



***Report of the
Public Accounts Committee
on the
Accounts of 1941-42.***

No R. 1312

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REPORT OF THE PUBLIC ACCOUNTS COMMITTEE, 1943

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PART I.—CIVIL, POSTS AND TELEGRAPHS AND DEFENCE SERVICES.

Financial results of the year.—The following table compares the original and final grants and appropriations with the actual expenditure for the year:—

	(In lakhs of rupees.)		
	Original grant or appro- priation.	Final grant or appro- priation.	Actual expendi- ture.
Expenditure charged to revenue (voted)	27,66	29,54	28,65
Expenditure charged to Capital (voted)	65	90	33
	28,31	30,44	28,98
Disbursement of Loans and Advances (voted)	2,71	3,62	3,26
Total (voted)	31,02	34,06	32,24
Expenditure charged to revenue (<i>non-voted</i>)	1,11,76	1,31,01	1,32,58
Expenditure charged to capital (<i>non-voted</i>)	5	—10	—7
Total (<i>non-voted</i>)	1,11,81	1,30,91	1,32,51
Disbursement of Loans and Advances (<i>non-voted</i>)	12	10	9
Total (<i>non-voted</i>)	1,11,93	1,30,91	1,32,60
Total expenditure charged to revenue	1,39,42	1,60,55	1,61,23
Total expenditure charged to capital	70	80	26
Total disbursement of Loans and Advances	2,83	3,72	3,35
GRAND TOTAL	1,42,95	1,65,07	1,64,84

There was thus a total saving of Rs. 23 lakhs, or 13 per cent. over the final grant.

The following table compares the percentages of savings (—) or excesses (+) in the main sections of the budget for the last five years:—

	1937-38.	1938-39.	1939-40.	1940-41.	1941-42.
Expenditure charged to revenue	— 73	—1·32	+6·64	+3·18	+ 42
Expenditure charged to capital	—34·40	—11·59	—58·69	—6·96	—67·5
Disbursements of loans and advances	—9·52	—11·49	—3·10	—7·85	—9·96
Combined percentage	—1·34	—1·74	+6·22	+2·51	— 13

The points worthy of notice about these results are the extremely small variation of actuals from the final grant, which variation is the smallest there has been for a number of years and the large excess of the actuals over the original budget provision. This excess of Rs. 22 crores is due almost entirely to an increase in Defence expenditure, the reason for which, briefly, is that developments in the war situation, particularly in the Far East, made it necessary not only to retain in India for her own purposes far larger forces than had been anticipated and allowed for at the time of framing the budget, but to put into force a number of costly measures for the defence of Indian soil.

2. In the following cases, actual expenditure exceeded the grants voted by the Legislature:—

Item No.	Name of Grant,	Final Grant.	Actual expenditure.	Excess, re- quiring the vote of the Legislature.
1.	12—Executive Council	1,75,000	1,89,088	14,088
2.	15—Home Department	11,74,000	11,98,647	24,647
3.	15-A—Civil Defence Department	72,000	84,061	12,061
4.	17-A—Department of Indians Overseas	39,000	42,018	3,018
5.	18—Finance Department	5,12,000	5,12,225	225
6.	27—Police	36,20,000	36,62,154	42,154
7.	38—Education	7,11,000	7,11,240	240
8.	46—Industries	9,16,000	9,35,280	19,280
9.	49—Broadcasting	49,85,000	50,21,265	36,265
10.	63—Stationery and Printing	61,33,000	68,06,892	6,73,892
11.	10—Posts and Telegraphs—Working Expenses	11,65,57,000	11,68,29,265	2,72,265

The reasons for these excesses are briefly explained below:—

Item 1.—More tour expenses of the new Executive Councilors, partly offset by savings under equipment allowances.

Item 2.—Extensive issue of war photographs and increased expenditure on postage and telegram charges, etc.

Item 3.—Accurate estimates could not be prepared, the Department being a new one and in the making.

Item 4.—The Department being new and in the process of expansion, more accurate estimates could not be prepared.

Items 5 and 7.—The excesses are petty.

Item 6.—Mainly due to increased expenditure on wartime additional police in the North West Frontier Province.

Item 8.—Excess mainly in the English portion of the grant due to unexpected payment of leave salary of an officer in the colonies, increased cost of passages of two scholars and erroneous adjustment under this grant of certain charges debitable to Grant No. 47.

Item 9.—Chiefly due to increased activities in connection with the war, particularly arrangements for special war programmes and expenditure on A. R. P. works.

Item 10.—Mainly due to decrease in recoveries from the Defence services owing to fall in demand for stationery during March, 1942, smaller supplies caused by non-compliance of orders by paper mills and delay in issue of debits for value of stores owing to war conditions.

Item 11.—Mainly due to payment of increased allowances, honoraria, etc., larger payments of commuted value of pensions and increased expenditure on freight on account of larger issues of stores, partly offset by smaller expenditure on repairs due to non-completion of several building works, smaller expenditure on pay of establishments due mainly to certain personnel having been deputed to Field service overseas, smaller expenditure on audit charges, establishment and other charges paid to other Governments and Departments, etc., etc.

We recommend that the necessary excess grants be voted by the Legislative Assembly.

3. *Minutes of Proceedings.*—We append the minutes of our proceedings which we desire, as usual, to be regarded as part of our Report. In the following paragraphs, we refer only to some of the more important questions considered in the course of our examination.

4. *Accuracy of budgeting and control over expenditure.*—Accurate budgeting and control during the year under review were rendered difficult owing to the intensification of the war and the innumerable demands connected with it which could not possibly be anticipated. In spite of these difficulties we are pleased to see that, judged by the various criteria that are usually adopted for determining whether budgeting has been accurate and control adequate, the results of the year do not compare at all unfavourably with those of previous years. Indeed, as has been noticed above, the variation which the aggregate figures disclose is the least there has been for several years, even though there has been a deterioration in budgeting both in regard to expenditure charged to capital and the loans and advances. Again, though the percentage of the total voted amounts surrendered to the total actual savings in all the voted grants is somewhat less than last year with regard to revenue and capital expenditure, it is very considerably higher in the case of loans and advances. Similarly, the increase of the percentage which final unsurrendered savings bear to the grants in the case of revenue and capital expenditure, is offset by a decrease in the case of loans and advances. Further, while there have been excesses in 11 voted grants as compared to 10 last year, the number of cases of non-voted appropriations in which there has been an excess, has gone down from 27 to 26.

5. *Supplementary Grants.*—Although the number of supplementary grants which had to be voted and the amount involved still remain high—as they must so long as variations in the fortunes of war require immediate expenditure of funds irrespective of budgetary considerations—the percentage of the total of the supplementary grants to the original grant shows a welcome falling off from the figures it had attained last year. We are also pleased to see that there was in the year under review only one supplementary grant which proved unnecessary as compared to three last year. This was in Grant No. 69—Andamans and Nicobar Islands and the reason for the saving is that these Islands were occupied by the enemy during the course of the year and the accounts for the last two months have been lost. Had these accounts reached the Accountant-General, there might well have been no savings; and we cannot, in the circumstances, treat this case as evidence of any lack of financial control.

6. Having regard to the uncertainties caused by the war, the results of the year are undoubtedly satisfactory and we must again express our appreciation of the manner in which the financial organisation continues to meet the demands that changed and changing conditions continue to make upon it.

7. *Audit.*—The Auditor-General informed us that no less than 33 per cent. of his officers and 20 per cent. of his staff have had to be given up to the other Departments of Government who were in need of their services, that their place has been taken by new and inexperienced staff, that at the same time the number and magnitude of transactions required to be audited has increased owing to the war and that the consequence has been that throughout the whole field there has been a relaxation of the standards of audit, a partial suspension of local audit and a reduction in the quantum of audit. We appreciate the fact that the supply of officers trained in the principles of finance is limited and that their chief source of supply is the Audit Department and we approve the policy Government has followed of taking away these officers from audit duties and attaching them to the administrative departments. A loss in the efficiency of administration is, we fear, one of the many inevitable consequences of the war; but without, in any way, desiring to minimise the importance of Audit we consider it expedient to shift this loss to where it can do least harm. Where money is being spent at an unprecedented rate it is preferable that control should be applied at the source and spending departments should receive financial advice before they spend the money rather than that they should be given financial advice by Audit after the event. We have in the consideration of the Report and Accounts placed before us borne in mind the conditions under which they have been produced.

8. *Unanticipated Credits.*—The question of the utilisation of unanticipated credits which engaged the attention of this Committee when it dealt with the Appropriation Accounts for 1930-31 and 1931-32, has again come up for consideration. In the year under review unanticipated credits have been of such magnitude in certain grants owing to war conditions, such as Grant No. 60.—Civil Works and Grant No. 30.—Survey of India, that what otherwise would have been excesses which would have required a vote of the Legislature, have been converted into savings. This Committee recommended, after considerable discussion, in its Report on the accounts of 1931-32 that “in cases where substantial unanticipated credits are to be utilised to incur fresh expenditure which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants”. Since then the functions of the Standing Finance Committee have been considerably altered and that Committee is now concerned only with the merits of new expenditure and not in any way with the method whereby funds are provided—whether by budget provision, reappropriation or supplementary grant. The position therefore is that the Executive is now able to utilise funds without the consent or even the knowledge of the Legislature and there is no safeguard to ensure that the matter will be brought to its notice or to the notice of its representatives in either of the Committees which deal with Finance.

