the Audit Officer to value a few animals, and as Mr. Ware is as good an authority as any one else on matters of this kind, I think we can trust to his valuation in future.

690. *Chairman.*—Para. 47 of the letter referring to the Appendix again, pages 134-135. It is stated here that the Committee may desire to have further information regarding the irregularities mentioned in these paragraphs. What about para. 237 ?

Sir Frank Noyce.—I don't think there is much to say here. I think the facts are fairly fully stated. The officers concerned wanted to get a move on in various directions, and I suppose they thought that the method described was a convenient way of doing it. No doubt that their action has been entirely irregular.

691. *Maulvi Abdul Matin Chaudhury.*—In view of the fact that these irregularities occurred about six years ago and the Government of India decided to condone the offences, why was it not possible to take any action earlier ?

Sir Frank Noyce.—Because the facts were not discovered earlier. This particular system of audit was started only recently, and these facts came to notice when the first test audit was made.

692. *Mr. Burdon.*—Is this account in the Imperial Bank still open ?

Sir Frank Noyce.—I don't think so. The whole of the transaction was completed long ago. The Secretary of the Sugar Bureau is not now allowed to do any work for private individuals.

693. *Chairman.*—Para. 238. It is a somewhat similar case, I think.

Mr. Das.—It is slightly different, Sir. I think some action ought to have been taken against this officer.

Sir Frank Noyce.—The officer is no longer in Government service. He was then on foreign service. I may say that he was punished in one way, and that was that his pension application was held up pending the consideration of this question. We eventually got the records back.

GRANT 58.—CIVIL VETERINARY SERVICES.

694. *Maulvi Abdul Matin Chaudhury*.—Page 87 of the Appendix—Imperial Institute of Animal Husbandry and Dairying, Wellington. I find that in the year 1927-28 there was a profit here, while in 1928-29 there was a loss of Rs. 19,150. What was it due to ?

Mr. Smith.—This is really due to serious outbreaks of cattle disease which happened at Wellington. We keep a number of imported and cross-bred stocks specially for nutrition work in order to test the Indian cattle alongside a standard which is recognised in other parts of the world, and they were badly affected with disease. We have not had such serious outbreaks there for the last 6 years. We had two outbreaks of foot and mouth disease in the farm during the last 18 months to which there is really no parallel. Of course it is a very serious business. Most of our cattle were protected against rinderpest. But in spite of all our precautions, we lost a number of our valuable cattle on account of rinderpest, and they had to be replaced. We can have no protection whatever against foot and mouth disease. Once this disease appears in a place, it spreads in the whole district, and it is impossible to isolate the cattle which are attacked by this disease in a place like Wellington.

695. *Chairman*.—How is the year 1930 working out ?

Mr. Smith.—We have just had a very bad outbreak ; it is not finished yet.

696. *Mr. Das*.—That means your experiments with cross breeds are not a success ?

Mr. Smith.—Imported cattle are no use for breeding purposes. They are kept entirely for experimental purposes.

697. *Mr. Scott*.—Are these diseases local ?

Mr. Smith.—No. They are prevalent over the whole country. India is continually covered with foot-and-mouth and rinderpest. We are never free from one or other of these diseases for a single day.

698. *Mr. Das*.—In comparing these accounts of the produce of milk and cream at Wellington, Bangalore and Karnal, I find that Wellington and Bangalore produce per day per cow 16 pounds of milk, while in Karnal it is only 5 pounds per day. Why is it so ?

Mr. Smith.—We have cross-breeds at both Wellington and Bangalore. We have Indian cattle only at Karnal but we are not pre-eminently breeding animals for milk at Karnal. The cross-bred animal sired by an English or an imported bull gives double the milk of the best Indian animal, and we have no imported blood of any kind at Karnal.

699. *Mr. Das*.—All these institutions are meant to educate people. What steps are the Government of India taking to get students from the provincial Governments and to disseminate their knowledge in the provinces ?

Mr. Smith.—We have students from every province in India in every class that we have. We take about 25 or 26 in our diploma class which is a two years' course. We are now training our fourth lot and we have had one or more students from every province and every one of the major States. This year we had 96 candidates for 25 vacancies. We

interviewed the most likely of them and selected them on a geographical basis. When these men leave us, they go back to their own provinces.

700. *Mr. Das.*—Do you publish the results of your investigations and researches so that their knowledge may be useful to the agricultural farms in the provinces ?

Mr. Smith.—Yes, we do that.

701. *Mr. Das.*—Are they circulated to the different provinces ?

Mr. Smith.—No, they are published in the Journal.

Sir Frank Noyce.—The Imperial Council of Agricultural Research is now bringing out a special Journal for this work.

702. *Chairman.*—What normally happens to the students when they go back to their provinces ?

Mr. Smith.—They get an extraordinary variety of appointments. We have kept records from the first, and we have records of 72 men that we have turned out and are employed so far. For instance, one is manager of the Tata Steel Company's dairies, one is in the Co-operative Union at Calcutta, one in the Central Factory at Calcutta, there is one in the Government school at Mandalay, there are at least five of them running their own shows, one has a very successful business just outside Delhi (Mr. Gupta), six of them are in pinjrapoles, one or two in the Military dairy farms, some are in Government employ and some employed in the Indian States and some by private farmers. We keep records so far as we can with regard to the movements of all them. Only two of them have left the dairy business ; one is a banker and the other a journalist. (Laughter).

703. *Maulvi Abdul Matin Chaudhury.*—Karnal shows a very good profit. Last year it was 31 thousand and this year it is 51 thousand. But why should there be a loss in Bangalore and what is the difference in position between the two ?

Mr. Smith.—We have got 1,400 acres of irrigated land at Karnal and in Bangalore we have 105 acres all told of which only a small portion is arable. We can grow all the fodder that we need at Karnal and a great deal more in the way of grains which we sell. In Bangalore we cannot grow even one-third of the fodder that we need for the cattle, and we have to buy it. That is the essential difference.

Sir Frank Noyce.—I should also like to mention that Bangalore is hampered by the necessity for experimental work which is done by the Physiological Chemist on nutrition work and that affects their returns considerably. Half the cattle in Bangalore are continually under experiment.

704. *Maulvi Abdul Matin Chaudhury.*—In paragraph 169 at page 96 there are various factors to which the loss incurred during the year is attributed, and in paragraph 173 it is said that if the vacancies that occur during a year in the home herd be considered, the number of young stock carried appears to be out of proportion, etc. What is the explanation ?

Mr. Smith.—I do not think it is out of proportion at all. We have never been able to carry on that farm without having to buy cattle

which is very expensive. Therefore we increase the number of young stock which I think is necessary. And then condemnations and casualties are on the increase.

Chairman.—I think one is liable to get somewhat misleading results if one has to regard Bangalore as a commercial institution. It really is not commercial.

Sir Frank Noyce.—It certainly is not commercial. It exists primarily for two reasons. One is for training students, the results of which Mr. Smith has just told the Committee and the other is for the benefit of the Physiological Chemist.

705. *Maulvi Abdul Matin Chaudhury.*—On page 100 it appears that the price of the farm milk has been reduced and you are selling milk at a loss although milk is the only thing that you can sell without a loss.

Mr. Smith.—That is explained in the foot-note.

Chairman.—I think it is useful to see these results on a commercial basis but you must always remember that these are not primarily meant to be profit-earning concerns but mainly educational and experimental concerns.

Sir Frank Noyce.—We should be up against the trade at once if we treated them as purely commercial concerns.

706. *Maulvi Abdul Matin Chaudhury.*—Please turn to page 118. In the year 1927-28 the sale was for Rs. 36,000 and you made a profit of Rs. 5,000. In the year 1928-29 the sale increased to Rs. 83,000 but the profit was very much reduced. Why was this so? When there is an increased sale, there should naturally be an increased profit.

Mr. Smith.—The results depend upon the price of butter which is dependent again on the price of milk which again is dependent upon the weather. We make contracts for milk month by month and take in tenders. Prices are subject to extreme variations and this has always been so. The whole thing depends upon what we make on the work we are doing. We are carrying out some special experiments in the manufacture of Ghee and of a special kind of casein which will be good enough for commercial work. We have not been able to do that yet. It is altogether the commercial side of the question that guides us and not the quantity we produce.

707. *Mr. Das.*—I feel surprised that you have not been successful in the manufacture of casein, because the Military Department purchases creamery only with the object of manufacturing casein.

Mr. Smith.—We manufacture the ordinary casein which is exported from India. But what is required for this special class of manufacture is casein which is absolutely free from any impurity, and we have not been able to make that yet. We have failed to manufacture casein which is absolutely free of earth. We have eliminated butter fat but there is a certain amount of sand which comes in on account of drying in the open air. We have not solved that problem yet. We manufacture the ordinary commercial casein but for this purpose an entirely different article is required.

708. *Maulvi Abdul Matin Chaudhury.*—Please turn to paragraph 212 at page 120. What is your explanation about that?

Mr. Smith.—The cold storage has not been very profitable. In the first two years we made some money, but in the third year the market went against us and we lost on it. We have given it up entirely and orders have been issued that no more butter will be kept in cold store.

709. *Maulvi Abdul Matin Chaudhury.*—There was an increase of travelling expenses in order to increase the products of the creamery. Do you send your agents outside to get orders ?

Mr. Smith.—Yes, we did on one occasion at least, and probably two or three times when butter was very difficult to sell. But we do not do it as a rule.

710. *Mr. Das.*—About this Agricultural Research Institute at Pusa, does it do any educational work ?

Sir Frank Noyce.—Yes, they have post-graduate students.

Mr. Das.—From every province ?

Sir Frank Noyce.—According to the demand from the provinces. You will remember that the Royal Commission on Agriculture recommended the expansion of Pusa as an educational centre and we are considering the question of increasing the facilities there. But they have had post-graduate students ever since the place started.

711. *Mr. Burdon.*—Before Mr. Smith goes, I think we can say that we are all indebted to him for his very interesting evidence.

Chairman.—I was also going to say the same thing. I am sure we all appreciate having had Mr. Smith here and he has given us very interesting information. I was greatly struck with his knowledge of the details and particularly with the way in which he kept in touch with his old students. I think we are all very grateful to him and next year probably we will be asking him more questions, and perhaps even more intelligent questions.

712. *Maulvi Abdul Matin Chaudhury.*—I have a question to ask on paragraph 244. I want to know how the matter now stands with regard to the re-organisation of the accounts system of the Muktesar Institute.

Chairman.—It is the same point which is referred to in the last sentence of paragraph 245. But we have the further point raised regarding policy as to the prices charged.

Sir Frank Noyce.—I think I can explain the two questions together. As stated here, we have been waiting until certain higher administrative arrangements have been settled. These are now more or less settled. We have an expert adviser on the Council of Agricultural Research and we hope to retain the services of the present Director at Muktesar. We are hoping to introduce commercial accounts at Izatnagar where the bulk of the manufacturing activities of the Institute are carried on with effect from the 1st August, and we shall then be in a position to decide the exact relationship between the present prices and the cost of production, and reduce our prices accordingly. I think there is one aspect of the case that ought to be brought to the notice of the Committee and that is that, if we adopt this policy of selling our products from Muktesar and Izatnagar at cost price to the Local Governments, the net excess of receipts over expenditure amounting to 7 lakhs in 1928-29 will disappear. The policy suggested by the Auditor-General will doubtless receive the strong support of the department as it is in consonance with the recommendations of the

Royal Commission on Agriculture. But what I wish to point out is that the effect on the finances of the Government of India may not be altogether welcome to the Finance Department. We are introducing commercial accounts at Izatnagar and after they have been in working order for a year we shall know where we stand.

713. *Chairman.*—Have you any idea as to what would be the exact state of affairs if the prices were reduced ?

Sir Frank Noyce.—It is impossible to say without working out the interest and depreciation and also the overhead charges.

Mr. Campbell.—Roughly speaking I think it will be about 2½ lakhs less than the figure shown.

Mr. Scott.—That would still leave a profit of 4 lakhs.

714. *Chairman.*—What is the information of the department ? Are the prices now charged really too high to secure the maximum sale ?

Sir Frank Noyce.—I think there is no doubt that if the prices were reduced, the demand will go up. The Madras Government, for instance, have raised an objection to the present prices and have been talking of establishing an institute of their own. They have also asked us why our prices are higher than the prices at Mysore where there are, however, lower overhead charges.

715. *Chairman.*—Do you think it is desirable to sell at reduced prices ?

Sir Frank Noyce.—I think it is most desirable.

Maulvi Muhammad Yakub.—I think that is the real object of this institute.

Sir Frank Noyce.—Yes, but we have been handicapped by the recommendation of the Incheape Committee that it should be a self-supporting institution.

Chairman.—You could reduce your prices considerably and you would still be self-supporting.

Sir Frank Noyce.—It may be possible.

716. *Mr. Das.*—Your gross sales are 14 lakhs. What was the sale in 1929-30 ?

Mr. Campbell.—That figure cannot be given just now. It is found out at the annual audit and my people are there just at present.

Chairman.—We cannot tell at present what exactly it costs to produce the serum. Then it will be necessary to consider the question of policy. We are making considerable grants every year for agricultural research work. This is another form of spending money for improving agriculture and animal husbandry. That is what it comes to. This is part of a general policy. It should certainly be reconsidered.

717. *Maulvi Muhammad Yakub.*—Paragraph 247, page 142. What steps have been taken by Government to stop the irregularity in future ?

Sir Frank Noyce.—The Director tells me that there is no class of establishment at present whose pay should properly be included in the establishment pay bill but is drawn in muster rolls. We are going to take up im-

mediately the question of the limit up to which he can sanction cooly establishment and the conditions regulating their entertainment.

718. *Maulvi Muhammad Yakub.*—Paragraph 248. There is another irregularity here. What is the position about it ?

Sir Frank Noyce.—The only thing to be said is that this will not happen again. Much closer supervision is now exercised over the weighments and the arrangements for taking delivery of grain.

719. *Maulvi Muhammad Yakub.*—Paragraph 249. There are some serious losses due to leakage in transit. Is it possible to have so much leakage ?

Sir Frank Noyce.—Steps are being taken to reduce it. As regards para. 249 (a), the stock-taking which had been made by the Audit Assistant to the Agricultural Adviser was not quite satisfactory. To the best of my recollection, the Auditor General agreed that the stock-taking might have been more satisfactory than it was. This was due to the ignorance of the officer concerned of the value of chemicals and stores of that kind.

720. *Maulvi Muhammad Yakub.*—You don't think that the loss was due to leakage ?

Sir Frank Noyce.—The Director is at present going into the matter to see if it can be written off. There has never been any question of irregularity mentioned in this connection.

Mr. Scott.—The loss might be due to rejections in test, the things not being up to standard.

Sir Frank Noyce.—Quite so.

721. *Mr. Burdon.*—I would like to ask Sir Frank Noyce about the recovery of rent from Dr. Soparkar. Could you not get it out of him ?

Sir Frank Noyce.—Dr. Soparkar, an officer working under the Indian Research Fund Association was sent up to Muktesar to do some work in connection with bovine tuberculosis some time in 1925. He asked Dr. Edwards who was then Director whether he was entitled to free quarters and he was told he was. The Audit Officers subsequently discovered that he was not entitled to free quarters. When bill of nearly Rs. 3,000 was presented to Dr. Soparkar, it alarmed him considerably. He naturally protested and the Indian Research Fund Association under which he was working came up to Government and asked that the charge should be waived. It seemed rather absurd to recover the rent after such a long lapse of time, as the Indian Research Fund Association would have paid the amount in any case and this would have virtually meant paying from one pocket of Government to another. There was really no loss to Government because if he had not occupied the bungalow it would have remained vacant all the time.