9. It was argued that the utilisation of unanticipated credits for the financing of new items of expenditure, differs in no way from reappropriations made out of genuine savings for a similar purpose. We are, however, unable to accept this view for we consider that the difference between the utilisation of savings and the utilisation of unanticipated credits is fundamental; in the one case it is the utilisation of funds that have actually been voted by the Legislature while in the other funds are utilised of which the Legislature has no knowledge and over which it has no control. We understand that in England the system is that the original vote placed before the House contains what is known as an 'Appropriation-in-Aid' which corresponds to our head 'Deduct—Recoveries' and that departments are prevented from spending more money than has been granted to them by the Legislature by the adoption of the device of taking to a receipt head all recoveries in excess of the amount mentioned in the Appropriation-in-Aid. We have on a previous occasion considered and rejected this device for it is not in consonance with scientific principles of accounting and we are averse to its adoption in India.

10. It is, however, necessary that these unanticipated credits, if they are to be utilised, should at some time be brought prominently to the notice of the Legislature. There are two ways of achieving this result, the first being the moving of a token grant in the same manner as supplementary grants are moved and the second, by the adoption of a convention by which, whenever unanticipated credits are utilised, the fact, as well as the extent, of such utilisation, should be brought to the notice of the Legislature by mention in the Budget Memorandum if the credits are noticed before the preparation of the revised estimates, or by specific inclusion in the Appropriation Accounts if they are noticed after the close of the year. We regard the second alternative, which is already in operation on the Railway side, as much the simpler of the two and we recommend that for the period of the war it should be adopted on the Civil side also and should be reviewed again when normal conditions are restored.

11. *Works Expenditure*.—In considering Works Expenditure last year we were uncertain as to whether it was desirable in war time to continue the policy of lump cuts which this Committee has over a long period been recommending. Pending a further investigation into the causes of savings and the formulation of a more definite policy we recommend that in the preparation of the next year's budget no cut should be made in the provision for works expenditure in the Grant "Civil Works" and the Appropriation "Tribal Areas" but that all other provision for works should remain subject to this cut. We notice, however, that it has apparently not been found possible to follow this recommendation and in the current year cuts have been imposed throughout.

12. We have now had the benefit of the experience of one more year's working and of the manner in which war time conditions affect the works programme. We observe that, generally speaking, the effect has been to increase the magnitude of works and to accelerate their construction. The result is that for the first time after a long series of years in which savings, often substantial, occurred, there has in the year under review been an excess of 5.32 per cent. in the consolidated provision for works. We have after full consideration come to the conclusion that war conditions make budgeting in the matter of works so uncertain and the continuation of an increase in works expenditure so probable that the policy of imposing lump cuts—the justification for which really lies in its being in normal times a counter-measure against the over-optimism of Engineers—should be discontinued for the duration of the war.

13. We examined with care the Note furnished by the Finance Department describing the procedure followed by them in making budget provision for works. This Note was provided in order to enable us to assess the justification of the charge made before us last year that one of the contributory causes of the persistent savings in the grants for works expenditure was the making of budget provision by the Finance Department without satisfying itself fully as to whether the items for which budget provision was made had reached a state of maturity sufficient to enable them to be executed in the following year.

Our examination has led us to the conclusion that there is no inherent defect in the procedure which is now followed. Though it may be possible to follow in peace time the principle of insisting on the work having reached an advanced stage of maturity before budget provision for it is made, the following of such a procedure in war time would not only throw a very considerable additional burden on the Public Works Department which is already overworked, but would also in present conditions necessarily result in large excesses in the grants. We find nothing wrong in the procedure of the Finance Department and agree that no change is necessary.

14. *Posts and Telegraphs Department.*—We paid some attention this year to the Renewals Reserve Fund of the Posts and Telegraphs Department. We find that no principle has so far been followed in the determination of the annual contribution from revenue to this Fund. The contribution has been fixed at various times in consultation with this Committee in accordance with variations in the corpus of the Fund and has varied during the last six years between the figures of Rs. 23.05 lakhs and Rs. 25 lakhs per annum. With the growth of the assets of the Department this Fund has gradually diminished and now stands at a figure which is not only considerably less than the absolute amount which it had reached six years ago but bears a proportion of no more than 6.85 per cent. to the capital at charge against 17.14 per cent. at the close of the year 1936-37. In order to remedy this state of affairs we have approved the decision of Government to make a lump sum contribution of Rs. 150 lakhs to the Fund from the accumulated surplus at the end of 1942-43, which will have the effect of practically doubling the balance at its credit and bringing it up to about the same level as that at which it stood in 1936-37. We are however not at all satisfied with this *ad hoc* fixation of the grant to be made to the Fund and desire that the whole matter should be reviewed and the Department should work out a scientific basis according to which payments into the Fund should be regulated. That basis may be either actuarial or may be determined with reference to the lives of assets regard being had in the latter case to the rate of obsolescence. We have, however, no objection to this review being postponed till the end of 1944-45 by which time it is expected that the Telecommunication Development Scheme will be complete and the Department will have had more experience of the demand for replacements and renewals of the telephone systems taken over from the Telephone Companies.

15. *Report of the Military Accounts Committee.*—We append the Report submitted by the Military Accounts Committee constituted to conduct a preliminary examination of the Defence Appropriation Accounts and connected documents. In view of the magnitude of Defence expenditure in war time, the fact that this expenditure is being incurred not only on behalf of India but also on behalf of His Majesty's Government and also because of the general importance of the matters dealt with therein, we wish to draw special attention to the Report and Proceedings of that Committee which we desire to be treated as part of our Report.

PART II—RAILWAYS.

16. *Financial results of the year.*—The following table compares the original and the revised estimates with the actual expenditure of the year under report:—

	(In lakhs of rupees.)		
	Budget.	Revised.	Actuals.
Traffic receipts (less refunds)	1,08,25	1,27,00	1,29,18
Miscellaneous receipts	2,24	2,57	2,52
Working expenses (including depreciation)	68,60	73,13	73,56
Miscellaneous expenditure	73	73	69
Interest charges	28,60	28,61	28,44
Surplus (+) or deficit (—)	+11,83	+26,20	+28,08
Contribution to general revenues	10,18	19,13	20,17

Out of the net surplus of Rs. 28,08 lakhs, Rs. 20,17 lakhs were paid to general revenues, and 7,91 lakhs into the Depreciation Reserve Fund. The former amount included 15,37 lakhs towards the arrears of contribution for the period

from 1931-32 to 1938-39, covered by the moratorium, the balance of 4,80 lakhs being the contribution for the year under the separation convention of 1924. The outstanding arrears of contribution to general revenues amounted to 12,63 lakhs at the end of 1941-42, and the outstanding loan from the Depreciation Fund to 22,38 lakhs. The Railway Reserve Fund received no share of the surplus in the year under report.

17. *Excess over voted grants.*—There were excesses in five voted grants, as compared with six in the previous year.

Grant.	Final Grant. Rs.	Actual expenditure. Rs.	Excess. Rs.
(1) 5.—Revenue—Payments to Indian States and companies .	4,18,85,000	4,35,37,694	16,52,694
(2) 6-B.—Revenue working expenses, Maintenance and supply of locomotive power	20,06,20,000	20,07,81,305	1,61,305
(3) 6-E.—Revenue working expenses, Expenses of Traffic Department .	10,95,75,000	11,06,45,781	10,70,781
(4) 6-G.—Revenue working expenses. Miscellaneous expenses .	5,23,17,000	5,70,64,574	47,47,574
(5) 9-A.—Revenue Repayments to Depreciation Reserve Fund .	7,07,60,000	7,91,07,748	83,47,748

Brief explanations of these excesses are given below:—

(1) Due mainly to increase in net earnings of worked lines owing to improvement in traffic.

(2) Due chiefly to increased freight charges on account of more receipts.

(3) Due mainly to anticipated reduction in the cost of staff on the Great Indian Peninsula Railway not having materialised.

(4) Due mainly to adjustment of expenditure under 'Suspense' owing mainly to non-recovery, during the year, of the cost of works undertaken on behalf of the War Department and payment of more evacuation advances, etc.

(5) Due to a larger net surplus as a result of improvement in earnings.

We recommend that the necessary excess grants be voted by the Assembly.

18. *Accuracy of budgeting and control over expenditure.*—The accounts of the year show a net saving of Rs. 20 lakhs of 0.18 per cent. under Revenue expenditure (exclusive of withdrawals from the Depreciation Reserve and the Railway Reserve Funds and the repayments to the former or appropriations to the latter fund). Under capital expenditure, there was a saving of Rs. 9,35 lakhs, or 60.17 per cent. These compare as follows with the results achieved in the four preceding years.

Expenditure charged to Revenue (exclusive of withdrawals from the Depreciation Reserve and the Railway Reserve Funds and the repayments to the former or the appropriations to the latter Fund).

Year.	Final grant and appropriation.	(In lakhs of rupees.)	
		Savings (—) or Excess (+).	Percentage of col. 3 to col. 2.
(1)	(2)	(3)	(4)
1937-38	98,30	+63	0.64
1938-39	99,64	+10	0.10
1939-40	100,52	—40	0.40
1940-41	102,37	1,23	1.20
1941-42	109,82	—20	0.18

Expenditure charged to Capital and the Depreciation Reserve Fund.