722. *Mr. Das.*—I want to ask a question on para. 258, regarding the dairy. Don't you think it requires a little watching on the part of the department and that the dairy should be completely separate from the experimental side ?

Sir Frank Noyce.—That would be a waste of valuable material. If you could not use your experimental cattle for dairy purposes, I think it would mean considerable loss of efficiency in the Institute as a whole.

723. *Mr. Das.*—Don't you think it will be much better if you keep a separate commercial account, which would avoid this manipulation ?

Sir Frank Noyce.—It is run as a separate concern but if the business of the dairy is treated as a commercial transaction, you must have a valuation of the cattle which are transferred from the experimental side to the dairy side, for a short or a long interval as the case may be.

Chairman.—I think if we carry these refinements too far, we might be in danger of reducing the whole thing to absurdity.

GRANT 21.—FOREST.

724. *Chairman.*—There is a comment that the Forest expenditure has been regularly over-estimated. Have you got anything to say about that ?

Mr. Bajpai.—I wish simply to inform the Committee that I discussed this with the Inspector General of Forests when he was here. I brought this paragraph to his notice. He said that this sub-head is very comprehensive. It includes such items as telephone charges, railway freight and so on and therefore it is very difficult to devise a method by which there would be complete identity between the estimates and the actual expenditure. Nevertheless, it seems to me that the amount by which the expenditure has fallen short of the estimates is considerable and has extended over a period of years, and I have got an assurance from the I. G. F. that he would try and improve his budgeting in future.

725. *Chairman.*—I do not know whether this case is worse than many other cases of over budgeting that we have come across. However, you have called his attention to it ?

Mr. Bajpai.—Yes.

GRANT 46—SURVEY OF INDIA.

726. *Chairman.*—The Auditor General has got some comments on the Survey of India grant and also in the important comments on pages 173 and 174 of the Report. Have you got anything to say on that ?

Mr. Reid.—The question of revising the pay of officers promoted to class II is at present in suspense consequent on the fact that the whole question of the way in which Class I of the Survey of India should be composed is at present being re-examined in correspondence with the Secretary of State. It is a big question, which has been under examination for some years. We sent a despatch to the Secretary of State, who has raised some further questions. The whole question is now being re-examined. Until the general question is settled, we shall not be able to take up the revision of the rate of pay of Class II officers on promotion.

Mr. Bajpai.—I might add, as regards the point raised by the Auditor General, that we have referred it to the Secretary of State. We have written to him to ask whether he thinks that the question of regularising the present procedure by which Class II promoted officers draw pay according to the rupee scale of 1920 (which was supposed to be out of date)—whether that question should be postponed until the reorganisation of the Survey of India in accordance with our proposal has been approved, or whether he has any fresh orders to give on the subject.

727. *Chairman.*—There is no reason why it should be postponed ?

Mr. Bajpai.—The point is that the promoted officer from Class II to Class I was given to understand sometime ago that he will start at the rate of Rs. 980 a month in the Survey of India. Subsequently, as a result of the Lee Commission recommendations, the pay was split up into rupee pay and sterling pay. Now, that revised rate of pay does not clearly apply to a promoted officer. It applies to an army officer or an officer drawn from the Royal Engineers. Therefore, from the point of view of the promoted officer, there is no reason why there should be any change at all, merely because there has been a readjustment of the scales of pay to benefit those people who are of non-Asiatic domicile, and our point is that if there is to be any revision of the rates of pay, it should be as part of a comprehensive scheme of Indianisation, which is really what is under consideration at the present moment.

728. *Chairman.*—Para. 45 of the letter, para. 139 of the Appendix, page 81. "The Committee may wish to know the present position and the future course of action which it is proposed to follow". How does this matter stand?

Mr. Reid.—This is a matter on which we should like to have the advice of the Director of Commercial Audit. This question of introducing costing accounts has been going on for a long time. The Surveyor General and the Superintendent are not very keen on scrapping their own system and introducing the new system, which seems to them to be unnecessarily complicated. However we wrote to the Director of Commercial Audit last February. We have not heard from him yet.

Mr. Campbell.—I have no recollection of receiving that; I will take it up with Mr. Reid immediately.

729. *Chairman.*—My own feeling is that if the new system is going to create extra work and cause considerable dislocation of a practice to which the staff is now accustomed, it is better to carry on with the existing practice, if it gives approximately accurate results.

Mr. Campbell.—They may be making good profit in some directions and considerable loss in other directions. The new system will bring out the net results in a suitable form. There are different types of work.

Chairman.—I think it is after all a question of balancing the advantages and disadvantages. This is not a case like the sale of serum. I do not feel that the Committee should press this point unless there is evidence that some serious disadvantage is entailed by the continuance of the present system. This is not meant to be a profit-earning concern. We must leave this to be settled between the department and the Director of Commercial Audit. I should not like to press for the introduction of the new system merely for the sake of getting theoretical perfection in a case of this kind.

730. *Maulvi Abdul Matin Chaudhury.*—Page 83 of the Appendix, para. 145. It has been suggested that the difference between the book values and the market values should be adjusted as soon as possible in the balance sheet. Has this suggestion been accepted?

Mr. Reid.—It has been passed on to the Surveyor General for necessary action.

Chairman.—That certainly should be acted on as otherwise the valuation assigned to stocks in the balance sheet would not represent the correct position.

GRANT 49—BOTANICAL SURVEY.

731. *Chairman.*—Para. 6 of Auditor General's letter, which refers to para. 19 of Report. Any remarks ?

Mr. Bajpai.—Well, I can only repeat what has been said in previous years by the departmental representative that the great disparity between estimates and expenditure is really the result of very elastic provisions of the contract with Howards for the purchase of quinine bark. We were required under contract to buy anything up to 80,000 lbs. of bark every year and the actual amount purchased fluctuated from year to year. If you look at the Demand proper, you will find that the main saving is under that head.

732. *Maulvi Abdul Matin Chaudhury.*—Has the contract been terminated ?

Mr. Bajpai.—Yes. I am trying to point out that the estimates were thrown out every year because of the actual uncertainty of the amount of bark that we had to purchase.

733. *Mr. Das.*—You are trying to reduce your stock, or are you purchasing every year ?

Mr. Bajpai.—We have terminated our contract with Howard ; and we are not buying in the open market.

734. *Mr. Das.*—Your present object is to reduce the stock you hold as much as you can.

Mr. Bajpai.—Not so much an object as an unattainable ideal, judging from the demand of Local Governments. If you look at the commercial accounts attached to this report, you will find that we are really making no impression upon the accumulations. So far as Local Governments' and local bodies' own requirements of quinine are concerned, they buy through us.

735. *Maulvi Abdul Matin Chaudhury.*—You remember last year the Chairman made a suggestion that you should try to extend the consumption of quinine.

Mr. Bajpai.—The Department has supplied the answer to that at item 24 in Appx. II to the Report. We have explained there why we have postponed the decision on this question until the constitutional future is clearer. At the present moment, under the Devolution Rules, the Government of India cannot give away this quinine because that would be aiding a provincial subject of administration from central funds. Local Governments on the other hand, particularly Governments like those of Assam and Bengal, definitely state that they have not the resources to spend more upon the distribution of quinine or upon stimulating the popular demand for quinine. We are on the horns of a dilemma. We cannot give away quinine and the local Govts. will not buy more.

Maulvi Abdul Matin Chaudhury.—It is not a question of giving away but of popularizing the use of quinine.

Mr. Bajpai.—But we cannot do that without spending money. Either the Government of India or the Local Governments must incur expenditure, and the latter are reluctant to do so.

Mr. Burdon.—You will remember, Sir, this was discussed at a meeting of the Financial Members' Conference.

Chairman.—I remember it well. I represented to that conference again our view but the provinces seem to be adopting rather a negative attitude about the whole thing.

Mr. Bajpai.—That is the position. They say : " If you think that this is a matter of all-India interest and importance, you are losing so much by way of interest upon your accumulations, give away the quinine that you have ", and our answer to that is that under the Devolution Rules we cannot do it. When we ask them whether they are prepared to put their hands into their own pockets to stimulate the demand, they say, first, that they have not the funds, and secondly, that such funds as they have they think ought to be spent upon other objects.

736. **Maulvi Abdul Matin Chaudhury.**—Why cannot you in some special way popularize the use of quinine by disposing of your stocks ?

Mr. Bajpai.—Supposing we sell at a reduced price in the open market, then the private chemists will at once turn round and say : " You are competing with private enterprise ".

737. **Maulvi Abdul Matin Chaudhury.**—The Government might also not have any objection to taking special steps to explain to the public the utility of quinine through the Public Health Department.

Mr. Bajpai.—I have no objection so far as that is concerned to passing the suggestion on to Local Governments.

738. **Maulvi Abdul Matin Chaudhury.**—But what is your opinion ?

Mr. Bajpai.—I doubt its utility very much, because, after all, the man in the village is not likely to appreciate the prophylactic and curative value of quinine by the distribution of pamphlets which, in the majority of cases, he will not be able to read.

739. **Mr. Scott.**—What is the present cost of Government quinine ?

Mr. Bajpai.—About Re. 1|6 less than the price we charge.

740. **Maulvi Abdul Matin Chaudhury.**—Have you any suggestions to offer showing how you can reduce the stock ?

Mr. Bajpai.—Our intention is to convene a Conference of the representatives of Local Govts. as soon as we know what our own constitutional position *vis-a-vis* the Local Govts. in the field of public health administration is going to be under the new constitution.

741. **Chairman.**—I must say I personally am very disappointed at this result and at the attitude of the provinces about taking up anti-malarial work. I recollect that when we discussed this last year, Col. Gidney made a very important point about the tremendous amount of so-called quinine which is really being sold as he said in an adulterated form, the result being that people do not get much advantage out of it and he was very strongly of opinion that Provincial Govts. ought to do something to see that pure quinine gets into the hands of the public.

Mr. Scott.—Col. Gidney mentioned the figure of Rs. 5 a pound as against Rs. 18 to 22.

Mr. Bajpai.—With reference to the point mentioned by you, Sir, I may say that I was not here last year. But I know something about Col. Gidney's ideas regarding adulterated quinine. He asked a number of questions in the Assembly and actually moved the adjournment of the House on one occasion. We took the precaution then of writing to Local Governments *apropos* the proposal to set up a Drugs Committee, which might *inter alia* investigate the question whether adulterated quinine was being sold on any considerable scale. The replies received from Local Governments did not support the suggestion that any considerable amount of adulterated quinine was actually being sold in the country, although they felt the need of setting up a Drugs Committee in order to go into the general question of the standardization of drugs manufactured in this country or imported from abroad. I believe provision has been made in this year's Budget for the purpose of setting up a Drugs Committee. But, as regards the main contention of Col. Gidney, *viz.*, that we cannot get on with the sale of pure quinine because there is a great deal of cheaper, adulterated quinine in the market, such facts as we have do not seem to support his contention.

742. *Chairman.*—Are you prepared to tell Local Governments that if they would inaugurate programmes of intensive anti-malarial work, we would be prepared to let them have supplies of quinine at a specially low price. I presume that that would not conflict with the Devolution Rules, and we should have the advantage of disposing of our large stocks at nothing more than book loss.

Mr. Bajpai.—That depends entirely upon the sensitiveness of the conscience of the Auditor General. If he thinks that the writing down of the price of quinine is a form of indirect aid to Local Governments, he might hold that we are in conflict with the Devolution Rules. On the other hand, if he chooses to shut his eyes, we have no objection.

Chairman.—But as a purely commercial proposition, in order to dispose of large stocks, it might be necessary to offer them attractive terms.

Mr. Bajpai.—You can look at it from the purely financial point of view and say that we are losing so much by way of interest ; or you might look at it from the chemical point of view. Our experts say there is no depreciation in the quality of quinine by keeping.

Mr. Burdon.—There is I think one fatal objection. I considered that point very definitely when I was Financial Secretary. I think I am right in saying that we are bound to sell quinine to Local Governments at not lower than certain price. You have got a certain prescribed price. Consequently the difference between the price at which we pass on the quinine to Local Governments and the price at which the latter pass it on to other people would represent actually a subvention to provincial revenues. The prices are regulated by an agreement. That would introduce a new feature into the situation. The other objection, which I had to the proposal as Financial Secretary, was that it would not solve the public health problem of Local Governments if they took over a certain amount and started an intensive anti-malarial campaign which was then

to stop. Unless the continuance of it was made permanent it might cause a drain upon their own resources.

Chairman.—That does not necessarily follow. If you get people into the quinine-consuming habit, they will very likely go on with it ; and in the period when the Provincial Governments have a stock of cheap quinine at their disposal, they will be able to spend a certain amount of money on propaganda. That will help the sale of quinine and then they may find that the sale is so well established that such special propaganda and advertisement expenditure can be discontinued. Very often you can start the ball rolling by intensive efforts and then continue the sale on quite a profitable basis.

Mr. Burdon.—One difficulty was the agreed price, and the other was the probability that the effort would not continue but would merely be a more or less artificial way of getting rid of stocks temporarily. Actually, so far as the giving of a subvention to Provincial concerns is concerned, I may or may not require the sanction of the Secretary of State. There is no difficulty about that.

Chairman.—We could decide purely as a financial business to try to dispose of, say 20 per cent. of our stocks, at a cheaper price. Of course my primary interest in this question is from the public health point of view, but even if you look at it from the purely financial point of view I think we should be quite justified in disposing of 20 per cent. of our stock at a cheaper price in order to create a demand for the balance, when we shall be able to recover the commercial price. I think we might ask Government to consider the matter again further and possibly to again circularise Provincial Governments about it. I hardly think we can expect the Round Table Conference to consider a matter of this kind.

Mr. Bajpai.—I do not think it was ever suggested that the Round Table Conference should consider a comparatively trivial matter like this. We are all for helping provinces to the best of our ability.

743. *Maulvi Abdul Matin Chaudhury.*—In connection with the disappearance of bark, have you done anything about the verification of stock ?

Mr. Bajpai.—The question has been referred to the Director of Commercial Audit, and he has informed us that when somebody is sent down to Mungpoo to look into the question of the commercialisation of accounts, he will also try to find out whether there is any practical method of verifying the stock of bark. We asked the Director of the Botanical Survey whether he had anything to suggest, and he thought that the only practical method was the method of weighment and that that would involve really a considerable amount of loss of time.

Mr. Campbell.—This question originated three years ago when I stated that, as a result of my visit to Mungpoo, I was not satisfied with the stores accounts maintained up there. In the following year an officer of mine drew up a system of commercial accounts for the factory at Mungpoo and one or two distributing centres in Calcutta. That system was duly approved by the Auditor General and sent to the Government of Bengal. They have had the complete system for two years. I heard unofficially that they have agreed to the introduction of commercial accounts at Mungpoo. I received instructions from the Government of

India three months ago to the effect that when my staff would next visit Mungpoo either for the purpose of introducing our system or for auditing accounts, that same staff should look into the question of the Government of India's stocks at Mungpoo. I have written to the Government of Bengal asking them when they want their commercial system introduced. I suggested the 1st September this year, and I also asked them if they wanted any assistance from our branch in introducing the system. I have not yet received the reply. That was two months ago.