Year.	Final grant & appropriation.	(In lakhs of rupees.)	
		Savings (—) or Excess (+).	Percentage of col. 3 to col. 2.
(1)	(2)	(3)	(4)
1937-38	10,70	—24	2.25
1938-39	13,50	+2	0.18
1939-40	11,30	—29	2.57
1940-41	11,24	—1,74	15.48
1941-42	15,54	—9,35	60.17

The results of 1941-42 in regard to expenditure charged to revenue compare favourably with the average results obtained in the previous four years but those of expenditure charged to capital and the Depreciation Reserve Fund show a

very marked deterioration. We examined in detail the reasons for this large saving under this head and found that it was due partly to certain accounting decisions taken during the course of the year and to greater credits received from the War Department for the value of permanent way and rolling stock sent overseas and only partly to the inability to execute the approved works programme. The explanation given for the variation is adequate and, having regard to all the circumstances and in particular to the uncertain conditions brought about by the war, we consider the results of the year to be satisfactory. We are pleased to observe that there was in the year under review, as in the year before, no supplementary grants which proved to be unnecessary and that in this respect there was an improvement over previous years.

19. *Changes in accounting.*—We observe that during the course of the year several important decisions were taken in regard to accounting. Firstly, it was decided to debit to revenue instead of to the Depreciation Fund (at whose debit these amounts have hitherto stood) the cost of assets abandoned on State-managed railways before 1924-25 on the ground that this Fund which was introduced in that year, had received no contribution in respect of these assets. Secondly, the decision reached in 1938 with the concurrence of the Standing Finance Committee, the implementation of which had been postponed to a more favourable time, that expenditure on ballast renewals should be charged to revenue instead of the Depreciation Fund, was given effect to in the course of the year under review. Thirdly, it was decided to debit to revenue instead of the Railway Reserve Fund that part of the original cost of lines dismantled since 1940-41 which was not covered by contributions accumulated in the Depreciation Fund taken together with the value received for released material. We welcome all these changes as being desirable in themselves in that they promote conservative finance and we also regard the time chosen to introduce them as opportune in view of the strong revenue position. We hope, however, that it will be possible in future to introduce changes in the accounting arrangements from the beginning of a financial year in order to prevent a disturbance of the budgetary equilibrium such as these changes caused in the year under review.

20. *Works Expenditure.*—The large saving in expenditure financed from Capital and the Depreciation Reserve Fund led us to examine the safeguards in force for the prevention of such savings. We find that the budget under Grant No. 12—Open Line Works—(Capital and Depreciation Fund) which is responsible for by far the greater part of works expenditure, is every year subjected to a percentage lump sum cut. Government has been experimenting with varying percentages for the cut and the figure for the year under review was 19. In the result, the delays and difficulties caused by the war in obtaining materials led to a saving of about 50 per cent. We considered recommending a drastic increase in the lump cut but we recognise that to do so would be to presume to forecast the course of the war and to assume a continuation of the conditions with regard to manufacture and shipping that prevailed in 1941-42. Such a supposition would be unwise and we would, therefore, leave it to the Railway Department, as heretofore, to determine, with reference to past experience and the conditions prevailing at the time the budget is prepared, what the extent of the cut should be.

21. *Collieries.*—The losses incurred on the running of the Railway collieries have engaged our attention from time to time and when we last discussed this question while examining the accounts for 1936-37, we were told that the outturn was being increased and the loss to Government would be reduced. We observe, however, that, in spite of considerably increased output, the collieries are still being run at a loss and that, for the last three years at least the loss has been increasing. The system of charging for coal at present is that the collieries supply coal at cost to the Railway system owning them and at market price to foreign railways. We are doubtful whether it would be justifiable to continue this system when, as will shortly happen, all the Railways are owned by the State. It is open to question whether the correct principle

of accounting when one industry is owned by another is for the subsidiary industry to charge the main industry the full market price, thus itself showing a separate profit or loss, or whether supplies to the main industry should be made at cost, the profit or loss of the subsidiary industry merging in the accounts of the main industry. Whichever system is followed, the main consideration is to see that the cost (including elements for overhead charges, interest and depreciation) at which collieries owned by the State are able to supply coal to the Railways should be discoverable from the accounts and should, as far as possible, be lower than the market price. We should like the Railway Department, therefore, to investigate the position and report to us what they consider to be the correct principle according to which charges should be made.

22. *Financial Irregularities*.—We examined with care the cases of loss, nugatory expenditure and financial irregularity described in the Audit Report and are satisfied that wherever action was required, suitable action has been taken and wherever the loss or irregularity disclosed a defect in system, the system has been suitably modified.

23. We desire in conclusion to place on record our appreciation of the valuable assistance the Auditor-General has rendered us throughout the sittings of this Committee. We should also like to express our appreciation of the work of our Secretary, Mr. B. K. Nehru.

A. J. RAISMAN.
L. K. MAITRA.
A. M. A. GHANI.
HABIBUR RAHAMAN.
R. D. DALAL.
RAZA ALI.
MOHD. AZHAR ALI.
FAZLI HAQ PIRACHA.
I. ALI KHAN.
H. M. ABDULLAH.
T. CHAPMAN-MORTIMER.

B. K. NEHRU, *Secretary*.

The 6th November 1943.

REPORT OF THE MILITARY ACCOUNTS COMMITTEE, 1943.

We are appointed, in pursuance of the recommendations made in paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1929-30, to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. We have been assisted in this work by the Auditor-General, the Secretaries of the War and Supply Departments, the Financial Adviser, Military and Supply Finance, the Military Accountant-General and the Director of Audit, Defence Services. The results of our examination are, as usual, embodied in the proceedings of our meetings which we desire to be treated as a part of our Report. The following paragraphs deal only with some of the more important points discussed therein.

2. As in the last year and the year before, the Audit Report covered the results of the Test Audit of all expenditure on the Defence Services initially brought to account in the Indian books, including expenditure finally debitable to His Majesty's Government, without attempting to distinguish between transactions wholly or partially affecting one Government or the other. There has been no change in the year under review in the principles governing the division of charges between India and England nor in the methods of applying those principles which were approved and accepted by us last year. In view, however, of the importance given to the matter of allocation of charges between the two Governments in debates in the Legislative Assembly, we examined in detail the procedure that had been adopted for the determination of such allocation. That procedure, briefly, is that all new measures sanctioned are reviewed at a weekly meeting between the Additional Financial Adviser, Military Finance and the Director of Audit, Defence Services and their classification as 'H. M. G.', 'Indian' or 'Joint' is decided upon by these two officers in accordance with the principles already settled. Further, at the end of each

year Defence expenditure, provisionally compiled to the debit of His Majesty's Government in the absence of the information necessary to determine the final allocation, is redistributed between the two Governments by these same officers acting in concert, in accordance with the principles of the Settlement and with reference to the agreed classification of new measures. If a difference of opinion arises, the matter is referred to the Auditor-General who has the right to bring to the notice of the Public Accounts Committees both in India and the United Kingdom any cases in which he considers that the classification adopted is not in consonance with the principles of the Financial Settlement. The Auditor-General has informed us that neither he nor his officers have ever had any difficulty in obtaining from the Military Authorities all information required for the proper determination of allocation. We ourselves have of course not examined any individual cases of allocation and cannot, therefore, certify, nor indeed be expected to certify, that the allocations made during the course of the year are correct. But we have again carefully reviewed the procedure prescribed for determining the classification of new measures, together with the methods which have been evolved of applying the principles of the Financial Settlement in the actual allocation of expenditure, which have already had our approval, and we have no suggestions for improvement.

3. The Accounts of the year under review again bear numerous evidences of the stresses and strains caused by the impact of war on an administrative machinery which had not been able to prepare itself to meet the abnormal conditions which prevailed during the year and which were, in the latter part of it, intensified by the outbreak of war with Japan and the emergence of the new threat to India from the East. Those parts of the machinery for Defence which appear to have had most difficulty in adjusting themselves to the new conditions were the Military Engineer Services and the Stores Organization.

4. *The Military Engineer Service.*—The Accounts and the Audit Report have brought to notice numerous irregularities of various kinds, some of them grave, in connection with the execution of works for the Defence Services. In view of the considerable sums of money spent on these works and of the fact that this field of Defence expenditure lends itself most to extravagance and waste, we thought fit to examine in detail, with especial and critical care, the procedure adopted for determining the necessity of works, for entering into contracts, for fixing prices and for inspection. As a result of our examination we have come to the conclusion that, though the arrangements in regard to all these matters left much to be desired, the work of the Military Engineer Service, having regard to the conditions in which they were called upon to carry out their task such as the extreme urgency and the great volume of the work, the shortage of material and contractors, the inadequacy of transport and above all the acute shortage of skilled technicians and supervisory engineering staff, cannot on the whole be regarded as unsatisfactory.

5. We are assured, however, that steps have been taken to guard against a repetition of the mistakes made in the year under review. We are glad to see that it has been found possible to withdraw the wide powers which had been delegated to Armies and Commands with regard to the sanctioning of works expenditure, a matter about which we expressed our misgivings last year; and that all major works have now to be approved by General Headquarters before their execution can be undertaken. Orders have also been issued for the discontinuance as far as may be possible of negotiated and single tender contracts and for the reversion to the system of open competitive tender. Reports have now to be sent to the Government of India of each work which is abandoned before completion and this, we hope, will eliminate the possibility of waste caused by the too lighthearted commencement of works and their equally lighthearted abandonment. The internal check agency, whose function it is to examine the rates and forms of contract and to test the quality of work, has been strengthened. We trust that these valuable reforms will have the effect of re-establishing firm and centralised control and that the Accounts of future years will bear testimony to their effect in reducing extravagance and waste.