744. *Chairman.*—You might remind them about this. There are two questions, that of introducing a proper commercial system of accounts and that of the actual verification of the stocks. Their settlement should be expedited in consultation with the Government of Bengal. I do not know whether the staff you send down to go into the accounting question will also help as regards the verification of the stocks.

Mr. Campbell.—It is more from the side of accounting ; we cannot verify the stocks. I do not see how we are going to verify without going through a very expensive process. In the past they used to mix up the Government of India bark with the Bengal Government bark, and at other stages in the process of production the charges might have been segregated.

745. *Mr. Scott.*—Of course stocks are the most important part of a profit and loss account. I would very much like to suggest that an expert on stocks should go round and inspect all these stocks maintained by the Governments concerned.

Mr. Campbell.—I wrote to all my officers and got their views as to the desirability of the provinces adopting the system of the Burma Government and the replies I got were very varied ; one thought it was a very good idea, and another thought it was no good whatever. As for my own opinion, I am afraid I take rather a negative view. In Burma it has worked very well. There the majority of our commercial concerns are run by the Public Works Department. They have got two qualified stock-takers there. The arrangements are proving very satisfactory but at miscellaneous depots of stores they might not work.

Chairman.—Yes. I doubt if you could get a single individual with the necessary wide technical experience. Mr. Campbell's view about that is rather negative. We might ask that Mr. Campbell when he has got in all his reports from his officers, might prepare a note for us next year on that question. In certain cases it will work very well but where we have got a mass of miscellaneous undertakings, you would not be able to find expert officers.

Mr. Campbell.—I am arranging with the Director of Industries or the Development Department that stocks should be verified by an independent officer at every concern. The Industries Department may look after its own concerns and we can get the official in charge of one concern to verify the stocks of another concern where the stocks are pretty much the same. The same is the case with the Forest Department. We get one Divisional Forest Officer to check the stock of another Division. That is working quite satisfactorily.

Chairman.—It would be interesting to us to have a general note on the stock-taking system and the methods of inspection.

GRANT 51—ARCHAEOLOGY.

746. *Maulvi Abdul Matin Chaudhury.*—Please see page 190, Sub-head E. Why is there such a big saving under the head 'Library and Publications' ?

Mr. Bajpai.—As a matter of fact, I have already drawn the attention of the D. G. A. to the fact that not only have there been savings this year but that savings have been occurring for the last 4 years, and he has promised to do his best to prevent this in future. Of course, the individual items explaining the savings are set out here in the note. I do not know if I can add anything to it, unless the Committee wants special information on any point.

Maulvi Abdul Matin Chaudhury.—So there is still some room for improvement.

Mr. Bajpai.—As I said, the D. G. A. has promised to improve his budgeting if he can.

Chairman.—The fact of the matter is that the Director General is probably better at his scientific job than at accounts. Anyhow, you have taken up this matter with him.

Mr. Bajpai.—I have taken up the matter with him already. He has told me that instead of troubling him on the subject, we ought to go to the Press. Under the new system of adjusting accounts with the Central Press, the Archaeological Survey merely pays for all the work that is done for it ; and how much it has to pay out to the Press depends entirely upon the quantity of work which the Press are able to do. The D. G. A. has complained that the illustrations that are done at the Press are not up to the mark and that therefore sometimes reports or monographs are not completed within the financial year during which provision to finance them is made. I propose to take that question up with the Department of Industries and see if anything can be done that side.

747. *Mr. Scott.*—In the case of a certain number of monuments you do not find any description of the building unless you buy a book costing about Rs. 15. That is very inconvenient to the public.

Chairman.—You might make a note, Mr. Bajpai, that in the case of some of the public monuments no historical description is available on the premises while in the case of others it is given on the notice board.

Mr. Bajpai.—Certainly, but I may say that we do not protect all the monuments. In the case of the protected monuments, we will draw the attention of the D. G. A. to Mr. Scott's suggestion.

GRANT 53—OTHER SCIENTIFIC DEPARTMENTS.

748. *Chairman.*—There is a note in the Auditor General's letter. Paragraph 41. "The Committee may wish to consider whether an account of receipts and expenditure of the Central Museum should be

appended to the Appropriation Account of this grant". Have you anything to say about that ?

Mr. Bajpai.—I was just going to mention that my recollection is that in 1924-25 the Public Accounts Committee recommended that the accounts of concerns which depended mainly upon Government grants and which were properly audited and of which copies were submitted to the Government of India need not be exhibited in the report. We have no objection whatsoever to adopting Auditor General's recommendation subject, of course, to anything which the Trustees may have to say. The A. G. C. R. has however pointed out in the report that the grant-in-aid is subject to Government audit and the receipts are also audited by the Accountant General, Bengal.

749. *Maulvi Abdul Matin Chaudhury.*—Does the Indian Museum depend entirely upon the grant of the Government of India ?

Mr. Bajpai.—Almost. I think they have an income of Rs. 80 a year from the rent of a shop, otherwise they depend entirely upon the Government of India.

Mr. Das.—We ought to know something more in detail about the Indian Museum. Cases in the Assembly have been mentioned showing that the Trustees have not treated the staff properly although they are paid by the Government of India.

750. *Maulvi Abdul Matin Chaudhury.*—On page 202 it is said that the "status of the servants" is still under the consideration of the Department of Education, Health and Lands". Have you not come to any decision yet ? Are they Government servants or servants of the Trustees ?

Mr. Bajpai.—They are not Government servants. May I go into a point of detail which perhaps does not concern the Committee as a whole ? The whole trouble has arisen because of a gentleman who used to be the Superintendent of the Museum. He was, without the approval of the Government of India, and without the Government of India agreeing to shoulder the additional cost, given an increase of pay by the Trustees. For two years, I think, the Trustees met this increased salary from their own resources and, when their resources were exhausted, they came up to the Government of India and said : " We want to continue this gentleman on the higher salary ". The Government of India said that their arrangement with the trustees was that no increase in the salary of the staff was to be sanctioned without the prior approval of the Government of India, and that as this was not obtained in this case, the Government of India did not propose to bear the additional cost. Then this man was asked by the Trustees either to revert to the original lower pay or to retire. He refused to go back to his original lower pay and he sued the Trustees in the High Court and eventually got a considerable sum as damages against the Museum. Towards this sum, as you will remember, Sir, we contributed Rs. 2,500 the other day. Hence, the impression has gained ground that the Trustees do not treat their staff properly ; but the fact of the matter is that this is one isolated instance of a misunderstanding between the Trustees and their employees, otherwise the system works quite well. We give them a grant based upon the

actual expenditure of the staff, they pay the staff, and that is the end of it.

751. *Maulvi Abdul Matin Chaudhury.*—We are not concerned with this particular instance. The report says : “ The general question of the financial responsibilities of Government towards the Indian Museum (including status of the servants) is still under the consideration of the Department of Education, Health and Lands ”.

Mr. Bajpai.—I do not understand that sentence myself. The general question of the responsibility of the Government is pretty well defined in the Act (Act X of 1910). An inquiry regarding the status of the staff was made, but the Trustees are not agreeable to any change being made.

752. *Mr. Scott.*—Does Government appoint the Trustees of the Indian Museum ?

Mr. Bajpai.—The management of this Museum is rather a curious amalgam. There are a number of sections in it, the majority of which are maintained by Government. For instance, the Archæological section is maintained by Government, the Anthropological section is maintained by Government, and so are a number of other sections. As for the co-ordination of management of all these sections as a whole, the maintenance of watchmen and so on, a body is necessary, the Board of Trustees was probably created. The Trustees maintain a small staff and the Government of India contribute towards that staff.

753. *Mr. Scott.*—The Trustees maintain the staff and the Government pay a given lump sum. Therefore, the servants are under the Trustees.

Mr. Bajpai.—Yes ; but only that portion of the staff, which is responsible for the general management and care-taking of the Museum, is under the Trustees.

Mr. Scott.—And the other staff are under Government ?

Mr. Bajpai.—Yes, they are paid by the Government direct and not through the Trustees, e.g., the Botanical Survey, the Superintendent of the Archæological Section and so on.

Mr. Scott.—That must lead to some sort of confusion.

754. *Chairman.*—This sentence in the report was written probably at the time when the particular case about which you told us was under discussion and you then, as you said, did try to correspond with the Trustees with a view to arriving at some clear understanding to prevent a case of that kind occurring again.

Mr. Bajpai.—That was one point, and the other point of the reference to the Trustees was whether they were prepared to let the staff, for which we make a grant now, be entertained by Government direct. They replied that they saw no reason why this should be done.

755. *Chairman.*—What is the state of affairs now ? Would it be possible for a similar case to occur again ?

Mr. Bajpai.—I should say that as they have had to pay something like Rs? 9,000 out of their slender means, the Museum Trustees will think

twice before they incur a liability of this kind without prior reference to the Government of India.

Mr. Burdon.—The Accountant General of Bengal is one of the Trustees and I wrote to him in connection with that case and he told me that he is always consulted whenever anything of financial importance is under consideration. I have told him to be particularly watchful because of this case in the past.

756. *Mr. Das.*—Are the Trustees All-India men or they are simply Bengal men ?

Mr. Bajpai.—The Director of the Geological Survey and the D. G. A. are All-India men.

757. *Chairman.*—Do you consider the position to be now satisfactory ?

Mr. Bajpai.—Personally, if you ask my own opinion—it is not the view of the Department—, I would much rather prefer that the whole administration of the Museum were under Government agency. But that would involve the disappearance of the Trustees and it is very doubtful as to whether public opinion would be altogether favourable to that.

758. *Maulvi Muhammad Yakub.*—Has not the time now arrived when the question of overhauling the whole machinery be considered ? Also should we not now take up the question of the amendment of the Act of 1910 and the removal of the Museum from Calcutta to Delhi ?

Mr. Bajpai.—You cannot do that, I am afraid.

Maulvi Muhammad Yakub.—When the new constitution of India comes into operation, the constitution of the Museum will also be altered in some way ?

759. *Chairman.*—We do not wish to suggest any drastic change in the organisation but there is an opinion that a definite convention ought to be established whereby the terms of service and other conditions of employment should be subject to approval by the Government.

Mr. Bajpai.—Yes. Section 13 of the Act is clear on the point.

Chairman.—We have a case before us where they have increased the pay of a particular man to a scale which the Government of India did not think was suitable for them.

Mr. Bajpai.—We simply asked the Trustees whether they would be prepared to consider an amendment of section 13 which would bring these employees directly under Government. Their reply was that while they were subject to the disciplinary control of the Trustees, they were already exactly on the same footing as the Government servants and that, therefore, there was no justification for making a change.

760. *Mr. Peck.*—The point that I wish to raise is that last year certain charges were shown in the accounts under A (1) "Pay of Establishment". If you will look at the accounts this year you will see that there is no such head, and the charges which were last year shown under A (1) are shown under A (2). I think there must be significance about that.

Mr. Bajpai.—The fact of the matter really was that we decided to show the whole thing as a lump grant.

761. *Maulvi Muhammad Yakub.*—Have you got any representative of the Government of India on the Board of Trustees ?

Mr. Bajpai.—Yes. We have the Director of the Geological Survey, the Superintendent of the Zoological and Anthropological sections and the Director General of Archæology. Then one person is to be nominated by the Governor General in Council. This, I think is our Keeper of Records.

762. *Mr. Das.*—And how many representatives are there of the Bengal Government ?

Mr. Bajpai.—Three persons are to be nominated by the Governor of Bengal.

763. *Maulvi Muhammad Yakub.*—Is there no representative of the Legislative Assembly ?

Mr. Bajpai.—The Legislative Assembly was then the Imperial Legislative Council.

Maulvi Muhammad Yakub.—This Act is now out of date and it ought to be amended. (Laughter.)

Chairman.—We may now go back to the question as to whether the accounts and receipts of the Central Museum should be appended to the Appropriation Account of this Grant. In view of the interest taken in this particular Grant and notwithstanding the earlier decision, I think it is desirable that an account of receipts and expenditure of the Central Museum should be appended to the Appropriation Account that would bring the details of the Museum definitely before the Members of this Committee every year.

764. *Mr. Das.*—May I suggest a recommendation, namely, that as the Act was passed in 1910, it is necessary that there should a reorganisation of the Trustees ?

Chairman.—I have no objection to putting in that recommendation. We might say that after the forthcoming constitutional revision it is one of the points which ought to be considered.

765. *Maulvi Abdul Matin Chaudhury.*—What is the ground on which we are suggesting this revision ? Is it only because it was passed in 1910 ?

Chairman.—There have been so many changes since then. For instance, the creation of a Central Legislative Assembly in its present form has altered the position. Anyhow, I do not think we are committing ourselves to anything very dangerous.

GRANT 65—MISCELLANEOUS DEPARTMENTS.

766. *Mr. Das.*—With regard to the Imperial Library, you are keeping it an all-India question. There is no question of handing it over to the Bengal Government.

Mr. Bajpai.—There is no question of that.

767. *Maulvi Abdul Matin Chaudhury*.—Page 252, A.-3. “ A sum of Rs. 1,200 was reported by the Librarian for surrender on the 12th March 1929, but it was not accepted by the Government of India ”. What does that mean ?

Mr. Bajpai.—It was too late.

768. *Maulvi Muhammad Yakub*.—I want to ask a question on page 252, A.-3. “ The Persian manuscript, ‘ *Tarikh-i-Herat* ’ for which a sum of Rs. 3,700 was provided in the estimates was not published ”.

Mr. Bajpai.—It was probably not completed that year.

Maulvi Muhammad Yakub.—It was published after that ?

Mr. Bajpai.—I could not say whether it has been published.

Chairman.—You might ascertain and let the *Maulvi Sahib* know later.

Evidence taken at the tenth meeting of the Public Accounts Committee held on Saturday, the 5th July 1930, at 10-30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman*.

Mr. B. DAS.

Haji Chowdhury MUHAMMAD ISMAIL KHAN.

Rao Bahadur M. C. RAJAH.

Maulvi MUHAMMAD YAKUB.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

Mr. G. KAULA, Controller of Civil Accounts.

} *Members.*

Present during the examination of the Appropriation Accounts relating to the Home Department only :

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. C. V. S. RAO, Officer on Special Duty.

Mr. C. W. GWYNNE, Joint Secretary, Home Department.

Mr. W. H. LEWIS, Secretary, Reforms Office.

} *Witnesses.*

Present during the consideration of the Proceedings of the Military Accounts Committee.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. A. C. GUPTA, Director of Army Audit.

Mr. A. MACLEOD, Financial Adviser, Military Finance.

Lieut.-Colonel S. G. V. ELLIS, Military Accountant General.

Mr. H. L. LIVINGSTONE, Deputy Financial Adviser, Military Finance.

} *Witnesses.*

Present during the examination of the Appropriation Accounts relating to the Finance Department only :

Mr. L. J. PECK, Accountant General, Central Revenues.

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. C. V. S. RAO, Officer on Special Duty.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary, *Witness.*

769. *Chairman.*—Appendix II, item 8. I think we had to accept the reasons given. Have any members of the Committee any questions to ask on the reasons given in Appendix VII ?

Mr. Das.—It says here, “ In these circumstances the Government of India agree with the Chief Commissioner that it would not be possible to exhibit separately the cost of the Moplah villages.” It means the Government of India in the Home Department ?