6. For one difficulty in the way of the M. E. S., however, we notice that there has been found no remedy. We said last year that we feared that the fall in the percentage of establishment charges to works expenditure might be indicative of a lowering of the standard of supervision. That percentage has in the year under review fallen even further and is now 4.39 compared to 6.76 for 1940-41; and there is little doubt that supervision over works is now inadequate. This inadequacy is, as we have noticed above, due to the non-availability of engineers. We fear that this shortage is in present conditions only partially (if at all) remediable and that we must accept a lowering of the standards of supervision and a consequential loss in efficiency as inevitable evils of the war.

7. *Stores.*—We observe with regret that the Military Accountant General has had to make reservations in his certificate with regard to stores and has stated that in several cases involving substantial values consignees of Defence Department's stores had not in practice linked the goods actually received by them with the particular consignments notified as having been despatched, and that in other cases stores accounts were very incomplete. The Auditor General has observed in the Audit Report that the condition of the Stores Accounts cannot be regarded as satisfactory. We are informed that it is to be feared that substantial quantities of stores may have been lost owing to difficulties in transport and the general inadequacy of the Stores Organisation and that because of the failure to link issues and receipts, the full extent of the losses cannot be known; it is also certain that full control over stores has been impossible because of the inadequacy of the accounting. The list of losses listed in appendices B.I, B.II, B.III, and B.IV which is very small, contains only those losses which have been brought to account, the main losses having occurred in items which never entered the Government account at all.

8. The difficulties in the way of the Master-General of the Ordnance in the matter of supervision over and accounting of stores are twofold. One, as in the case of the engineers—but remediable with less difficulty—is the shortage of trained personnel. The other is the difficulty, which we discussed at length last year and for which no adequate solution has yet been found, of linking stores between consignors and consignees. This latter difficulty, which is not peculiar to India, having been experienced in Great Britain and, in an acute form in the Middle East, is inherent in the abnormal conditions of transport in wartime. No adequate remedy for the ills of the stores organisation was found in the year under review nor indeed in the next year in which, we are told, conditions were even worse and the probable losses even greater than in 1941-42.

9. We are assured, however, that the authorities are now fully alive to the extreme importance of stores accounting and that steps have already been taken to restore control. Such steps are the appointment of an expert *ad hoc* committee to examine the administration of arsenals and ordnance depots and to make recommendations for their improvement; the appointment of three Touring Teams of officers, one each for Medical, Engineering and Ordnance stores, who visit the depots and report on their conditions, making suggestions for improvement; the making of arrangements to recruit and train personnel for stock-keeping duties; the appointment of a Controller of Accounts in the Master-General of the Ordnance Branch to devise and enforce accounting arrangements for stores depots; and the appointment of a Planning Committee which tours and devises means of control for the accounting, receipt and issue of stores. These measures appear to us adequate to meet the needs of the situation and we hope that the accounts of the year 1943-44 will show an improvement in this regard.

10. *Naval Accounts.*—Allied to this problem is the problem of Naval Stores Accounts which was mentioned in our Report last year. We are informed that a complete reorganisation of the accounting arrangements in the Royal Indian Navy has taken place and that steps have already been taken to recruit and

train a large number of officers for the newly formed accounting branch of the Navy. The position is now better in that the old accounts have started coming in, but is not altogether satisfactory as we are told that some of the new accounts are still in arrears. We are, however, glad to be able to record our opinion that the new organisation is being built on sound lines and that it is expected to have an excellent effect in the future. We shall continue to watch with interest the growth of this new branch of the Royal Indian Navy and hope that the troubles that are at present being encountered will soon be overcome.

11. *Supply Department*.—We are indebted to the Supply Department for a valuable exposition of the methods adopted by them to meet the growing demand for war supplies. We studied in detail the various types of contracts described in the Audit Report and examined generally the relations of the Department with Industry. We were pleased to observe that the initial distrust with which Industry viewed Government as a result of which it was generally reluctant to give the latter any information about itself, is gradually being overcome. The atmosphere is now one of mutual cooperation, trust and goodwill; Industry is now more willing than formerly to disclose its price structure and profit margins and the result is smoother negotiation and generally the conclusion of arrangements much more in the public interest than used formerly to be the case.

12. We made a careful investigation into the extent to which Supply Department contracts depend on detailed enquiries regarding costs and were satisfied that over most of the field, proper costing was either the basis of the contract itself or the basis of negotiation. In some cases *ex post facto* costing enquiries have led to refunds being made on old contracts. Where contracts could not be based on detailed costing investigation, as for example, in the case of the Indian Textile Industry, we accept the view that in the particular conditions prevailing there was no alternative but to follow the course actually adopted and that the results secured, though by no means entirely satisfactory, were the best that could have been achieved. The Auditor-General explained to us the procedure he followed in dealing with the reports on costing investigation and with the reports of Commercial Auditors, upon whom it was necessary for Government to rely owing to the inadequacy of the Supply Department Costing Organisation. The Auditor-General and the representatives of the Supply Department both acknowledged the great assistance which had been received from the Accountancy profession as a whole and we are glad to note the manner in which the Supply Department Costing Organisation, the Accountancy Profession and the Indian Audit Department are cooperating to secure the maximum possible safeguard against wasteful contracts.

13. We were considerably interested in the detailed account given to us of the efforts being made to utilise surplus, obsolete and waste stores. The somewhat small Disposals organisation, which hitherto dealt with these matters on the Defence sides has, following on the increase of stores and material in military use, been expanded into a Salvage Directorate which acts in coordination and cooperation with the Directorate-General of Salvage and Disposals which has recently been set up under the control of the Supply Department. We are pleased to observe that the use that has already been found by the Salvage Directorate during the short period of its existence for material which would otherwise have been wasted, augurs well for the economies this organisation hopes in future to be able to effect.

14. We desire to place on record our indebtedness to the Auditor-General for the valuable assistance given to us in our examination of the Accounts.

A. J. RAISMAN.
C. E. JONES.
I. ALI KHAN.
L. K. MAITRA.
A. M. A. GHANI.

B. K. NEHRU, *Secretary*.

Proceedings of the first meeting of the Public Accounts Committee held on Thursday, the 26th August, 1943, at 10 A.M.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,
Sir Syed RAZA ALI, C.B.E.,
Mr. H. M. ABDULLAH,
Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.,
Mr. T. CHAPMAN-MORTIMER,
Sir RATANJI DALAL, C.I.E.,
Khan Bahadur Sheikh HABIBUR RAHAMAN,

} *Members.*

Sir LEONARD WILSON, Chief Commissioner of Railways,
Mr. T. S. SANKARA AIYAR, C.I.E., Financial Commissioner of Railways,
Sir HUGH RAPER, Member, Railway Board,
Mr. I. S. PURI, Director of Finance, Railway Board,
Mr. D. COLIN CAMPBELL, Director of Railway Accounts.

} *Witnesses.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India,
Mr. E. R. SESHU AIYAR, Director of Railway Audit,
The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

Railway Department.

The Committee commenced its examination of the Railway Accounts with a consideration of the action taken on the outstanding recommendations of the Committee.

Item 1.—The Committee expressed themselves as satisfied at the reduction in the allowances of the Chief Mining Engineer from Rs. 800 per mensem to Rs. 500 per mensem which had resulted from their recommendation that the justification for the allowances paid to that officer should be re-examined.

Item 2.—It was stated that, on a further review of the question, it was found that it was unnecessary to issue any fresh instructions with regard to the recommendation that the Railway Administrations should make every effort to maintain their assets at as high a level of efficiency as possible in order to reduce the burden of maintenance arrears to be carried forward to the future; the necessary instructions having already been issued to the Railway Administrations in September 1939.

Item 4.—The Committee noted that, although necessary instructions had been issued to Railway Administrations that they should continue to furnish all explanations demanded by audit, the G. I. P. Railway had once again defaulted in the furnishing of explanations for variations under the suspense head. It was stated, in extenuation, that the orders in question might not have reached the G. I. P. Railway at the time the Appropriation Accounts for the year 1941-42 were being compiled. The Committee, however, observed that it should not have been necessary to make a recommendation on this point at all and they hoped that a repetition of this default would not recur.

2. Before the Committee went on to the examination of the Accounts proper the Auditor General said that he would like to bring to their notice the fact that, owing to the war, he had had to give up to other Departments of Government no less than 33 per cent of his officers and 20 per cent of his staff; that at the same time and for the same reasons the number and the magnitude of transactions that required to be audited had gone up and that the consequence had been that throughout the whole field there had been a relaxation of the standards of audit, a suspension of local audit and a reduction in the quantum

of audit. This deterioration had first become noticeable in the Accounts for the year 1941-42, though in the Railway Accounts there had been no reduction in the quantum of audit so far as the audit of expenditure was concerned, the reduction being limited to the traffic (receipt) side. He expressed the hope that the Public Accounts Committee would in the consideration of the Reports placed before them bear in mind the conditions under which the audit staff had worked and were working.

3. The Chairman explained that the supply of officers trained in the principles of finance was limited, their chief source of supply was the Audit Department and the demand for them had increased vastly owing to the great increase of expenditure necessitated by the war. Government considered that it was much more in the public interest that spending departments should receive financial advice before they spent money than that they should receive criticism after the money had been spent. They had therefore transferred a considerable number of officers from the Audit Department to the spending departments thereby somewhat weakening the former. The Committee fully agreed that in present circumstances it was correct that the limited quantum of financial advice available should be applied to expenditure at the source rather than that it should be directed to criticism after expenditure had been incurred and stated that they would not object to the consequential deterioration in the standard of audit that the following of such a policy must necessarily imply.

4. The Committee then proceeded to examine the Appropriation Accounts of the Railways in conjunction with the Audit Report and the Review prepared by the Chief Commissioner. The Chief Commissioner laid before them a summary of the approximate financial results of the Indian State owned Railways in 1942-43 (Appendix III). The Committee observed that, in spite of the surplus for the year 1942-43 being 7½ crores higher than the Revised Estimate, the share creditable to general revenues remained the same, namely Rs. 20.13 crores, as under the financial arrangement agreed upon for the year the share of general revenues had been specified at a fixed sum and not as a percentage of the surplus and that therefore the excess in the surplus now disclosed would go to the Railway Reserve Fund. They noted that the sums in the Depreciation Reserve Fund and the Railway Reserve Fund now stood at Rs. 82½ crores and Rs. 8½ crores respectively, there being no liabilities remaining to be cleared.

5. In considering the details of traffic receipts the Committee observed that, as was to be expected, the initial increases after the year 1938-39 were proportionately more under goods' earnings than under passenger earnings, but that later on the trend had been reversed and passenger earnings were increasing more rapidly than goods earnings. In answer to a question it was stated that the proportion of the Railway income directly attributable to military movements was Rs. 29 crores out of a total of Rs. 154 crores in the year 1942-43.

6. In examining the statement comparing the variations between Estimates and Actuals over a series of years of the ordinary working expenses of the Railway as a whole, the Committee noted that the percentage variation of actual expenditure from Budget during the year under review was 8.5 which was an abnormally high figure. It was explained that this variation was mainly due to a post-Budget decision to debit to revenue certain special adjustments in respect of (1) the branch-lines dismantled during the year and in the previous year, (2) assets abandoned before 1924-25, and (3) the sanction of dearness allowance; it was also in part due to the greater cost of, and freight on, coal on account of larger consumption and larger receipt of coal from distant sources. The Committee observed that the decision to debit to revenue charges on account of the dismantled branch-lines and the abandonment of assets before 1924-25 as also the decision to charge expenditure on renewals of ballast to ordinary maintenance instead of to the Depreciation Fund (which was given effect to in the year under review for the first time) were all changes in accounting in the direction of conservative finance and were to be welcomed.

7. The Committee then went into the accounting of the dismantlement of branch lines. It was explained that on State-managed Railways the cost of dismantled lines (including the cost of land) was written off from the capital accounts, the Depreciation Reserve Fund, being debited to the extent of the contribution already made to the Fund in respect of the line and the credits for released materials, the balance being debited to revenue. On Company-managed lines, however, the capital cost of the dismantled lines less the credit for the released materials remained at debit of capital, the difference in the treatment of these charges between State-managed and Company-managed Railways being due to the fact that the Companies' contracts did not, strangely enough, include any provision for the writing down of capital and that it had been found impossible to persuade the Companies to accept such a writing down. It was further stated that the War Department had accepted in principle that they would pay for re-laying the line where it was known that it would be relaid after the war, but it had not yet been decided whether they would pay the cost of relaying now on the basis of estimates or whether they would pay it at the time the line was actually relaid. Nor had it been decided whether any compensation would be paid by them for loss of earnings on remunerative lines.

In answer to a question why the Cawnpur-Khairada line of the G. I. P. Railway (which the figures showed to be very remunerative) had been dismantled, it was stated that though the line was remunerative it was not essential as it was a chord line and the traffic it carried could be carried on the main line. The track was required for military depots and was not available elsewhere.

8. The Committee then proceeded to an examination of the Appropriation Accounts of each grant separately.

Grant No. 6A.—Maintenance of structural works.—The Actuals in this Grant exceeded the Budget provision by nearly $3\frac{1}{2}$ crores or 40.4 per cent, the chief causes contributing to the excess being the write back adjustment between this Grant and Grant No. 12 (Capital) owing to the post—Budget decisions mentioned in paragraph 6 above.

9. *Grant No. 6B.—Maintenance and supply of locomotive power.*—The supplementary grant of Rs. 1,00,85,000 taken during the year was the highest yet obtained under this Grant. It was explained that this was due to the traffic being also the highest ever experienced by the Railways. Even this supplementary grant, however, proved insufficient and there was a votable excess of Rs. 1,61,305.

10. *Grant No. 6C.—Maintenance of carriage and wagon staff.*—The saving on the Budget was the highest so far recorded under this Demand being due partly to works not being executed for want of materials and partly owing to the workshops being occupied in executing urgent war orders, thus making it impossible for normal maintenance work to be done.

11. *Grant No. 6E.—Expenses of Traffic Department.*—There was an uncovered votable excess in this Grant of Rs. 10,70,781 being made up of a variety of small items counterbalanced by others.

12. *Grant No. 6G.—Miscellaneous Expenses.*—The variations in this Grant compared both to the Budget and to the final Appropriation were very heavy and there was an ultimate votable excess of Rs. 47,47,554. The main causes of the uncovered excess were the suspense heads, "Miscellaneous Advances" and "Demands payable" mainly on account of works undertaken on behalf of the War Department the cost of which could not be adjusted with that Department during the year in the absence of necessary particulars; part of the excess being also due to increased expenditure on air-raid precautionary works on all the Railways.

With reference to Explanation (iv) under the head "Miscellaneous Advances", namely "Payment by debit to this head of firms bills pending clearance on

receipt of materials", a member suggested that this practice of advance payment might be undesirable at present in view of its inflationary tendencies. It was explained by the Chairman that advances of this kind had had to be made in the earlier days of the war when firms very often suffered from a paucity of working capital, that this practice should under present conditions be discouraged, but that the whole question would be reviewed in detail by the Military Accounts Committee when examining the Accounts of the Supply Department.

13. *Grant No. 6H.—Expenses of Electrical Department.*—Attention was drawn to the audit note to the effect that the procedure followed on the Eastern Bengal, G. I. P. and E. I. Railways in the adjustment of the cost of electrical energy supplied to workshops seemed to be capable of improvement. It was explained that on the first two Railways the practice was that the rate charged to workshops for electrical energy was a flat rate which did not take account of variations in the cost of production. On other Railways, although a flat rate was charged throughout the year an adjustment was made before the close of the year on the basis of actual cost, this adjustment being made on the E. I. Railway after the close of the year. The Railway Department had, however, already issued instructions to the effect that the practice prevalent on other Railways, which was considered to be more in consonance with correct accounting principles, should be followed on these Railways as well.

14. *Grant No. 5.—Payment to Indian States and Companies.*—There was an excess in this Grant of Rs. 16,52,694 over the final voted Appropriation, the reason being that owing to the improvement in earnings during the year the share of net earnings payable to worked lines increased beyond expectation.

It was pointed out in connection with this Grant that the bulk of the surplus profits due to the B., B. and C. I. Railway in respect of the first 9 months of the year could not be paid before the 31st March 1943 owing to delay in making up the Accounts. In order, however, to avoid a lapse of the Grant a book adjustment was carried out with the Railway Board's approval crediting Rs. 13.92 lakhs to the non-Budget suspense head "Deposits". The Railway Board suggested that in making this adjustment they had followed the practice in force with regard to the payments to worked lines and that if in future they allowed such a grant to lapse, as was suggested, the allocation of profits between general revenues and Railways might be affected. The Committee were of the opinion that the practice followed with regard to worked lines was in the interest of accuracy of commercial accounting, that this case rested on a different basis, that in future the normal rule should be followed and where a payment could not be effected during the course of the year the device of taking it out of the budget by crediting it to suspense, which was irregular in that it avoided a vote of the Assembly being taken, should not be followed. A similar question was not likely to arise except when a contract with a Railway Company was terminated and it was suggested that if final payment could not be made before the close of the year a provisional payment should be made in order to avoid the entire Grant lapsing. It was understood that in the present case even a provisional payment could not be made as negotiations had not gone far enough to allow of this being done.

15. *Grant No. 11.—Capital—New construction.*—The Committee observed that an item of saving was due to the transfer of the cost of certain junction works on the N. W. Railway from this Grant to Grant No. 12. They agreed with the Auditor General that as the expenditure had already been voted and incurred under "Capital" in 1939-40 and the transfer was intended only to rectify the previous misclassification within that head, it should have been made without financial adjustment to avoid the same expenditure being voted on twice by the Legislature. The Railway Board accepted this view and intended to issue instructions accordingly.

Proceedings of the second meeting of the Public Accounts Committee held on Friday, the 27th August 1943, at 10 A. M.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,

Pandit LAKSHMI KANTA MAITRA,

Mr. H. M. ABDULLAH,

Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.,

Mr. T. CHAPMAN-MORTIMER,

Sir RATANJI DALAL, C.I.E.,

Khan Bahadur Sheikh HABIBUR RAHAMAN,

Sir LEONARD WILSON, Chief Commissioner of Railways,

Mr. T. S. SANKARA AIYAR, C.I.E., Financial Commissioner of Railways,

Mr. I. S. PURI, Director of Finance, Railway Board,

Mr. D. COLIN CAMPBELL, Director of Railway Accounts.

Members.