Chairman.—It went to the Finance Department and we had to accept the reasons.

Mr. Das.—Then we accept.

770. *Chairman.*—There is one item in Appendix IX which affects the Home Department,—item 3, Purchase of a loud speaker apparatus.

Maulvi Muhammad Yakub.—It was in connection with the opening of the new Assembly building in New Delhi.

Mr. Burdon.—It will rapidly cease to be a new service, the installation of these loud speakers.

Chairman.—The Legislature have approved the expenditure of a certain sum on the opening ceremony and I do not think that it is unreasonable to say that that might have been taken to include the purchase of an apparatus for making a speech properly heard by the gathering. The proper test, I think, as regards a new service is this. Are we withholding information that ought to have been before the Assembly when applying for the grant ? Has the Assembly been deceived ? I do not think that in this case it could possibly be said that there has been any substantial concealment or misrepresentation of the purpose of the expenditure to the Assembly.

771. *Mr. Burdon.*—Item 55. The scheme is now before the Finance Department and it is simply a question of finding funds.

Mr. Gwynne.—We are very anxious to have it established. We recommended it last year and we pressed it before this Committee last year. We consider that it is the only way to protect the Andamans budget against these annual excesses which are so much criticised and which we cannot really defend. They do exist.

Mr. C. V. S. Rao.—The whole question is connected with the bigger question of opening separate pay and accounts offices for small Administrations like Baluchistan. As a matter of fact, as you remember, Sir, we opened a separate office for the North-West Frontier Province.

Chairman.—Speaking as Chairman of the Public Accounts Committee I should like the Committee to recommend that this be established as soon as possible. As Finance Member, I should like to add “ subject to financial considerations ”.

772. *Maulvi Muhammad Yakub.*—What was the result of the experiment in the North-West Frontier Province ?

Mr. C. V. S. Rao.—It was successful.

Chairman.—I think this Committee ought to make the recommendation, leaving it to the Finance Department to take the responsibility for turning it down, if necessary. This also disposes of item 26 in Appendix III.

773. *Chairman.*—Now we come to item 25, Appendix III. Is there anything important with regard to the S.S. “ Maharaja ” ?

Mr. Campbell.—Yes, Sir. It is rather important. Not only the S.S. “ Maharaja ” but several other ships make frequent voyages to the Andamans, and apparently I know that the accounts could be presented in a far more clear manner than in the past. The Government have agreed to include the S.S. “ Maharaja ” in the list of concerns that we should take up. We made four reports and I think the S.S. “ Maharaja ” came up in the shipping department report. There were various motor launches which also came under the shipping department report. We are actually taking up the audit of all these concerns in September next.

774. *Chairman.*—Have the recommendations of that report been accepted ?

Mr. Gwynne.—Yes, generally.

GRANT 28—EXECUTIVE COUNCIL.

775. *Mr. Das.*—Page 118, Sub-head A. It is mentioned that a sum of Rs. 285 due to the pay of the late Law Member was not drawn. Was it sent to his heirs afterwards ?

Mr. C. V. S. Rao.—I will enquire into it and if it has not been sent, I will intimate to his heirs.

GRANT 31—HOME DEPARTMENT.

776. *Mr. Das.*—As regards secret service contingencies, does the Accountant General obtain a certificate from the Home Department, just as the Home Auditor gets from the Secretary of State ?

Mr. Burdon.—Exactly the same procedure is applied by the Government of India as by the Secretary of State. That is to say, the adminis-

trative audit is conducted by the principal Secretary in charge of the department and he gives a certificate to the Auditor. I do not think detailed rules have actually been formulated yet, but the point of principle has been settled in consultation with the Secretary of State. The system of audit was agreed between the Finance Department and the late Auditor General when I was Financial Secretary. It has now been approved by two Auditors General.

GRANT 32—PUBLIC SERVICE COMMISSION.

777. *Chairman.*—The Auditor General says that “ the increase in expenditure (Rs. 4,597) under sub-head C (page 126 of the Report) is responsible for the excess of Rs. 3,898 over the total grant ”.

Mr. C. V. S. Rao.—The Accounts Officer gave timely warning to the Public Service Commission stating that there would be an excess to the extent of about Rs. 11,000 under this head and suggested the provision of additional funds.

Mr. Gwynne.—The Public Service Commission anticipated a saving.

Mr. C. V. S. Rao.—It is only in February and March that there is a rush of expenditure, so that as soon as it came to the notice of the Pay and Accounts Officer about the 20th February, he immediately brought it to the notice of the Public Service Commission.

Mr. Gwynne.—It came to the notice of the Home Department only towards the end of March, and it was then rather late.

778. *Mr. Burdon.*—There is no good of having a Pay and Accounts Officer if his advice is not followed in these matters. Before making a surrender, you must get the concurrence of the Pay and Accounts Officer.

Chairman.—The Committee should record in the first place that surrenders should not be made without getting the definite advice of the Accounts Officer and secondly that towards the end of the financial year we should specially ask them not to sit on things of this kind.

779. *Mr. Das.*—Under C, I find that the touring expenses of the Members of Public Service Commission are non-voted, while the touring expenses of Executive Councillors are voted ?

Mr. C. V. S. Rao.—You have got both voted and non-voted, and the non-voted provision refers to officers whose pay is non-voted.

Mr. Burdon.—That is the travelling allowance of people whose pay is non-voted. Executive Councillors do not draw any travelling allowance.

Chairman.—Yes. That is a curious situation.

Mr. Burdon.—A fact.

780. *Mr. Das.*—Does the salary of Indian Members who are recruited from the services become non-voted when they become Members of Public Service Commission ?

Mr. Gwynne.—Yes. The whole pay of officers is non-voted. The pay of the establishment is voted.

Mr. Burdon.—Under what order ?

Sir Arthur McWatters.—Because the former are appointed by the Secretary of State.

781. *Mr. Das.*—Under E, it is said that the cost of electric energy consumed at Metcalfe House could not be estimated beforehand.

Chairman.—Is it impossible to make an accurate estimate? Was there any new basis of charging?

Mr. Gwynne.—I do not think so. It was on the same basis as before.

Chairman.—I think their attention might be drawn to that. It should have been possible to estimate the expenditure more accurately before the close of the year.

GRANT 44—POLICE.

782. *Mr. Das.*—On page 154 under D, the comment of the Accountant General is, "A sum of Rs. 4,600 was earmarked for meeting the arrear leave salaries and the amount would have been reappropriated if orders of the Government of India, Finance Department, to debit this subhead had been received before the close of the year". I think the particular department had the power to reappropriate from different subheads.

Mr. C. V. S. Rao.—This is a question of reallocation of salaries of a number of officers who were serving in the United Provinces and reallocation resulted in an adjustment of 5 to 6 lakhs. The principle of reallocation had to be accepted by the Finance Department and the Auditor General. The question was under consideration for some time but it could not be decided within the year.

GRANT 78—ANDAMANS AND NICOBAR ISLANDS.

783. *Chairman.*—As regards the question of overbudgeting under this head, I suppose, the answer is that you hope soon to get a separate audit office which will improve the estimation in these cases?

Mr. Gwynne.—There is no doubt that the estimates have been rather high. When the estimates came before us in December, we could cut them down by about 3 lakhs without any difficulty. I think if you have a Pay and Accounts Officer, we can have much more accurate budgets than that.

Mr. Burdon.—I am quite sure that that is the only way in which we can get improvement. There is the Chief Commissioner for the Andamans with only the help of a Treasury Officer on the spot.

Mr. C. V. S. Rao.—There is only a Head Accountant in the Treasury and nobody else knew the explanation of the Fundamental Rules or the procedure or classification or adjustment. The Andamans accounts are particularly complicated. There are numerous inter-departmental adjustments.

Mr. Peck.—The number of telegrams that we get from there is out of all proportion to the number of telegrams which we get from other Administrations, many of them asking questions which are hard to understand in a telegraphic form and very hard to answer, whereas people nearer would write and get an answer in a reasonable time by letter. There is very much handicap in that way.

784. *Chairman.*—I should certainly think that the Andamans which is spending a good deal on the development of these various undertakings ought to pay special attention to accounts.

Mr. Burdon.—Mr. Campbell will look into these things.

Mr. Campbell.—The Commercial audit branch is going to take up so many commercial accounts that it might be possible to put as Accounts Officer a man who has been trained in commercial audit work and he may supervise the whole field. This would save me my sending the staff from Rangoon twice a year. As it is they go for two months in September and October.

Chairman.—We really ought to have a man with general intelligence, who will be not merely an Accounts officer but who will keep an eye as to how the administration is going from the point of view of accounts.

Mr. Campbell.—We will have a Government accounts man trained on both sides.

785. *Mr. Das.*—I suppose next year your officer will sign the commercial accounts ?

Mr. Campbell.—There are only the Forest accounts there. My officer went over there officially for investigation and not for audit work at all, and he did the test audit of the Forests.

Mr. Das.—Since you say that next year the accounts will be certified by your department, I don't think we need go into the details now.

MILITARY ACCOUNTS.

786. *Chairman.*—Para. 23 of the Military Accounts Committee's Proceedings. I would like to ask you to give some information to the Committee about the possibility of supplying in a supplementary statement, the sort of information mentioned in para. 4 of the Auditor General's letter.

Mr. Macleod.—We have taken the programme of expenditure. We have taken each item and we have made out a statement showing in each of the years of the stabilised budget how much was allotted for each item and how much was spent and we have totalled up the allotments and expenditure up to and including the current year. We have estimated what amount remains to be provided to complete each item and the total of these gives us the balance required to complete the programme. But the trouble is that owing to the impossibility of compiling expenditure on these special measures separately, these statements include a large amount of estimation which makes an audit check difficult.

787. *Mr. Das.*—I should like to know something about the "limits and conditions postulated", mentioned in clause (c) of this paragraph.

Chairman.—This refers to what should be the normal standing charges of the Army apart from the special re-equipment programme.

Mr. Burdon.—Mr. Das will find that on the first page of Mr. Macleod's Appropriation Accounts. It is given in great detail in paragraphs 1—4.

788. *Mr. Das.*—I am not referring to the mechanisation and other special points. You have reduced certain heads to get this surplus money. But the allotment has not increased. It has decreased every year.

Mr. Macleod.—That is the trouble. You cannot in the accounts separate the expenditure on the special measures from the accounts on your ordinary standing charges. There are no special heads of account relating to the programme. Any one head may be charged in any year with expenditure both against the programme and against the ordinary standing charges.

Mr. Burdon.—A conspicuous example being the mechanical transport vehicles. Some may relate to the programme and some may relate to the existing mechanical transport service.

Mr. Macleod.—By maintaining these statements we try to calculate as closely as possible by estimation, not by extracting information solely from the accounts, what amount is expended on the special programme and the balance is the expenditure on the standing charges. And if there is more money available for the programme in any year that means that your standing charges have gone down.

789. *Mr. Das.*—How are we to know how much it has gone down every year ?

Mr. Burdon.—That is a problem of detailed accounting for which we have to make special arrangements. The purpose of suggesting that such arrangements should be made is contained in this paragraph of my letter. That is why that paragraph was written.

790. *Chairman.*—I do not know whether it appears anywhere in your report what were your normal standing charges in 1929-30 ?

Mr. Macleod.—About Rs. 53 crores.

791. *Mr. Scott.*—This paragraph 4 at page 3 would lead one to believe that it was 51 crores, as 2 crores were saved.

Mr. Macleod.—In 1929-30 we were able to allot 1 crore and 80 lakhs for new demands. The demands for the standing charges were 53.20. Taking these two years the normal standing charges were reduced from about 54 crores to 53.20.

792. *Mr. Das.*—The Innes Committee recommended that the number of officers at the Army Headquarters should be reduced but I find that the number of officers has been increased. Seven officers were to be reduced but Mr. Brayne said last year that the cases of two officers are to be considered. Now I find in the Report of the Director of Army Audit that the number of officers has gone up owing to mechanisation.

Mr. Macleod.—There is a complete report about the action taken on the recommendations of the Innes Committee.

793. *Mr. Das.*—I was not going so much into the details. I was trying to ascertain from you how it is affecting this arrangement for the stabilisation, so that at the end of 4 or 5 years we can see the improvement of mechanisation and at the same time we can see that a certain reduction has happened under detailed heads.

Mr. Burdon.—That can only be arranged for by a detailed process of accounting which will not be an altogether easy thing to devise. The details have to be worked out.

794. *Mr. Das.*—*Mr. Macleod*, what is your view about that remark of *Mr. Burdon* ?

Mr. Macleod.—We cannot get rid of estimation altogether. It is a question of reducing that to a minimum and allowing the audit authorities an opportunity of checking our method of estimation.

Mr. Burdon.—And of suggesting means by which the effect of estimation can be reduced to a minimum. There are a number of things that might be done. The military authorities, I take it, are keeping a record of a particular measure. To accomplish that measure it may be necessary to place orders for all sorts and varieties of stores. But an attempt should be made in the record of the measure to link up the indents actually sent out in respect of stores in connection with that measure. That sort of thing can be done, and if you cannot link it up with the actual entries in the compiled accounts, at any rate you ought to be able to link it up with the indents. In some places you will be able to give the actual accounts figures.

Mr. Macleod.—The indent of course is an estimated figure unless it can be connected up with the compiled accounts.

Mr. Kaula.—To a large extent it can be.

Chairman.—I really wanted to bring out for the information of the Committee that in this paragraph 4 of his letter the Auditor-General has made suggestions which exactly fit in with my own requirements as the officer responsible for the general financial control and I think the Auditor-General has given great help to me in giving what I want to achieve. I think the Committee can be satisfied with that general statement.

795. *Mr. Das.*—I have seen Annexure A to the Military Accounts Committee's Proceedings. But *Mr. Brayne* told us last year that the question of the abolition of two posts was being considered at the Army Headquarters. I do not find anything here.

Mr. Macleod.—Orders have now been passed on every recommendation. I think one of them is item No. 8.

Mr. Burdon.—Also item No. 12.

796. *Mr. Das.*—At page 383 of last year's Evidence Volume, you find that *Mr. Brayne* mentioned the report of *Mr. Heseltine*.

Mr. Macleod.—That is the last item, item No. 25.

Mr. Burdon.—And you will find it in paragraph 3 of the Military Accounts Committee's Proceedings.

797. *Mr. Das.*—So *Mr. Heseltine* recommended only the reduction of the clerical staff ?

Mr. Burdon.—That was what was suggested. *Sir Charles Innes*, *Mr. Jukes* and I came to the conclusion that it was perfectly impossible for us to attempt to do any detailed examination of the branches of the Army Headquarters and we also discovered by experience the futility of suggesting a drastic cut of 10 or 20 per cent. So we suggested that *Mr. Heseltine* as the establishment expert should go and sit in the office as he had done in the Railway offices all over India and see the amount of work a clerk has to do and the amount of work he ought to be doing

and to modify the establishment accordingly. Mr. Heseltine was only available for a very short time and his work was carried on by Mr. Macdonald who was equally efficient in the same line and he succeeded in getting economies,—not merely recommending them but getting the economies agreed to and accepted,—to the extent of 3½ lakhs a year. I think that is a very satisfactory result.

798. *Mr. Das.*—That is a distinct economy. But are you dismissing these men or putting them into other departments ?