Witnesses.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India,

Mr. E. R. SESHU AIYAR, Director of Railway Audit,

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

16. *Grant No. 12.—Open line works (Capital and Depreciation Reserve Fund).*—The saving in this Grant compared to the budget provision was as high as 60 per cent. Part of this saving was due to the post-Budget decisions mentioned in paragraph 6 above as a result of which sums amounting to about 2½ crores, which would otherwise have been debited to this Grant, were debited to revenue; and part to unanticipated credits received from the War Department for the value of permanent way, rolling stock, etc., sent overseas. The other main reason for savings was the inability of the Railways to carry out the approved works programme; the chief cause of this inability being the non-receipt of materials from the United Kingdom and the United States of America. There had been long delays in the receipt of materials owing to difficulties in manufacture and of transport which were not, and could not have been, foreseen at the time the Budget Estimates were framed. When materials ordered from abroad would be received depended almost entirely on general war conditions and to be able to foresee how much would arrive by a particular date was tantamount to being able to foretell the course of the war. It was suggested that the Committee should not, on the basis of the large saving in the year under review, recommend a large lump sum cut, for it might well happen that, owing to the changed fortunes of war, the receipt of materials from abroad might be expedited in the current and future years. The Committee accepted as adequate the explanation given for the saving and agreed that no change in the present procedure for determining the magnitude of the lump cut was necessary. They did however feel that it should have been possible to surrender towards the close of the year a larger sum than was actually surrendered and thus reduce the percentage variation of actuals from final appropriation from the very high figure of 25.9.

17. *Grant No. 9A.—Repayment to Depreciation Reserve Fund.*—No provision for repayment to the Depreciation Reserve Fund was made in the Budget as the Railway share of surplus was, at the time the Budget was framed, proposed to be appropriated to the Railway Reserve Fund, but it was subsequently decided that the amount should be utilised for the repayment of the loan taken from the former Fund. A supplementary grant was obtained but it proved inadequate and there was an uncovered excess of Rs. 83,47,748.

The Committee agreed to recommend that this excess as well as the uncovered excesses in the voted Grants Nos. 5, 6B, 6E and 6G—the reasons for which they had already examined—should be regularised by a vote of the Legislature.

18. After examining the statements showing irregular reappropriations and important misclassifications listed in Annexures 'I' and 'J' to the Appropriation Accounts, Part II, the Committee went on to examine the defects in budgeting listed in Annexure 'B' to the Chief Commissioner's Review. They noted that the number of defects this year had gone down to 25 compared to 30 last year, but were of the opinion that the mistakes continually made in budgeting under Grant No. 12 clearly showed the necessity of improving the procedure for budgeting under suspense. It was explained that general instructions on the subject had been issued but that the working out and adoption of detailed and systematic procedure had been left over till after the war as it was considered undesirable to throw any avoidable work on the Railway Administrations at the present time. The Committee agreed that the introduction of the new procedure should be postponed but hoped nevertheless that future years would continue to show a reduction in the total number of mistakes detected.

19. The Committee then reviewed the more important cases where expenditure was booked in the Accounts under a different head from that under which provision had been made in the Budget. It was explained that on the Civil side the practice (prescribed at the instance of the Public Accounts Committee) was that the classification of expenditure in Accounts followed that in the Budget even though a mistake might have been made at the time of the preparation of the Budget. The practice on the Railway side (also approved by the Public Accounts Committee) was to take expenditure to the correct account head irrespective of budget classification, the reason for this difference being that a contrary procedure would vitiate the commercial nature of the Accounts. Where an important change of classification was decided on during the year the Auditor General's concurrence was obtained. The Committee expressed themselves satisfied with the existing procedure.

20. The Committee then went through the Capital Statement of State Railways in India, the Profit and Loss Account of Strategic Lines, the Statement of Stores Balances, the accounts of the Depreciation Reserve Fund and the statement showing remissions and abandonment of claims to revenue. In connection with this last statement it was enquired why remissions of wharfage and demurrage were allowed to so great an extent, particularly on the Eastern Bengal Railway. It was explained that these charges were often on account of military traffic and also that the Eastern Bengal Railway was somewhat liberal in the matter of remissions as they had to face competition with river transport companies. The Committee did not regard with favour, in view of present conditions of shortage of wagons, the practice of waiving wharfage and demurrage charges. They were, however, assured that instructions had already been issued by the Railway Board tightening up the rules with regard to this matter and directing that the rules should be more rigidly applied.

21. The Committee then examined in detail the losses, nugatory expenditure and financial irregularities described in Chapter II of the Audit Report and were generally satisfied that wherever action was required suitable action had been taken and that wherever the loss or irregularity disclosed a defect in system the system had been suitably modified.

22. With regard to the continued losses on Railway collieries which had from time to time engaged the attention of the Public Accounts Committee, the Committee observed that, in spite of the present increased out-turn, they were still being run at a loss. It was stated that the system of charging for coal was that collieries supplied coal at cost to the Railway system which owned them and at market price to foreign railways. It was suggested that when all the Railways were owned by the State (which would shortly be the case) the system of charging differential rates to different Railways should be abandoned and that supplies to all Railways should be made at actual cost. This raised the question whether the correct principle in the case of a subsidiary industry owned by another industry was that the subsidiary industry should charge the main industry the actual market price thus itself also showing a separate profit or loss or whether it was for supplies to the main industry to be made at actual cost.

the profit or loss of the subsidiary industry merging in the accounts of the main industry. The Committee did not commit themselves to either view but observed that whichever system was followed the main consideration was to see that the cost (including elements for overhead charges, interest and depreciation) at which collieries owned by the state were able to supply coal to the Railways should be discoverable from the Accounts. They desired that the Railway Board should make such investigation as may be necessary and should report to the Committee next year what they considered to be the correct principle according to which charges should be made.

23. In concluding their examination of the Railway Accounts the Committee expressed their agreement with the Auditor General's conclusion that, considering the magnitude of transactions on Railways, the results of audit were generally satisfactory.

**Proceedings of the third meeting of the Public Accounts Committee held on
Saturday, the 28th August, 1943, at 10 a.m.**

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,

Sir Syed RAZA ALI, C.B.E.,

Mr. H. M. ABDULLAH,

Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.,

Mr. T. CHAPMAN-MORTIMER,

Sir RATANJI DALAL, C.I.E.,

Khan Bahadur Sheikh FAZLI-HUQ PIRACHA,

Khan Bahadur Sheikh HABIBUR RAHAMAN,

Mr. W. H. SHOEBERT; C.I.E., I.C.S., Director General
of Posts and Telegraphs,

Mr. P. J. EDMUNDS, C.I.E., Chief Engineer, Posts and
Telegraphs,

Mr. M. K. SEN GUPTA, C.I.E., Financial Adviser,
Communications,

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India,

Mr. M. SUBRAHMANYAN, C.I.E., Accountant General, Posts and Telegraphs,

Mr. R. NARAYANASWAMY, Assistant Financial Adviser, Communications,

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

Members.

Witnesses.

Posts and Telegraphs Department.

24. With reference to their outstanding recommendation that the Department should take steps to see that the arrears which had accumulated of cases of losses awaiting orders for adjustment should be speedily cleared off, the Committee were informed that the accumulated arrears had been reduced from Rs. 3,04,158 at the end of 1940-41 to Rs. 2,21,558 at the end of 1941-42, and that it was expected that the accumulation would be still further brought down as a result of the instructions which had been issued for the speedy conclusion of departmental proceedings.

25. The financial results of the working of the Department showed that revenue amounted to Rs. 15.89 crores against an expenditure of Rs. 12.49 crores, leaving a net surplus of Rs. 3.40 crores as against a surplus of Rs. 1.25 crores last year. Of this surplus Rs. 100 lakhs which was regarded as representing the proceeds from increased postal rates, etc., the increase of which had been sanctioned as a measure of taxation, was transferred to general revenues, the balance of Rs. 2.40 lakhs being left with the Department. This, added to the surplus of Rs. 174 lakhs carried forward from the previous year's account, brought the accumulated surplus to the end of 1941-42 to a little over Rs. 414 lakhs. As indicated in paragraph 73 of the proceedings of the Public Accounts Committee

on the accounts of 1940-41, only Rs. 100 lakhs of this accumulated surplus would earn interest for the Posts and Telegraphs Department.

The Committee regarded these results as satisfactory and were pleased to observe that, as in the last year every branch of the Department, including Telegraphs and Radio, which in normal years were usually run at a loss, were run at a profit. It was explained however, that a considerable percentage of the revenue on Telephones and Telegraphs came at present from other Government Departments, the percentages roughly being 50 per cent of the telephone trunk revenue and 20 per cent of the telegraph revenue.

26. The Committee then went on to examine the accounts of the Renewals Reserve Fund on the subject of which the Department had presented them with a memorandum (Appendix IV). They observed that the debits to the Renewals Reserve Fund had steadily gone on increasing and had, ever since 1940-41, been more than the annual credit, inspite of the annual contribution from revenue to the Fund having been raised from Rs. 23.05 to Rs. 25 lakhs as reported to the Public Accounts Committee which examined the Accounts of 1940-41. The debit expected during the year 1943-44 was no less than Rs. 58.47 lakhs as against a credit of Rs. 25 lakhs and the result would be that at the end of the year the balance of the Fund would be no more than these Rs. 1,44,28,000 representing 6.85 per cent of the capital at charge as against Rs. 3,06,91,000 in 1936-37 representing 17.41 per cent of such Capital. The Committee were informed that the Government of India had decided that to remedy this state of affairs a lump sum contribution of Rs. 150 lakhs should be made to the Fund by way of replenishment out of the accumulated surplus at the end of 1942-43 thus practically doubling the balance at the credit of the Fund at the end of that year and bringing it up to the level of 1936-37. It was also suggested that a review of the annual contribution to the Fund should be made at the end of 1944-45 by which time the Department would gain experience of the requirement for renewals of the telephone systems taken over from the licensed telephone companies. By that time also the Telecommunications Development Scheme of Rs. 16 crores was expected to be completed.