Mr. Macleod.—In so far as the European clerks are concerned who are still in military service, they reverted to their units.

799. *Mr. Das.*—And what about the Indian clerks ?

Mr. Macleod.—I am not prepared to say definitely but I do not think any one has been discharged. The reason why we have not worked up to the limit is that we are still carrying a number of supernumeraries who are to be absorbed as vacancies occur.

800. *Mr. Das.*—Last year we understood that, while Mr. Brayne was the Financial Adviser, you carried on some special researches and investigations about the stabilised budget. May I know some of the conclusions you reached and their general effect on military finance ?

Mr. Macleod.—In Appendix C of the Appropriation Accounts I have given a list of the more important economies which were effected in the first year of the stabilised budget.

801. *Mr. Das.*—Was that done as a result of the Special investigations you carried out ?

Mr. Macleod.—No ; as a result of the determination of the military authorities to reduce their expenditure. The essence of the economy scheme was that it was to be an effort by the Army to reduce expenditure to enable them to carry out their programme of expenditure. I advised some things, other people advised other things. A special committee was formed at Army Headquarters. They received hundreds of recommendations. They were all gone into and some were accepted and some rejected. This Appendix C gives a list of the more important ones that were accepted.

802. *Mr. Das.*—Do you accept the recommendation contained in paragraph 23 of the Military Accounts Committee's Proceedings ?

Mr. Macleod.—Yes. It is important from every point of view to know as exactly as possible what the expenditure on the programme is.

803. *Mr. Das.*—Does the Army Council accept the same view as recommended here ?

Mr. Macleod.—Yes. They are as much interested in it as anyone else.

804. *Mr. Das.*—Shall we see the effect of these recommendations in the accounts of 1929-30 ?

Mr. Gupta.—No.

805. *Chairman.*—On the question of receipts dealt with by the Auditor-General in the last sub-paragraph of paragraph 4 of his letter, do you agree with the view of the Auditor-General ?

Mr. Macleod.—Yes.

806. *Chairman.*—Will you give these receipts in future ?

Mr. Macleod.—Yes.

807. *Mr. Das.*—I think these receipts are compiled at the Army Headquarters and are not kept department by department under particular heads ?

Mr. Macleod.—These receipts are compiled under each of the main heads.

808. *Chairman.*—Then we turn to the next important point which is given in sub-clause (vi) of paragraph 5 of the Auditor-General's letter, regarding the improvement of trading accounts. It is dealt with in paragraph 12 of the Military Accounts Committee's Proceedings. I think that is all. We can only approve that proposal for a joint examination and I do not think there is anything more to be said about that.

Mr. Burdon.—There is nothing more to be said about that. The thing will be got ready and the result will be reported in full detail and in fact any change in the system will probably be put before the Public Accounts Committee.

809. *Chairman.*—We have noted the general improvement referred to by the Auditor-General in paragraph 31 of his letter, and I suppose we can adopt the general recommendations of the special committee. I see that the special committee in referring to that last paragraph of the Auditor-General's letter said :

“ They considered, however, that there was room for improvement in the direction of closer and more correct estimating in the light of the instances cited in paragraph 7 of the Auditor-General's letter.”

Mr. Burdon.—I had not noticed it before but I should have preferred a reference to paragraph 8 to be added, if not substituted, because it is in paragraph 8 of my letter that I bring to notice the inaccuracies in the Home Estimates which I think are really rather bad. There are some figures on page 10 of the Appropriation Accounts which are rather interesting, relating to the maintenance of the graves of soldiers of the Indian Expeditionary Forces. There is an excess of £15,300. I understand that no appropriation was made at all for that. It seems to be most extraordinary that that liability should not have been known. I say in my letter : “ I do not attach so much importance to the variations relating to expenditure on the purchase of stores. The special circumstances of the year and of the stabilised budget are probably a sufficient explanation of these. On the other hand, is it really conceivable that there should be such large differences between estimates and actuals in the case of the other items, most of which are ordinary charges which recur from year to year ? In certain cases the charges must be to a large extent complementary to other charges incurred in India and it would seem to be worth while considering whether greater accuracy could not be attained by the two estimating authorities working in closer conjunction and attempting to arrive at a joint agreed result ”. You will see from para. 30 of the Committee's Proceedings that the Auditor-General's comment should be brought to the notice of the Secretary of State.

810. *Chairman*.—I do not know whether it is too late now to add some special reference to this in paragraph 59.

Mr. Kaula.—If Sir Arthur has no objection, this might be done.

Sir Arthur McWatters.—I have no objection.

811. *Mr. Scott*.—Are not the accounts of the Army Ordnance and Clothing Factories kept in Calcutta ?

Mr. Gupta.—Yes.

812. *Mr. Scott*.—Would any part of those accounts be debited to each factory ? I mean the cost of the clerical staff and the Accounts Department ?

Mr. Campbell.—No, it is not.

813. *Mr. Scott*.—Don't you think it ought to be ?

Mr. Campbell.—The question is under discussion at the present moment. It has been advocated in some of the Audit Reports. At present the matter is in the hands of the Master General of Ordnance.

Mr. Scott.—These factories are run by the headquarters at Simla, but part of their cost ought to be debited to these factories as overhead charges because they act as Directors.

Chairman.—The costs now given do not represent the true cost of producing the articles because first, nothing is included in the accounts for audit charges, and secondly, nothing is included for overhead charges or the services rendered by the supervising staff or what we might call the "Board of Directors" who sit up here in Simla.

Col. Ellis.—It is a very difficult matter to get our factories exactly on commercial lines.

814. *Mr. Scott*.—Your factories compete with commercial concerns. They say they can produce articles very much cheaper.

Col. Ellis.—These factories exist among other things for the production of a lot of things connected with preparation of war.

815. *Mr. Scott*.—I mean only a proportion of the salaries of the staff.

Col. Ellis.—I think that would be possible but it would be a comparatively small proportion of the cost up here.

816. *Mr. Scott*.—If it is done, that would make a difference between the profit and loss ?

Chairman.—I sympathise with your point of view but we have to look at this from a slightly different angle. In deciding whether it pays the Army better to produce these articles themselves or to buy them from private firms, the question is of the additional cost the Army has to incur in order to produce those articles. For example, although a good deal of work is done up here in the way of supervision, nevertheless, even if that supervision were not done, a great number of the senior officers would still be required and the expenditure here would have to be incurred in any case. The supervision in such a case cannot be said to involve any definite additional charge.

Col. Ellis.—Might I give an example ? Take the case of the ammunition factory. Even if the army had sufficient ammunition in stock to carry

them through one year, we are still obliged to manufacture ammunition, because we cannot let our expert labour go. We have got to be prepared if war broke out to produce an enormous amount of ammunition. We must have our people on the spot. Although we might not require to manufacture one round of ammunition during a particular year in peace time, we cannot let our staff go. This would not happen in the case of a commercial firm.

Chairman.—Having all the organisation which you must keep up for the manufacture of ammunition stores, which you could not entrust to private firms, it enables you to produce other stores very much cheaper than if you had to start independent new undertakings for the purpose. That is a point that must be considered.

817. *Mr. Das.*—Mr. Barr told us last year that in the case of these undertakings by the army, the overhead charges will be much heavier than in the case of ordinary civil commercial concerns. Does your investigation bear that out, Mr. Campbell ?

Mr. Campbell.—It depends very much on the size of the commercial concern. I cannot express any definite opinion that the overhead charges are higher in these factories than in an ordinary commercial undertaking.

Mr. Burdon.—That might be true as a broad and general proposition. If you carry these arguments to the extreme you might take the Commander-in-Chief's pay as part of the overhead charges. There should be a limit somewhere. The difficulty is to know where to draw the line.

Col. Ellis.—There is also the question of profit. The army is not a dividend-producing concern.

Chairman.—I think we have ventilated the subject sufficiently. If a question came up of starting some new concern you might have to take all these factors into account. The matter is being considered in the way that Mr. Burdon has suggested.

818. *Mr. Das.*—I have got to ask one more question about the patronage given by the Army to the Indian Stores Department. Last year Mr. Brayne gave us a statement which has been embodied in the Report of the Public Accounts Committee. Have you got any figures for 1929-30 ? May I also know what is your policy towards the Indian Stores Department at present ?

Mr. Macleod.—It is mentioned in the Military Accounts Committee's Proceedings. It has been arranged that the Director of Contracts who controls the purchases at Army Headquarters, must confer once a month with a representative of the Indian Stores Department. If in any case it can be shown that the Indian Stores Department can supply an article at a price lower than the price offered to the Director of Contracts, he buys that article through the Indian Stores Department.

819. *Mr. Das.*—I would suggest that when we examine the representative of the Stores Department we might also ask the representative of the Army Department to come. I would ask Mr. Macleod to give us the figure for 1929-30 ?

Chairman.—Could you send us that figure ? I take it it would not be an audited figure yet ?

Mr. Macleod.—It would be a figure on the same lines as the one which Mr. Brayne gave last year.

Chairman.—We want to get the complete figure, the total value of all the indents.

Mr. Macleod.—Yes. I could send that.

820. *Mr. Burdon.*—Are we going to examine a representative of the Indian Stores Department ?

Chairman.—Yes, but that cannot be till after the session. I trust Mr. Pitkeathly who is ill will be able to come.

Mr. Burdon.—I think it might be arranged that the Master General of Ordnance and the Director of Contracts should be present at the meeting with the Indian Stores Department.

Mr. Das.—Mr. Parsons also wanted to be present.

Mr. Burdon.—Each department has been saying that it could buy cheaper than the other and it would be an advantage to discuss the whole question together.

Chairman.—I understood that the conflict no longer existed and that there was now agreement on these points. We shall arrange for all the purchasing departments to come along with the Indian Stores Department so that they can face each other. Mr. Macleod will also be present.

GRANT 20.—STAMPS.

821. *Chairman.*—There were large savings in the Stamps grant.

Sir Arthur McWatters.—This is an unusual head because during all these years of discrepancies in the estimates, it has been a period of works construction. They were building the new Central Stamps Store at the Security Printing Office and that construction has now come to an end. So far as the estimates were disturbed by capital construction being mixed up with it, that particular element has now disappeared. That is one general comment covering the whole of the years mentioned in para. 19. In point of fact in 1927-28 it was this element of construction which threw estimates out for that year. It was because a number of bills remained unpaid owing to disputes with contractors. There is one particular explanation of the very large discrepancies in 1928-29 under H on page 90. The share which was transferable to the Central Stamps Store was adjusted by mistake in the year 1927-28 instead of, as had been anticipated, in the Budget in the year 1928-29. The position is that the accounts of the year are not finally closed until six months or so after the end of the year and in July 1928, after the close of 1927-28, the office of the Master, Security Printing, made a mistake. They instructed the Acctt. General to make this transfer but unfortunately they asked for it to be made in the year 1927-28, and as the accounts were still open, the transfer was made in that year. They discovered the mistake shortly afterwards. Then it was too late. That one item practically explains the whole of the saving under this head in that year. That will not occur again because the construction is finished.

Chairman.—That is a reasonable explanation.

GRANT 25.—INTEREST ON ORDINARY DEBT.

822. *Chairman*.—Auditor General's comment, para. 8 (1).

Sir Arthur McWatters.—It is not absolutely easy to estimate in the Budget the exact amount of interest debitable to Railways.

823. *Mr. Das*.—The interest varies from year to year, or is it the same ?

Sir Arthur McWatters.—It is roughly speaking adjusted according to the rate at which you have been borrowing. It varies every year.

Chairman.—It is averaged up every year.

GRANT 26.—INTEREST ON MISCELLANEOUS OBLIGATIONS.

824. *Chairman*.—What about the next grant (Interest on Miscellaneous Obligations) ?

Sir Arthur McWatters.—This and several others to which we will come later are big general heads which occur all over India and they are watched for us by the accounts officers. We are to some extent in their hands. This is a particularly difficult head to control expenditure under,—provident funds interest and so on. Actually our accounts officers are our advisers under this head.

GRANT 35.—FINANCE DEPARTMENT.

825. *Chairman*.—Para. 33 of the Auditor General's letter. Any comments ?

Sir Arthur McWatters.—I do not think the budgeting was very good in this particular year. I have got the preliminary figures for 1929-30, which show that the error is slightly under one per cent. now. At any rate there has been much improvement.

GRANT 36.—SEPARATION OF ACCOUNTS FROM AUDIT.

826. *Mr. Das*.—I should like to ask Mr. Burdon one question, regarding the separation of accounts from audit. There was a special staff for considering the question. Last year Sir Frederic Gauntlett before he left gave us his opinion that he entirely concurred in the view that accounts must be separated from audit. I find in practice you have got the separation in Railways, the United Provinces and in the Army. What decision has the Auditor General arrived at, or is he waiting for the statutory changes ?

Mr. Burdon.—The latter is the position. We decided not to make any general extension of the separation in the case of civil transactions until we knew about the nature of the constitutional changes which are likely to take place after the Statutory Commission reported. They have reported in favour of the separation of accounts from audit in the case of provinces quite definitely. They have also expressed the general opinion that in theory it is incorrect for the same authority to maintain accounts and to audit them.

827. *Mr. Das*.—What is your experience of the experiment in the United Provinces ?

Mr. Burdon.—I think it has been quite successful. The departmental officers much like the system. So far as audit is concerned, it is perfectly possible to fit that in to carry out satisfactory test audit. But you get a great deal of duplication, because your original accounting establishment must necessarily perform a great many processes performed by the combined audit and accounts establishments.

828. *Mr. Das.*—Have you thereby established greater financial control in the provinces ?

Mr. Burdon.—The Financial Secretary certainly claims that he is able to control expenditure throughout the year much better when he gets his accounts more punctually.

Mr. C. V. S. Rao.—You might see the last sentence of the Auditor General's letter.

829. *Mr. Das.*—In the event of the provinces' audit being separated from accounts, who will bear the expenses of the audit,—the Central Government ?

Mr. Burdon.—That is the recommendation of the Statutory Commission.

Sir Arthur McWatters.—That is their recommendation,—it is a central function.

Mr. C. V. S. Rao.—Both accounts and audit are at present a central function.

830. *Mr. Das.*—Should we not record our opinion whether audit should be a central subject or not in case any radical changes are proposed ?

Chairman.—I do not think we are called upon to express any opinion this year in our Report. It is a very large question which will have to be very carefully examined along with the general changes following the constitutional revision. At present we have before us the recommendation of the Statutory Commission that accounts should be provincialized and audit should remain central.

Mr. Das.—Should we as a Committee not be consulted on whatever changes are made ?

Chairman.—I would not like to answer that question one way or another. It might be that the Finance Member might like to consult the Public Accounts Committee. I should not like to answer that off-hand. Anyhow it is a big question on which there will be ample opportunities for expression of opinion. Mr. Burdon has told you that it has worked well in the U. P., also that it is expensive, and one has to weigh the advantages and the disadvantages.

Mr. Burdon.—And of course on the question of principle what has been said is almost a platitude.

831. *Mr. Das.*—One difficulty is whether the accounts officer is not too much under the thumb of the financial officers.

Mr. Burdon.—That is for the executive to say.

Mr. C. V. S. Rao.—In the United Provinces the accounts officer is under the control of the Finance Department,—not under the control of the other Departments. The Financial Secretary controls the accounts. Here the combined offices are under the Auditor General.

Mr. Kaula.—Where there has been a separation, the accounts officers are under the financial authorities.

GRANT 41.—PAYMENTS TO PROVINCIAL GOVERNMENTS, ETC.

832. *Chairman.*—Para. 7 (iii) of Auditor General's letter : any remarks ?

Sir Arthur McWatters.—We always round our figures to the nearest thousand for budget purposes.

Chairman.—This is a very small thing.

Mr. Burdon.—This is only mentioned because it comes before the Assembly.

GRANT 42.—AUDIT.

833. *Chairman.*—Para. 8 (ii) of the Auditor General's letter. I think we can leave that to the Auditor General.

Mr. Burdon.—It wants looking into ; I have not yet completed my examination

GRANT 67.—CURRENCY.

834. *Chairman.*—The Auditor General in para. 29 of his letter refers to the Currency grant and endorses the Accountant General's observations.

Sir Arthur McWatters.—It is of course a difficult head under which to make an accurate estimate, because so much depends upon the course of the following year, the course of trade and climatic conditions and so on, the amount of extra staff you may have to employ in currency offices, the amount of coin coming back from circulation, etc. The savings are large. I may give one or two explanations as to how those savings came about in the year 1928-29. First of all, on page 277 you will see that by far the largest part of the savings is due to the English charges on stores, that is, note forms which used to be supplied from England. Now of course we have got our own arrangements for making currency notes in India. That particular element of disturbance will now go out. Page 273—Controller and Deputy Controllers—Reserve for temporary establishment :—Rs. 1. lakh was provided for temporary establishment ; that is done every year. It is very difficult to estimate what extra temporary staff will be wanted in each currency office. We keep a certain temporary staff to cope with the work as it comes. Again, on page 272, the abolition in the middle of the year of the Office of Deputy Controller of Currency, Northern India, accounts for a saving of Rs. 25,000. That was a measure of economy. Taking those three items together, they account for a good part of the saving in the year under examination. There is a good deal of saving also on the purchase of gunny bags which are used for the carrying of the coin. That is also a species of economy.

835. *Chairman.*—The general average of saving is high and you are looking into that point.

Sir Arthur McWatters.—Yes.

826. *Mr. Das.*—Page 275. At the bottom of the page I find the remark: "A commercial system of accounting at the Currency Note Press was not introduced in 1928-29 as anticipated."

Chairman.—But it has now been introduced. In a case like that, I think it would be useful if a note had been inserted that it had been introduced.

Mr. Campbell.—The commercial accounts have been introduced from 1st April 1930. The point is that during the construction stage the Accountant General conducts all the audit. It is only when it is completed that it is put on a commercial basis. So I have taken over the audit from the 1st April 1930.

GRANT 68—MINT.

837. *Chairman.*—Paragraph 30 of the Auditor General's letter.

Sir Arthur McWatters.—It is rather a complicated thing. Originally items of this kind were passed out to India by the High Commissioner through the Remittance Account and an alteration was made in 1928. The Accountant General, Bombay, brought the item to account under 39—Mint, but no provision had been made under that particular head. And no provision had been made at Home either. But the arrangement has now been standardized and these miscellaneous stores will now be brought finally to account in the High Commissioner's books under 39—Mint, so that there will be no possibility of this mistake happening again.

838. *Mr. Das.*—Page 262. I was under the impression that the losses on the withdrawal of currency are provided for from the Gold Standard Reserve.

Sir Arthur McWatters.—The Gold Standard Reserve was built up out of the profits on coinage which we used to have in the old days. We are now talking of the coins which come back to us from circulation. These coins are treated on their face value and there is bound to be some loss on coinage. The coinage to some extent loses in weight and we do not get the same outturn when it is recoined. There is bound to be some difference. It is issued at its face value.

GRANT 72—MISCELLANEOUS.

839. *Chairman.*—Paragraph 35 of the Auditor General's letter. What is the explanation there?

Sir Arthur McWatters.—The explanation really was forgery. These War Bonds belonged to an owner in Bengal and another gentleman whose name was rather similar forged his signature and was able to get payment on maturity of these Bonds at the Public Debt Office. The original claimant's widow put forward a claim afterwards which we agreed was valid and as the Public Debt Office had acted in good faith and there was no reason to doubt the genuineness of the signature, Government had to bear the loss. That is the explanation.

840. *Chairman.*—Paragraph 11 of the Auditor General's letter. We may agree with him about these petty excesses.

Sir Arthur McWatters.—Yes.

GRANT 83—EXPENDITURE IN ENGLAND UNDER THE CONTROL OF THE HIGH COMMISSIONER.

841. *Chairman.*—There is a large saving in the High Commissioner's Grant. What is the explanation?

Sir Arthur McWatters.—In both these grants which relate to the Secretary of State and the High Commissioner respectively there has been a good deal of over-budgeting in recent years. We wrote at the instance of the Public Accounts Committee last year to both the authorities and especially called their attention to it. There has been a marked improvement in 1929-30.

GRANT 84—CAPITAL OUTLAY ON SECURITY PRINTING.

842. *Chairman.*—Page 640. What is the reason for the big saving here?

Sir Arthur McWatters.—The explanation lies in the change of system made in the course of the year. Colonel Willis used to work on a fixed capital and then it was decided to alter it. He now works on a floating capital. The five lakhs was surrendered and that is really the surrender of his working capital.

GRANT 89—CAPITAL OUTLAY ON CURRENCY NOTE PRINTING PRESS.

843. *Chairman.*—Grant 89.

Sir Arthur McWatters.—There, the mistake is the same as that with which we were dealing under Stamps. It is really one error that has thrown out this account as well.

GRANT 93—INTEREST FREE ADVANCES.

844. *Mr. Das.*—D. 1 (2) "Loss on sale of surplus metal".

Sir Arthur McWatters.—That would be nickel. For a good many years there was a surplus stock of nickel and gradually we have been selling it off.

GRANT 94—LOANS AND ADVANCES BEARING INTEREST.

845. *Chairman.*—Any comments?

Sir Arthur McWatters.—Can I give an explanation under one or two heads. The biggest item is, of course, loans to Indian States. So far as this is concerned, I can say that they could not all have been foreseen at the time of the preparation of the Budget. The loans were sanctioned in the course of the year for various political and other reasons. The other big item is loans to Port Funds. This amounts to 15 lakhs. That merely represents a transfer. The loan was originally given from the Provincial Loans Fund to the Bengal Government and the money was

lent by them to the Chittagong Port Trust. It was on the declaration of Chittagong a Major Port that the money had to be transferred to a different head and there was a corresponding reduction under the Provincial Loans Fund. Those items alone count for very much the largest part of this grant.

846. *Mr. Das.*—When you give loans to Indian States, do you find out that they have a paying capacity ?

Sir Arthur McWatters.—Yes, that is gone into very carefully. They are interest-bearing loans.

847. *Mr. Das.*—Did the Government go into the financial position of the Bahawalpur State about the Sutlej project ?

Sir Arthur McWatters.—Yes, it is an interest-bearing loan.

Chairman.—That loan is a very large undertaking to which we unfortunately are committed. The total cost of the Sutlej scheme has come to much more than was anticipated. The Bahawalpur State is not responsible for that and we cannot stop the work. We have got to go on with it. Originally the Government of India agreed to make an advance to the State in order to enable that State to take advantage of this very large scheme. As a matter of fact, when they started the project, they had thought that the greater part of the money that they would require was available in their own reserve fund and therefore the advance required from the Government of India would not be very large. Actually, the cost of the scheme has turned out to be very much larger than had been anticipated and the sale of lands has not proceeded as fast as it was anticipated. Of course, all that money will gradually come back as the land is sold off.

848. *Mr. Das.*—At the same time, the Government may not be able to realise the interest from the State because it is not in a position to pay.

Chairman.—It has only happened this year for the first time. It does not really make very much difference in the end because every year the capital is going up because the expenditure *plus* interest is in excess of the sales of land. All the anticipations are that in the end the scheme will be a very good one and we shall get our money back and the Bahawalpur State will be greatly enriched by having undertaken this work.

849. *Mr. Das.*—Somehow the Punjab Government always happens to be very optimistic about these projects. Look at the Kangra Valley project.

Chairman.—You are now touching on rather a sore spot. This has been an unsatisfactory case but I hope lessons will be learnt from past experience and all these schemes will be gone into more carefully in future. I do not think there is any use pursuing the subject. It is a very big question and in the end it is up to the Finance Department to do the maximum possible to examine these projects and to try and see that money is not invested in non-paying propositions. But you must

remember this that we have to finance the provinces and if the financial position of a province is in itself satisfactory, it is difficult for the Government of India to exercise any very great control as to how the province applies the proceeds of the loan. You will find a good deal on this subject in the Statutory Commission's Report if you read it carefully and it is one of the big factors in the financial relations between the Central Government and the provinces which will have to be carefully reviewed in connection with the forthcoming constitutional Reforms.

850. *Chairman*.—Page 673. Last sub-paragraph.

Sir Arthur McWatters*.—The point taken by the Audit Officer was that the Resolution which we publish annually should specifically mention that point, that that condition has been fulfilled. The Report for 1925-26 did not. Every Report since then in the last three years has done so, and we have now written to the Auditor General that that condition was fulfilled in 1925-26 also. That meets his technical objection to that particular year. Actually, for the last three years we definitely say that the conditions, laid down in paragraph 9 were fulfilled. I have here the last Report which was published in the Gazette a few days ago.

HOME AUDITOR'S REPORT.

851. *Chairman*.—Paragraph 38 (i) of the Auditor General's letter.

Sir Arthur McWatters.—So far as we can see,—Mr. Shankar Rau and myself are trying to work it out—we do not see any extra cost due to changes in procedure; I do not think there can be. There is difference between year and year, but as regards the actual changes in procedure, I do not think there is any extra net cost.

852. *Mr. Burdon*.—Then, where is the increase counter-balanced?

Mr. Shankar Rau.—Certain recoveries have been transferred from one head to another. Instead of taking them as deductions from expenditure we have taken them as receipts, and so far as the net transactions of the Central Government are concerned, they won't be affected by the change. It is in cases of recoveries made from commercial departments and from the provinces as regards surcharge on stores that there is a difference, but that depends necessarily on the volume of transactions.

Chairman.—This is an important point and the Finance Department might settle it in consultation with the Auditor General. Further, when there is a change in the accounting procedure, it would be as well that there should be an explanatory note.

853. *Chairman*.—Paragraph 68 (a) of the Auditor General's letter. That, of course, is a very big question. It is part really of the position to which I have already referred that the Central Government has to act as the banker of the Provincial Governments and as a banker who cannot say to his clients, "We do not like your account; take it to another bank". We have got to see them through their difficulties if they get into them. It is quite clear that if the Provincial Governments use the accounts that they have with us as a sort of current account to finance themselves unfairly, they may put the Central Government to serious loss. I think the whole question will have to come up at the forthcoming

constitutional review. It has actually been referred to in the Statutory Commission's Report, this question of Provincial Governments keeping their balances with us. It will have to be settled on a business basis. That is, we have to take into account the sort of balances which the Government of India is forced to keep in order to meet the current requirements of Provinces and then consider what sort of balances the Provinces ought to keep with us in order to meet this liability. It is a point that arises in the case of every banker. We, for example, have arranged with the Imperial Bank to keep a certain minimum balance with them. We have recently gone into the question of what is a fair minimum balance that ought to be kept with them for the services which they render to us. We shall have to make some arrangement with the Provinces determining what is a fair minimum balance for them to keep with us having regard to the services that we render to them. It will have to be thrashed out entirely on a business basis. I think we can probably say that under the present arrangement the Central Government has not lost over the transaction. Recently indeed, Burma for example, has been rather a bad client; but on the whole, I do not suppose that we have lost over the year. Anyhow, this is a very important point and as I said, it will have to be thrashed out and settled definitely on a business basis.

854. *Mr. Burdon*.—I think in the last year or two probably the Central Government suffered. I do not think there is any doubt about that. You see the Madras Government puts down a lot of money to deposits.

Sir Arthur McWatters.—The Local Governments have become much cleverer.

855. *Mr. Burdon*.—Some of the remarks in the Simon Commission's Report are very near to what I have said myself. But I want to draw the attention of the Committee to rather an interesting point arising from the proceedings of the Punjab Public Accounts Committee (read an extract).

Chairman.—We shall be investigating all these points very carefully in connection with our constitutional discussions.

Maulvi Muhammad Yakub.—Especially when the Provinces are now going to be autonomous.

Chairman.—I think all that I should like the Committee to do would be to record a recommendation that this question must be carefully examined and that the services rendered by the Central Government to the Provincial Governments as a banker should be treated on a strictly commercial basis and the Provincial Governments should be required to keep balances according to the needs of the situation just as they would have to do with a banker. We should put in the whole of this paragraph in our Report.

856. *Chairman*.—Paragraph 68 (b) of the Auditor General's letter. We can accept his conclusions, I think.

Sir Arthur McWatters.—Yes.

Evidence taken at the eleventh meeting of the Public Accounts Committee held on Saturday the 19th July 1930, at 10.30 A.M.

PRESENT :

The Hon'ble Sir GEORGE SCHUSTER, *Chairman.*

Mr. B. DAS.

Rao Bahadur M. C. RAJAH.

Maulvi ABDUL MATIN CHAUDHURY.

Mr. S. C. MITRA.

Mr. M. A. AZIM.

Mr. J. RAMSAY SCOTT.

Mr. E. BURDON, Auditor General.

The Hon'ble Sir ARTHUR McWATTERS, Financial Secretary.

Mr. G. KAULA, Controller of Civil Accounts.

Members.

Present during portions of the examination :

Mr. D. C. CAMPBELL, Director of Commercial Audit.

Mr. P. M. RAU, Audit Officer, Indian Stores Department.

The Hon'ble Mr. J. A. SHILLIDY, Secretary,
Department of Industries and Labour.

Mr. H. HUSSAIN, Under Secretary, Department
of Industries and Labour.

Mr. J. S. PITKEATHLY, Chief Controller of
Stores.

Mr. R. W. TARGETT, Director of Purchase
and Intelligence.

Mr. G. M. YOUNG, Army Secretary.

Mr. A. MACLEOD, Financial Adviser, Military
Finance.

Major-General B. R. KIRWAN, Master General
of Ordnance.

Lieut.-Colonel LENFESTEY, Director of
Contracts.

Mr. T. G. RUSSELL, Chief Commissioner,
Railways.

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

Mr. T. S. SANKARA AIYAR, Director of
Finance, Railways.

Witnesses.

Sir Arthur McWatters.—In the absence of Sir George Schuster, as I cannot formally take the Chair, we might informally discuss with Mr. Pitkeathly the question of the relationship of the Army to the Indian

Stores Department. We discussed Appendix XIII in the Military Accounts Committee, but perhaps members might like to ask a few questions of Mr. Pitkeathly.

857. *Mr. Das.*—We always believed you had good relations with the Army, but last year Colonel Kirkhope told us that the Army is paying more than the Indian Stores Department for certain stores, and if the Army could purchase more through that Department it could get things cheaper ; but in this Memorandum of the Army Department we find the contention that the Indian Stores Department cannot purchase cheaper than the Director of Contracts. What is your view about it and about the note which Colonel Kirkhope submitted to the Army Department ?