The Committee approved of this lump sum grant to the Renewals Reserve Fund so as to replenish the balances which they felt were below the margin of safety. They were however not satisfied with the absence of any principle governing the grants to the Renewals Reserve Fund which had hitherto been determined on a purely empirical basis and which had resulted at first in the Fund receiving credits in excess of needs and later in receiving credits less than were required. They desired that the Department should make a detailed review of the position and should work out a basis on which payment into the Fund should be regulated. This basis could be purely actuarial or it could be determined with reference to the lives of assets—the determination of "life" taking into account also the rate of obsolescence. What was important, the Committee felt, was that the purely *ad hoc* determination of the contribution which had proved so unsatisfactory should now give place to a determination based on principle.

27. The Committee then went on to consider the Audit Report. They commented upon the very large savings amounting to 60.3 per cent and 63.8 per cent respectively in Grant No. 70.—Capital Outlay of Indian Posts and Telegraphs Department (outside the Revenue Account) and Grant No. 71.—Stores and Works Expenditure (outside the Revenue Account). It was explained that in the case of the former the savings amounting to Rs. 8,30,000 out of a total of Rs. 13,76,000 were due mainly to the same causes as the savings in the capital grant of the Railways, namely, the postponement of works and the non-availability of materials the former being in itself often the result of the latter. The Committee agreed that in war time conditions and the extreme uncertainty with regard to the availability of materials caused thereby, accurate budgeting was not to be

expected but hoped that it would be possible to avoid such heavy large variations in future. As regards the saving in Grant No. 71, it was explained that a saving of Rs. 16 lakhs out of the total saving of Rs. 25½ lakhs was due to stores purchased not having been paid for before the close of the year. The reason for non-payment was that bills were presented by the firms too late in the year for them to be examined and passed before the end of the year and this late presentation was in itself largely due to many of the firms with which the Department dealt not having sufficiently trained staff. The Committee accepted this explanation and remarked that the sum of Rs. 16 lakhs, though large in itself, was comparatively small when compared to the total turnover on this account which amounted to about Rs. 2 crores. The rest of the saving in this Grant was mainly due to larger sales of stores to other Departments to meet defence requirements.

28. The Committee then reviewed the statement of savings and excesses on the voted Grants and non-voted Appropriations as compared with previous years, commented on the good budgeting under the voted portion of Grant No. 10 which showed a variation from budget of only +.02 per cent and agreed to recommend the regularisation by a vote of the Legislature of the small excess of Rs. 2,72,265.

29. In discussing further the saving in Grant No. 70 it was pointed out that a conspicuous omission in the year under report was the absence of any cut for probable savings though the necessity of making adequate and effective lump sum cuts was stressed by the Public Accounts Committee in their report on the Accounts for 1937-38. It was explained that before presenting the budget under this Grant to the Finance Department the Posts and Telegraphs Department had themselves made a cut of 17 lakhs. The Finance Department therefore did not consider it necessary to make a further lump sum cut, but, in accepting the budget, stipulated that defence works should be met out of the budget, without further provision up to a limit of Rs. 15 lakhs, this stipulation in effect operating as a hidden cut of Rs. 15 lakhs. It was further pointed out, in illustration of the uncertainty of budgeting in war time, that though in 1941-42 there had been large savings, in 1942-43, inspite of there still being no lump sum cut, the Grant had been exceeded. The Committee accepted the explanation given as adequate and further observed that the justification for lump sum cuts which were designed to prevent recurrent savings in works budgets and to counteract the over-optimism of engineers, was not strong in war time as in times of peace.

30. The Committee then went on to examine the financial irregularities, losses etc. detailed in the Audit Report and observed that, though the number of cases of loss had gone down compared to the last two years, the amount involved was considerably greater. The increase in the amount was however explained as being due to heavy losses in four large cases. The Committee were pleased to observe that extra-departmental agents in charge of sub and branch post offices were responsible only for 12 per cent of the total loss to the Department, the share for which this class of employee was responsible being the least since 1935-36 both in number and the amount involved. This result it was stated was due to a further tightening up of the regulations governing these agents. The Committee were further pleased to learn that the percentage of loss in the Post Office to total turnover was as low as .008, the comparable figure for the United Kingdom being .05. They also noted with satisfaction that none of the cases of loss disclosed any defect in rules; but observed that the rules had on occasion not been enforced.

31. With reference to the particular case of misappropriation of telephone revenue in paragraph 27 of the Audit Report and the audit comment that "non-observance of the prescribed rules and laxity of supervision facilitated the fraud"

and that "the question of contributory negligence on the part of departmental officials has not yet been taken up nor has any remedial action been taken so far" it was stated that departmental action was now being taken and orders for the adjustment of the balance of the loss which had not been recovered in the shape of fine would be issued immediately after the close of the departmental proceedings.

32. The Committee then proceeded to examine the detailed Appropriation Accounts. Attention was drawn to the audit comments under Grant No. 10, sub-head 'C' General Administration, to the effect that the credit under the head "Stock Adjustment Account" included a net credit of Rs. 1.99 lakhs "on account of revision in rates which were enhanced from 1st April 1941 so as to allow a margin for anticipated rise in prices", that "the value of stock in hand and of purchases made was written up", that "as the anticipated rise in prices did not materialise the rates were in some cases brought down", that "the revision of rates to include a margin for anticipated rise in prices was not authorized by the rules" and that "the adoption of the procedure resulted in the issue of stores for departmental works or for sale at a higher value than was justified". It was stated that the Department did not accept *in toto* the charge that the value of stock had been inflated in anticipation of the rise in prices, that the facts were still under investigation and that if the charge proved to be correct instructions would be issued that this should not recur. It was further pointed out that the rules did provide for a writing up or writing down of stock if the variation in price was more than 10 per cent and that the practice was that stock was valued on the basis of average cost, *i.e.*, if later purchases were made at a higher price the entire stock was revalued at the average price. The Auditor General while agreeing with the averaging of the price of stock was of the opinion that the correct principle was to show stocks at the market value or cost whichever was less and that stock should never be written up on the basis of an anticipated rise. The Committee were disposed to agree with the Auditor General but as neither the facts of the case nor the rules were clearly known they desired that a report should be submitted to them on the matter on consideration of which they would make a final recommendation.

33. The Committee commented upon the large variation in the non-voted Appropriation under sub-head 'F'—Engineering Expenses of Grant No. 10. It was explained that a large number of non-voted Engineer officers had gone on field service and their places had been taken by junior and lower paid officers. The savings in the non-voted portion of the Grant accounted for the variation which had been noticed. The Committee noted with approbation the very small variation amounting to .07 per cent saving and .04 per cent excess in the very large sub-head 'J'—Postal Expenses of Grant No. 10.

34. After going through the statement of losses written off, the Committee examined the statement of transactions under "Stores Suspense Account". In their report on the Accounts for 1938-39 the Public Accounts Committee recommended that as the stock limit for stores appeared to be too low the question of increasing the limit should be considered so as to avoid giving rise to an apparent irregularity in regard to the balances of stores. It was however decided by Government that no upper limit for the working balance of stores need be fixed at present due to the uncertain situation and that the excess if any in the actual balance at the end of each financial year should be regularised by issuing necessary sanction after the balance was known. The total balances at the end of 1941-42 amounted to Rs. 65 lakhs. These were considerably in excess of the sanctioned limits but it appeared from a comparison of this figure with the figure of issues for the year (181 lakhs) that the balance in hand was no more than 4 months' requirements. The Committee were of the view that having regard to war time conditions and particularly to the Telecommunications Development Scheme the balances were by no means excessive.

Proceedings of the fourth meeting of the Public Accounts Committee held on Monday, the 30th August 1943, at 10 a.m.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI, Sir Syed RAZA ALI, C.B.E., Mr. H. M. ABDULLAH, Kunwar Hajee ISMAIEL ALI KHAN, O.B.E., Mr. T. CHAPMAN-MORTIMER, Sir RATANJI DALAL, C.I.E., Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA, Khan Bahadur Sheikh HABIBUR RAHAMAN,	}	Members.
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Mr. D. L. MAZUMDAR, I.C.S., Joint Secretary, Labour Department. Khan Bahadur MOHD. SOLAIMAN, Additional Chief Engineer, Central Public Works Department.	}	Witnesses.
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Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.
Mr. S. C. GUPTA, Accountant General, Central Revenues.
Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.
The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

Labour Department.

35. The Committee reviewed the works expenditure for the year as a whole and observed that, unlike the previous three years when savings had occurred uninterruptedly, the results of the year under report disclosed a net excess of 5.32 per cent over the consolidated provision for works expenditure under all the Grants and non-voted Appropriations taken together. The main excess amounting to Rs. 10,81,000 was under Grant No. 60—Civil Works, but there were also excesses under "Tribal Areas" and "Baluchistan" as well as, for the first time in many years, in Grant No. 48—Aviation. With reference to paragraph 7 of the Committee's Report on the Accounts for 1940-41, which recommended that in the next year, while there should be no lump sum cuts under the heads "Civil Works" and "Tribal Areas" all other provision for works should as before remain subject to that cut, the Committee discussed at length whether they should reaffirm or modify that recommendation in the light of war time conditions and the results of one more war year now before them. They came to the conclusion that lump sum cuts, which were designed primarily to counteract persistent overbudgeting, were not appropriate in present conditions; for, in war time, urgent and unforeseen demands for works were continually being made. The probabilities were that such demands would continue to be made as long as the war lasted and the Committee therefore considered that the practice of making lump sum cuts in works budgets should be discontinued for the duration of the war.