Mr. Pitkeathly.—With your permission I would like to say first, that the Indian Stores Department is very much indebted to the Army Department for the support that it has received from the Army since its constitution in 1922. The Army Department was our first indentor and they handed over to us the purchase of the whole of their textile requirements. These still remain with the Stores Department. From time to time we have had various discussions with the Army Department in the M. G. S. Branch when we have been able to agree that certain other classes of stores could with advantage be handed over to the Stores Department, particularly engineering stores and allied materials. The Army Department in the past agreed to hand these stores over to us where we could show that we were in a position to purchase as economically and as efficiently as the Army Department. I have here the Memorandum which has been prepared by the Army Department as a rejoinder to the statements made by Colonel Kirkhope last year ; I regret to find myself in a position this morning to say that I am unable to endorse some of the statements made by Colonel Kirkhope.

Mr. Das.—I am glad to know that.

Mr. Pitkeathly.—I may also say that about three weeks ago I had a very friendly discussion with Major-General Kirwan, the M. G. O., as a result of which we arrived at an agreement in regard to certain other classes of stores and I had hoped to be able to tell this Committee that we have made a further advance with the Army Department. Colonel Kirkhope, in his Memorandum, endeavoured to prove by certain statistics that the operations of the Stores Department show that we are able to buy certain classes of stores more economically than the Army. I would like to explain to the Committee that before any such comparison can be drawn and before any such conclusion can be arrived at, we must remember that the two organizations must be buying the same class of stores to the same specification and the same quantity at the same time and on the same terms of delivery. To illustrate my point : the Director of Contracts is here : he may go out to-day with an inquiry for 500 tons of a particular oil which can be supplied by several suppliers. He may get a tender price which is a reasonable price and he may accept it. In a week's time I may go out with an enquiry for a similar quantity of the same oil, to entirely similar specification and with the same delivery terms ; the suppliers who were unfortunate in losing the Director of Contracts' order will undoubtedly make a bid to obtain my business and they may quote a lower price to me, than they did to the Director of Contracts. I am not entitled to say that because I have obtained a lower price my organisation

is more efficient than that of the Director of Contracts. If the position was reversed, and the Director of Contracts was in the market after me, he would no doubt receive a lower quotation as some of the competitors would be anxious to obtain a share of the business.

Again, Sir, although I am unable to endorse Colonel Kirkhope's attempt to obtain further business on these statistics, I am equally unable to accept the statement prepared by the Army Department in their Memorandum. I say that on the face of it I know that our prices are good, and that we are functioning efficiently : I have this information from various other indentors of stores ; but I will also say that the opinion of the Army Department is just as much entitled to consideration as that of the Stores Department and I am sure that if I had an opportunity further to examine the figures presented by the Army I can find reasons and causes for the apparent disparity between the prices paid by the Army and the prices paid by us. Unfortunately, this Memorandum reached me when I was ill and I have not been able to examine it in detail ; and if we are going to attempt to make any case on either Colonel Kirkhope's or the Army Memorandum, I would ask that this matter should be the subject of a detailed investigation for which time is required. I am confident that by working in closer touch with the Director of Contracts, various difficulties that have emerged in respect of certain classes of stores can satisfactorily be cleared up.

Mr. Das.—I think we will accept that for the present.

858. *Mr. Scott.*—I understand that the Army and Stores are now in a very close relationship and are having monthly meetings ?

Mr. Pitkeathly.—Yes, you will note from paragraph 4 of this Memorandum that an arrangement has been come to between General Kirwan and myself to discuss matters from time to time and I am hoping that various difficulties that have arisen will be cleared away.

Sir Arthur McWatters.—I suggest we may express our satisfaction that the departments have come into closer contact and that we would like to see the results after some time.

859. *Mr. Das.*—I would like to ask one more question : do you think the Army buys all their cotton textiles from you in India or do they buy anything abroad ? Do you think you can do more business in that line ?

Mr. Pitkeathly.—I am perfectly certain they do so. (At this stage Sir George Schuster arrived and took the Chair.) The Army Department have been extraordinarily good in the matter of placing all demands for textiles with us ; the only item we do not buy is cotton waste for the manufacture of gun cotton : the reason is that this article is of a very special character and requires inspection by an officer with experience in the manufacture of gun cotton and the advising on such tenders is more or less left to the Superintendent of the factory manufacturing gun cotton ; and I would not claim that we could offer any advantage to the Army in the purchase of a purely lethal store of the particular character.

860. *Mr. Das.*—I take it that Rs. 73 lakhs is the maximum amount of cotton textiles purchased by the Army Department ?

Mr. Pitkeathly.—No, Sir ; in the early days, when the Stores Department was first formed in 1922, we purchased from Rs. 1½ crores to Rs. 164

lakhs worth of textiles for the Army Department but since then army demands for textiles have been gradually going down and prices of textiles also have gone down considerably, and to-day the position is that we can buy textiles at a very much lower figure than we did in the old days. You will see from the Administration Report that though in many cases the yardage is as high as ever it was, the value is a very great deal less than it was in the previous year and that is, entirely due to the fall in prices of textiles. During the last year, our demands for particular classes of textiles have gone down very considerably, due presumably to improved methods of handling their supplies in the Army itself. Our tentage compared with the previous year were lower by Rs. 10 lakhs; blankets by Rs. 6 lakhs; khaki drill by Rs. 2½ lakhs; felt by Rs. 2 lakhs and gloves by Rs. ¾ lakhs; all this is partly due to reduced demand, also to reduction in prices.

861. *Mr. Mitra.*—May we take it that in comparing prices of articles purchased by the Stores and the Army Departments, the Army Department take into consideration the two per cent. that has to be paid?

Chairman.—That is a point we made last year—that we have to look at the position from the point of view of Government as a whole—as the 2 per cent. paid to the Stores Department represents money coming back to Government. Last year the Committee expressed the view that that ought to be taken into account and what it really amounts to is this, that the Army Department ought to be rather elastic in its methods of reckoning whether it pays them or not to get their stores through the Stores Department.

General Kirwan.—I quite see the point and I think we should deal with any particular case on its merits. I do not think there will be very many cases of that sort; but should such a case arise I think we should meet it in a sympathetic spirit.

Chairman.—There must be a certain amount of give and take; if a really important case arose where the reckoning in of the 2 per cent. meant that business went elsewhere which would have been put through the Stores Department to the benefit of Government as a whole, then it would be desirable for the two departments to arrive at some adjustment together. We in the Finance Department would be prepared to help.

General Kirwan.—Yes, I quite agree.

862. *Chairman.*—Now, we will deal with the ordinary questions relating to the Indian Stores Department, Appendix II, item 18. I remember very well the point that we made last year was that unless the Government of India was prepared to give general instructions to all departments to make their purchases of Stores through the Indian Stores Department the Committee thought there was a case for inquiry. What we want to hear from the Stores Department is whether there are any cases now of departments which ought to purchase through the Stores Department and do not do so.

Mr. Shillidy.—We have given definite orders to all departments under our department that they must purchase their requirements through the Indian Stores Department with the one exception of the Controller of Printing and Stationery. There are various difficulties in connection with the purchase of stationery, and that point is being taken up at present by

the Chief Controller with the Controller of Printing and Stationery, and we hope in a very short time to be able to issue orders on that. Then we have, with the permission of the various Departments of the Government of India, told the various local administrations under the control of the Government of India that they should purchase their requirements through the Indian Stores Department. We have also asked the various Departments of the Government of India itself to make their purchases also through us. We have got replies in agreement from the Home Department and from the Foreign and Political Department. We have not got any reply yet from the Commerce Department, nor from the Finance Department or the Department of Education, Health and Lands.

Mr. Targett.—The Commerce Department have agreed.

Mr. Pitkeathly.—There is not really any big amount of business that the Finance Department controls that is going elsewhere.

Sir Arthur McWatters.—There are of course certain technical stores in connection with the Mints in connection with which we have not issued orders. You yourself suggested that you would like to talk that over personally with Mr. Kirkhope. We have to make one or two exceptions, but we are waiting for that discussion to take place.

Chairman.—There were various reasons why a discussion could not take place, but we are holding it up really in order to satisfy the Stores Department that the exceptions we propose to make are reasonable exceptions.

863. *Mr. Azim.*—What has been the method of purchase since 1922 so far as the various Departments of the Government of India are concerned? Has not the Governor General in Council issued any general instructions that stores of this nature should be purchased through the Indian Stores Department?

Chairman.—That is just the point. As a result of the recommendations made by this Committee last year, those general orders have now been issued by every Department except the Finance Department and the Department of Education, Health and Lands.

Mr. Skillidy.—We do want to be able to satisfy departments that we do business better than they can do for themselves, and on the basis of that, our work has very greatly increased.

864. *Mr. Das.*—Last year the Controller of Printing told us that owing to the highly specialised goods that he buys, he cannot make use of the Stores Department to a large extent.

Mr. Skillidy.—That is one point of view which has been put forward by the Controller. It is a point of view which is not entirely accepted by the Stores Department. They consider that they are quite competent to purchase all the things required by the Controller of Printing and Stationery.

Mr. Pitkeathly.—We hold the view that stationery stores are already centralised, and there is a central organization to deal with printing and stationery stores. There is nothing peculiar about stationery and printing stores: if it is decided that purchases should be made through the Indian Stores Department, we can certainly do it. The Indian Stores Department was constituted for the purpose of purchasing various classes of stores.

required for the public service, and we can certainly purchase all the requirements of the Controller of Printing and Stationery.

Chairman.—I do not think the Committee can insist on the observance of a principle beyond reasonable limits in special cases of this kind.

Mr. Shillidy.—We are examining it.

865. *Mr. Das.*—Appendix II, item 25. May I ask Mr. Mohan Rau to state if there has been any variation since the Administration Report for 1929-30 was published ?

Mr. Mohan Rau.—I think the same figures appear in both the statements. There is no variation except probably in some of these later adjustments in March or so. I think the same figures appear in both the statements.

Mr. Scott.—Have you satisfied yourself ?

Mr. Mohan Rau.—Yes.

866. *Chairman.*—Appendix III, item 11. Separate exhibition of the accounts relating to the non-commercial portion of the work of the Indian Stores Department connected with the development of Indian Industries.

The remarks against this are “ The Government of India have carefully considered the suggestion and come to the conclusion that the Indian Stores Department cannot for the present be declared to be a commercial department as some of its activities are of a non-commercial character. The ideal will no doubt be to disentangle the two sets of activities ; but the Government of India are convinced that such a division of the activities is at present impracticable.”

Mr. Das.—I cannot subscribe to this decision of the Government of India, because I think that from the Annual Reports published so far by the Indian Stores Department, they are doing little educative work for the purpose of helping the Indian industries, and in view of the fact that the Indian Stores Department took over as going concerns departments like the Alipore Test House, which is a paying concern, I do not know why the expenditure should go up every year on that particular head. My point is that it should be possible to commercialise the accounts of the Indian Stores Department and take out those items which are not paying such as educative work, helping the Indian industries and so on.

Mr. Pitkeathly.—We tried to make the apportionment in the past, but without any satisfactory results. One of the ways by which we help the Indian industries is to first of all scrutinise the particular items for which we receive indents. This is done by the technical staff of our Department and when our Department is satisfied with the samples of the material every Indian firm on our list which manufactures the particular kind of material we want is given an opportunity to tender. Our Inspectors go round and inspect the various works and the material they manufacture. If they see something is wrong in the manufacture, then it is our Inspectors' duty to tell the manufacturer what exactly is wrong and what steps he should take to improve the quality. This takes a considerable time of our staff. I will give the Committee an example. A large works was recently started in Southern India for manufacturing cast iron pipes. When they first started they were not able to manufacture pipes in

accordance with our specification. In order to assist them, one or two of our Inspectors were deputed to the works—to inspect some petty orders which were placed with them, to examine the quality of work turned out and to show those in charge where they had gone wrong and what they should do to improve their production. As a result of these measures of assistance we have been able in the past six months to place with these works orders exceeding 3 lakhs of rupees. The unsatisfactory manner in which an order for Railway connecting and coupling rods was executed by a firm showed us how poorly equipped some manufacturing concerns are for undertaking heavy work where accuracy is required, and how essential it is to place the services of our technical staff at the disposal of manufacturing concerns to advise them as to the steps necessary in order to turn out work to the standard required to meet our requirements.

867. *Chairman*.—I think the Committee is satisfied with the example you have just given to show the difficulty that you have in making the apportionment, but they still want you to make an effort to make such an apportionment, for without this it is impossible for the public ever to get a true idea of what is happening. The deficit apparently goes on increasing, and the Committee is always met by the answer: "This is because we have to allocate so much of the time of our staff for helping the Indian industries." That is an unsatisfactory position. I am sure you will appreciate the difficulty from the public point of view, while we see your difficulty.

Mr. Pitkeathly.—Three years ago an attempt was made to make such an apportionment, but when we came to examine the question, we found it impossible to give any detailed figures. I would like to give the Committee one example. You will note that the Government Test House in Calcutta shows a paper loss of about Rs. 2 lakhs in the year 1928-29. That goes in the accounts against the Indian Stores Department. My view is that it is entirely wrong to consider any loss made by the Government Test House as a general loss against the Stores Department. I think a far too narrow view is taken of the Government Test House.

The Government Test House to a certain extent occupies the same position in India as the National Physical Laboratory in England. In fact, in some respects, the work done in the Test House is more varied than that of the National Physical Laboratory as chemical investigations and analyses are undertaken as well as physical investigations. I have recently examined the accounts of the National Physical Laboratory for the year 1928-29 and I find that the income of that institution was short of the expenditure by about £89,000. The income to a large extent was obtained from other Departments of the British Government for work done for them. Now the point I wish to make is when an institution such as the National Physical Laboratory in England placed as it is in the oldest and most advanced industrial country in the world, with many advantages which are not available to us here, is unable to show a balanced account it is hardly fair to expect that the Government Test House with much more limited scope should be a self-supporting institution. My personal view is that the Government Test House will never be able to show a balanced account, but the case should be viewed from a broader aspect and the assistance that the Government Test House is giving to the industrial interests in the country should not be lost sight of. In the case of the National Physical Laboratory at Home, the Treasury bears the loss.

I think, therefore, the loss made by the Test House in India should be expunged from the accounts of the Indian Stores Department.

868. *Mr. Das.*—I do not want it to be expunged. I want that it should be shown as a separate account every year. We have the Director of Commercial Audit, and I think the accounts of the Indian Stores Department should be commercialised.

Mr. Shillidy.—As the Chief Controller of Stores explained, he has gone into the question at considerable length; we have done it before and found it difficult to make the apportionment. If the Committee are anxious that this question should be taken up, we would be quite willing to suggest that the Director of Commercial Audit should examine the position and see whether he can put up any proposals which will really give a proper statement of the case.

Mr. Campbell.—I dare say there are great difficulties, because this is rather a technical point. I do not think an ordinary Audit Officer will be able to do much in this matter; I don't think he will be able to say that 25 per cent. of an Inspecting officer's time is devoted to educational or research work and 75 per cent. to the general work of the Indian Stores Department. Only the controlling officer will be able to do it. He will have to settle what the percentage should be on one side and the percentage of every item of expenditure on the other side. That really involves getting down to the capital assets as well, because it involves questions of depreciation and interest on capital, but we have not had really any difficulty in the matter in regard to similar concerns. Now and again we have got to change the percentages.

Chairman.—I quite understand Mr. Campbell's point. The ordinary audit officer cannot do much in this matter, but Mr. Campbell himself is a man of experience in these matters, and perhaps he will be able to talk the whole thing over with the Chief Controller of Stores and arrive at a system for making an allocation. What is needed is practical experience in making this kind of allocation in the case of commercialised Government departments which also do non-commercial business. But I must point out that we must preserve a sense of proportion in these matters and keep an eye on practical results. We cannot afford to spend a lot of money on producing something which professes to be a commercial statement but which for all practical purposes is so inaccurate as to be of no value. We do not want to spend money and have elaborate accounting. If when we meet next year the Director of Commercial Audit came before you, after having gone into this very carefully, and said "I have been into this; I am satisfied that it is a hopeless task; I cannot produce anything of real value", I take it the Committee would have to accept that unsatisfactory position and say that they do not want mere "eye-wash", and that it is no use going unless they can get something which will really give them results of value. But I think we may ask that special attempts should be made to evolve system in consultation, and I join with Mr. Das in not accepting this decision as a final one.

GRANT 66—INDIAN STORES DEPARTMENT.

869. *Chairman.*—There is a comment in the Auditor General's letter, paragraph 51. It says, "The Committee will no doubt wish to receive, as usual, the latest information regarding the fortunes of this Department,

any new developments of policy, and any special features of recent administration." I take it the Committee would like to hear a general account.

Mr. Pitkeathly.—The position of the Department in the year under review was admittedly very bad. It was due to the industrial unrest prevailing during the year and the prolonged lock-out in the Tatas. The Tatas are one of our important sources of revenue, and the lock-out there affected not only the metallurgical Inspectorate, but also one of the largest and the most progressive of the Inspection organisations in the Department, namely, the Calcutta Inspection Circle. You will find from the note at page 266 of the Report, Profit and Loss Account of the Metallurgical Inspectorate, the branch incurred a loss of about Rs. 61,000 whereas in the previous year it made a profit of Rs. 1,73,000. This was entirely due to the strike in the Tatas. The position, I am glad to say, has improved during the past financial year. The Metallurgical Inspectorate has almost regained its original position, as you will see from the figures in the Administration Report of the past year. On the whole, there is a betterment during the current year, and I may say that we are fast approaching the position of our best year, namely, 1926-27. The effect of the strike in the Tatas on the Inspection work in Calcutta was serious. In some cases where steel could not be obtained for fabrication, orders which should have been completed during that year were carried over to the succeeding year. On the whole, the main cause of the loss in the year under review has been the trouble in Tata Works.

870. *Mr. Scott.*—Have the lower values of the articles you dealt in anything to do with it ?

Mr. Pitkeathly.—I entirely agree with the point raised by you. We are buying stores to-day, particularly textiles and some of our engineering supplies, at prices considerably below those paid before. This all helps to put the balance on the wrong side.

871. *Mr. Das.*—Don't you think that you are spending too much on the establishment of your Stores Department ?

Mr. Pitkeathly.—No. We have all along, since the beginning of the Stores Department, adopted the principle of not filling our posts, even when sanctioned by Government, until a need for the post arises. At present, we have 6 sanctioned posts which we are keeping vacant against possible contingencies. These posts are gazetted posts. In the case of the clerical establishment also, we keep a large number of posts vacant and do not fill them until we find it necessary to do so by experience. Another point I wish to make is this. We are dealing with a large variety of articles, and we have to maintain a minimum establishment irrespective of the quantity of business done. Take, for instance, oils and similar articles. We have got to keep the same establishment whether you deal with business worth Rs. 10 lakhs a year or Rs. 50 lakhs a year.

Mr. Shillidy.—May I point out an instance that came to my notice the other day ? The Stores Department in connection with a certain article made very close enquiries and standardised the purchase with the result that they saved the Department which was purchasing the article Rs. 90,000. The result of that economy on our part was to reduce the return which we get, because we get only a percentage on it. The more economies we produce by standardising and better organisation the less return we get.

Mr. Scott.—That was my point in asking that question whether you considered if the commission might be put up by 30 per cent. as the prices were down by 20 per cent.

872. *Mr. Das.*—We thought that as we gradually developed the Indian Stores Department in India you would be able to reduce the expenditure on the Indian Stores Department in London. You have been increasing the establishment expenditure of the Stores Department in India every year and no step has so far been taken to see if the staff can be reduced in London.

Mr. Shuldady.—As regards the question of staff in London, the position will not arise until our new rupee tender rules come in. We cannot definitely say at the present moment what effect that is going to have, but we do realise the importance of considering what economy will be possible as a result and we are now in correspondence with the High Commissioner on that point. It is possible that on the purchase side we shall be able—I only say it is possible, because I do not want to raise hopes beyond that—it is possible that on the purchase side we shall be able to effect some economy, but on the inspection side we are not so hopeful, because, as long as articles have to be bought in England which are not available in India, the inspection must continue. Our inspection work there will really depend on the volume of our purchase and the rupee tender rules will have the effect of calling for rupee tenders for delivery in India. So that on the purchase side we say it may be possible—I should not like to be more definite—but I cannot say anything at the present moment about the inspection side.

873. *Mr. Das.*—Last year when Colonel Kirkhope gave evidence, he said that it was on the inspection side that the activities of the Indian Stores Department in India would lie and that on the purchase side there would not be very much expansion.

Chairman.—As a result of the introduction of the rupee tender system.

Mr. Pitkathly.—All I can say is that we are already beginning to feel the effect of the rupee tender.

Chairman.—We wish to know what effect that has got on the inspection work of the department.

Mr. Pitkathly.—I may say that I anticipate that there will be a very material expansion on both sides. Our inspection is going up every year as these figures will show. The value of stores inspected in 1926-27 was Rs. 519 lakhs, and in the year which has just completed Rs. 747 lakhs. In 1926-27 we inspected 336,000 tons of material in weight, and this year we have just recovered from the effect of the prolonged stoppage at Tatas, but not withstanding that we have increased to 343,000 tons. The same thing applies to the purchase side. Our purchases have gone up from Rs. 360 lakhs in 1928-29 to Rs. 429 lakhs in 1929-30. I may also say that during the three months in the present financial year we have not only maintained the position reached in the corresponding period of last year but we are Rs. 7 lakhs above, so that all that indicates clearly that we are going to obtain very substantial benefit in the way of increased purchases and increased inspections from the introduction of the rupee tender system.

874. *Chairman*.—Can you just explain to us quite an elementary point? I want to know what is the effect of the introduction of the rupee tender system on the place in which inspection work is done. Say, for example, when you have to place for the Railways an order for boiler tubes—I do not know whether you do it or not,—but supposing you do that, you would now get tenders in rupees, but that does not mean necessarily that the boiler tubes are made in India though delivery would have to be taken in India. Supposing the boiler tubes are made in Birmingham, where would the inspection take place?

Mr. Pitkeathly.—In Birmingham.

Chairman.—Supposing they were made in Germany?

Mr. Pitkeathly.—They would be inspected in Germany.

Chairman.—The introduction of the rupee tender system has no effect on the place in which the inspection is done? That depends on where the order is finally placed?

Mr. Targett.—Not in the case of every thing, but only in the case of stores of a technical kind they would be inspected at Home. Ordinary simple stores as regards which there are no technical difficulties would probably be inspected in this country.

Mr. Pitkeathly.—In regard to the inspection of technical stores, take, for instance, plant and equipment, under the rupee tender system, the inspection will be where the various parts have been manufactured,—either in England, or in America, or any other country. The inspection during manufacture would be undertaken by Inspectors deputed from the other side, but as we are buying the articles for delivery in India and we are paying in rupees, the final inspection of these articles will be made in India after the plant and equipment have been received, erected and are ready for service. In the case of articles partly fabricated at Home and partly fabricated out here—the inspection will be partially at the other end and partially at this end, final inspection being made at this end.

875. *Chairman*.—Take, for example, technical stores that are manufactured by the United States for India. You say with the introduction of the rupee tender system they will again be inspected on arrival here. Does that mean that the rupee tender system involves a double process of inspection?

Mr. Pitkeathly.—But that will be necessary.

Chairman.—It will be necessary in any case?

Mr. Pitkeathly.—Yes. Wherever we buy our articles of plant and equipment, the final inspection has always to be made in India. That means you transfer a greater amount of the inspection from the other end to this end under the rupee tender system.

Chairman.—Therefore there will be more inspection business in future?

876. *Mr. Das*.—Can you tell us about the relations between the Railway Deptt. and the Indian Stores Deptt.?

Mr. Pitkeathly.—I am not going to make any comment about what happened in the past, but during the past two years we have been able to

reach an understanding with the Railway Board and the Railway Administrations. In the past financial year, the amount of business entrusted to the Department by the Railways was half a crore more than we obtained in the preceding year. The Railways are whole-hearted in giving us every scrap of inspection that they can possibly give us. We have had several meetings with the Railway Board and they have agreed in respect of a very large range of stores to make it obligatory on the Railway Administrations to utilise the Indian Stores Department. We have not during the past year been able to obtain the full benefit of these orders, because they were issued after the Railway Administrations had in many cases already entered into contracts for the year ; but during the coming year, and more particularly in the following years, we hope to be able to gain substantially as a result of the orders issued by the Railway Board.

Chairman.—I am sure that the Committee will be pleased to hear it. That statement will make the examination of the Railway witnesses more easy.

877. *Chairman.*—At page 38 of the Administration Report of the Department for the year 1929-30 there are certain points which strike one as rather extraordinary and I do not know whether you can give us any information about them. For instance, under the head "Supplies and Services", there is a large increase.

Mr. Pitkeathly.—It is due to the fact that we use the Director General of Stores for the inspection of stores in England before shipment and we have to pay for those services.

Chairman.—The increase under that heading seems to be proportionately so much larger than the increase in your receipts. That is how we have got to look at it, how the total expenditure goes up in proportion to the receipts.

Mr. Pitkeathly.—It is entirely due to having utilised the services of the India Store Department more and more for inspection in England and on the continent before shipment, and as we increase buying in India, this charge must go up because we continue to use the India Store Department for inspection.

878. *Chairman.*—Another item which shows a very big increase is the cost of Audit and Accounts.

Mr. Mohan Rau.—I have examined this question and I have got a statement ready.

Mr. Burdon.—There is a full detailed explanation here. The establishment of the Audit Officer, Indian Stores Department, has had to be specially treated because the difficulty is inherent in the position that the work increases not in a normal way but in an abnormal way. There has been a revision of the pay of the establishment and there were additions to the staff ; and there are one or two incidental causes of increase in expenditure. There has been a large increase in the number of contractors' bills, in the number of cheques issued, of letters received, and so on. It has also done agency work on behalf of the Chief Controller consisting of the payment of contractors' bills and the debits on account of such payments. The establishment is, if anything, very far from being static. The office is continually expanding.

879. *Chairman*.—The whole point is that the cost seems to be increasing more rapidly than the turn-over of the department.

Mr. Mohan Rau.—Much depends on the number of bills received in the office for payment. The value of such bills is however no indication. The number of orders placed with the department is very large as compared with the total turn-over. I have got figures to show that there has been a improvement in respect of various steps taken by the Department to reduce the number of small orders.

880. *Chairman*.—I think Mr. Burdon suggested that the audit staff has to be increased by substantial instalments at a time in anticipation of work. It cannot grow exactly "pari passu" with the growth of work. It looks as though you have reached a point of stabilisation, because as between 1928-29 and 1929-30 there has been no increase.

Mr. Mohan Rau.—I do not think I can say that even now. The number of bills we have had to pay during the last three months is the same as the number paid during the last six months of the preceding year. There has been a very large increase in number this year. I am going to submit some proposals about additional staff to the Auditor General shortly.

881. *Mr. Mitra*.—Is there any reason for this large increase of small bills ?

Mr. Pitkeathly.—I have no control over this large number of small bills. This is entirely a matter for the indentors.

Chairman.—The number of orders does not seem to explain the increase in the audit charges. Take 1927-28 and 1928-29. The number of orders hardly increased at all and the audit charge went up very substantially.

Mr. Mohan Rau.—There has been an increase of 7,000 in the contractors' bills. I have not got a statement of the number of orders.

Chairman.—The total is 20,921 in 1927-28 and 21,273 in 1928-29. The increase has been only about 300.

Mr. Burdon.—Mr. Mohan Rau is quoting from the statistics of his office.

Chairman.—This is rather a difficult point to follow up now. It would be useful to have special comments about it next year as to how matters are going in this respect. Mr. Burdon might make a special comment on that next year. It will help us.

882. *Chairman*.—There is another item which has gone up very considerably and that is pensionary charges—nearly 50 per cent. in four years. I do not know whether there is any special explanation for that.

Mr. Pitkeathly.—This follows the increase in the expenditure on staff. There has also been a change in the formula.

883. *Mr. Das*.—I should like to know how far Mr. Jukes is pursuing his inquiries in regard to the Indian Stores Department. We find that the department is being run at a loss from year to year and the losses are increasing.

Chairman.—Mr. Jukes has completed his preliminary Report. He will supplement that with detailed accounts in respect of each department, so that you will get some more details about the Stores Department. Certainly there are some special points that will require attention. I do not think you are correct in saying that the loss is going up every year. If you look at the figures for 1929-30, you will see that the loss is already coming down.

884. *Mr. Das.*—This is not final. The losses may go up again. I think it would be worth while to suggest that Mr. Jukes' special attention might be drawn to the activities of this department—whether the fixing of the rates of salary in the Indian Stores Department is what was contemplated by the Stores Purchase Committee and is proportionate to the amount of work they are doing.

Chairman.—That will quite naturally come within the scope of his inquiry. You have had explanations from Mr. Pitkeathly on the point. We have got to watch how his explanation works out in practice. We have got this big factor to be taken into account—that the receipts of the Stores Department are on a percentage basis and that the costs of all purchases are falling very considerably now. Therefore their returns are getting less in proportion to the work which is done and that undoubtedly will adversely affect their results. If we succeed in getting some separation of the non-commercial from the commercial activities of the department, we may be able to get a clearer view of the position. We shall have to wait and see what the results are next year and see what Mr. Campbell jointly with Mr. Pitkeathly can produce as regards the commercial account.

885. *Mr. Das.*—There is another point about which I want to ask Mr. Pitkeathly and that is whether it pays to undertake the small orders. If the orders are for small amounts, the amount that is spent in inspection and travelling charges, etc., is out of all proportion to the value of the articles purchased. I want to know Mr. Pitkeathly's views on the point.

Mr. Pitkeathly.—I regret I cannot give details of the cost of purchasing and inspecting items of small value. I would welcome any arrangement which could be made under which no indent for articles below a certain value was sent to the Indian Stores Department, but in considering this matter we have to keep in mind the fact that the duty of the Stores Department is to render service to the indenting authorities. If these authorities are prevented from sending indents for articles of small value they will in many cases be put to serious inconvenience. We receive indents from many indenting authorities who are far away from any source of supply. For instance, I have here an indent received from an Officer in charge of a Research Laboratory situated in the Naini Tal Hills. Some of the articles included in the indent are of very small value, one as low as Re. 1-8-0. The indenting officer in this case is far removed from the source of supply. He may not know where suitable articles are obtainable, and in any case will be unable to arrange for their inspection before they are despatched to him. If he places the order himself without inspection, there is the risk that the articles will be found to be unsuitable when he receives them, and the work for which the articles were required may be seriously delayed.

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