36. *Grant No. 20.—Department of Labour.*—With reference to the modification under A(1)—"Pay of Officers", which was stated as being due to "the family allotment of an officer payable in the United Kingdom", it was explained that Government had permitted for the duration of the war officers having commitments abroad to draw part of their salaries elsewhere than in India. The reduction in the original allotment was consequently counterbalanced by equivalent increase in the English expenditure sub-head "C(2)—Family Allotment and Pay of Officers"

With reference to the remark under sub-head B(3)—"due to an advance of travelling allowance for tours undertaken in April 1942 having been drawn in March 1943 under a misapprehension" it was explained that the rule was that

all advances of travelling allowance were to be refunded to Government before the close of the financial year. The officer concerned had evidently drawn an advance in March but had not been able to refund it before the 31st of that month, thus giving rise to the excess and to the technical irregularity here noted.

37. *Grant No. 46.—Industries.*—There was a voted excess in this Grant of Rs. 19,280 made up principally of items for the control of which the High Commissioner for India was responsible. He had anticipated the excess but his Revised Estimates were not received by the Central Government in time to arrange for funds. The Committee agreed to recommend the regularisation of the excess by a vote of the Legislature.

38. *Grant No. 60.—Civil Works.*—There was a net voted saving in this Grant of Rs. 9,39,435 which was due mainly to larger recoveries than anticipated of establishment and tools and plant charges from the Defence Services in respect of Defence works carried out by the Central Public Works Department.

The Committee noted that as in the last year the *pro forma* accounts of the Central Public Works Department Nursery at Jorebagh, the Central Public Works Department filtered water supply at Dehra Dun and the Central Public Works Department unfiltered water supply at New Delhi had all disclosed a profit during the year under review. The reason of course was the increase in the population of New Delhi and Dehra Dun.

39. The Committee then went through the detailed statement of expenditure on important new works. With regard to Item No. 12—Construction of two double-storeyed sheds in place of the four existing sheds at the Pilgrims' Camp, Karachi, it was explained that the entire provision of Rs. 70,000 was surrendered as a comprehensive scheme for a Pilgrims' Camp costing in the neighbourhood of Rs. 5 lakhs was under consideration. Some members objected to this postponement saying that though provision had been made for many years for this item it never came to be executed. It was explained that the work in connection with the Pilgrims' Camp for which provision had been made before the war had already been carried out and that the work now under consideration was something entirely new. With regard to Item 55—Construction of Residential Flats and Improvement to Grand Hotel, Simla, it was stated that, though the Grand Hotel was acquired by Government some considerable time ago, payment had not yet been made for it as there was a dispute about price which was at the moment under arbitration.

40. Arising out of Important Comment No. 4 under this grant, which explained that it had been possible to finance a number of works for which budget provision had not been made without asking for a supplementary grant, by the device of re-appropriating unanticipated credits, the Auditor-General remarked that such reappropriations amounted in effect to the grant of funds additional to those voted by the Legislature. Though he agreed that in law there was nothing to prevent the Finance Department from sanctioning these reappropriations, he was of the view that constitutional propriety demanded that the consent of the Standing Finance Committee should be obtained to the provision of funds in this manner. On a reference being made to the proceedings of the Standing Finance Committee it was found that all the works which had been executed without budget provision had been referred to that body which had been informed that funds would be provided "by reappropriation or supplementary grant if necessary". The Auditor General was of the view that the reappropriation of unanticipated credits could not be regarded as being on a par with reappropriations rendered possible through genuine savings and suggested that the fact that these reappropriations were going to be made from unanticipated credits should have been brought expressly to the notice of the Standing Finance Committee. He added that the matter had been discussed in detail by the Public Accounts Committee many years ago. The Committee desired that the Finance Department should investigate this question and present a report to them on the day they examined the accounts of that Department.

41. The Committee noted that the percentage rate for establishment and tools and plant had been further reduced in 1941-42 from 14·08 and 1·63 in 1940-41 to 8·30 and 1·07 respectively. The reason was the continued increase in the amount of expenditure on Civil Works during the year under review.

42. After reviewing generally the Appropriation Accounts of Grant No. 63—Stationery and Printing, the Committee went on to consider the accounts of the Government of India Presses and the Central Stationery Office, Calcutta, contained in the Commercial Appendix to the Report. They noted that, though expenditure on the Presses had increased by nearly Rs. 3,79,000, the value of work done had mounted from Rs. 57 lakhs to Rs. 84 lakhs. They were informed that differences in stock found at the time of stock-taking were adjusted under the sanction of the proper authority which was the Government of India.

Proceedings of the fifth meeting of the Public Accounts Committee held on Monday, the 25th October 1943, at 10-30 a.m.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,

Mr. MOHAMED AZHAR ALI,

Sir Syed RAZA ALI, C.B.E.,

Pandit L. K. MAITRA,

Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.,

Sir R. D. DALAL, C.I.E.,

Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA,

Khan Bahadur Sheikh HABIBUR RAHAMAN,

Mr. J. D. TYSON, C.S.I., C.B.E., I.C.S., Secretary,
Education, Health and Lands Department.

Mr. S. H. Y. OULSNAM, C.I.E., I.C.S., Joint Secretary,
Education, Health and Lands Department.

Mr. B. SAHAY, I.C.S., Secretary, Imperial Council of
Agricultural Research.

Mr. G. S. BOZMAN, C.I.E., I.C.S., Secretary, Indians
Overseas Department.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General.

Mr. S. C. GUPTA, Director of Audit, Defence Services.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

Department of Education, Health and Lands.

43. *Grant No. 30.—Survey of India.*—With reference to their outstanding recommendation No. 10, the Committee were informed that it had been arranged since December 1942 that surprise test checks of expendible stores at the Photo-Litho Office should be carried out monthly by gazetted officers and that the results should be reported to the Surveyor-General of India. In view of the pressure of work during war time, the number of individual items to be so checked had been limited to four or five per month, subject to the condition that such items should be of the stores that were most valuable and that the items should vary from month to month. The Committee expressed themselves as satisfied at the arrangements made.

44. *Grant No. 31.—Botanical Survey.*—With reference to their recommendation that in respect of the Government stock of quinine a test check of quality in addition to the check of quantity should be undertaken for all quinine products, it was stated that orders had been issued for random samples to be taken and chemically tested in order to verify that there had been no substitution or adulteration. The Committee noted that the stock of quinine sulphate at

the end of the year stood at 220,000 lbs. compared to 268,000 lbs. at the end of previous year. They were informed that stocks had since then been still further reduced.

45. *Grant No. 37.—Other Scientific Departments.*—In compliance with their desire that they should be kept in touch with developments in the matter of exemption of the Indian Museum buildings from municipal tax, the Committee were informed that by arrangement with the Trustees who had A. R. P. in view part of the Indian Museum buildings had now been occupied by the Military Authorities and for this reason and measure most of the exhibits had been removed or stored for safety, the Museum had been closed to the public. The Trustees had asked the Corporation to apportion the tax for the buildings between the Museum and the Military Authorities in accordance with the space occupied by each, so that the latter might be asked to bear their share of the tax, and to exempt that portion of the Indian Museum buildings which was still under the control of the Trustees. The Corporation, however, had replied that it could not apportion the tax and could not consider exemption for so long as the Museum was partly occupied by the Military Authorities. As the Museum was no longer open to the public, and to this extent Government's case for exemption from tax had been weakened, it was proposed not to press the matter for the duration of the war. The Committee agreed and desired that the matter should be pursued after the war.

46. *Grant No. 38.—Education.*—There was a petty excess of Rs. 240 in this Grant, due to the extended stay of a scholar abroad pending embarkation and to the increased cost of his passage, which the Committee agreed to recommend for regularisation by a vote of the Legislature.

47. *Grant No. 40.—Public Health.*—The Committee observed that the expenditure on the All-India Institute of Hygiene and Public Health had gradually been increasing. This was explained as due to its expansion and re-organisation. The Institute took in students from various provinces and States in India on payment of fees but did not call upon the Provincial and States' Governments to meet any part of its expenditure, because the responsibility for maintaining the Institute was constitutionally that of the Central Government.

The Committee observed that a profit of about Rs. 5 lakhs had resulted from the manufacture and sale of vaccines, sera, etc., at the Central Research Institute, Kasauli. It was explained that the policy of Government in this matter was not to make any profit out of these sales but to fix prices so as to make this activity self-supporting over a number of years. Due to an increase in the quantity of Vaccine, etc., produced which had led to a reduction in rates combined with the time-lag in the revision of rates, there had been appreciable profits over the last few years, but this did not indicate any change in the policy of Government in regard to this matter.

In answer to a question it was stated that the accounts of the Central Research Institute were locally audited only once in three years because the Auditor-General had found himself unable, through lack of staff, to conduct audit at more frequent intervals.

48. *Grant No. 41.—Agriculture.*—It was explained that allocations from the Sugar Excise Fund to provinces were made in proportion to the amount of white sugar produced by them over a period of years. Payments were made in respect of approved schemes and the grants made in any particular year were, therefore, not necessarily proportionate to this figure: whose payments were less the balance was carried forward to the credit of the province. The Committee were informed that the Government Research Creamery at Anand, which had been in liquidation for some time past, had now been taken over by the Supply Department and was producing cheese for the Defence Services.

49. *Grant No. 45.—Civil Veterinary Service.*—The Committee reviewed briefly the Commercial Accounts of the Biological Section of the Imperial Veterinary Research Institute, Izatnagar, and noted that the principle adopted in fixing

the sale price of the various kinds of sera produced at this Institute was the same as that adopted for the Central Research Institute at Kasauli, viz., that there should be, over a period of years, neither profit nor loss over the activity,

Indians Overseas Department.

50. *Grant No. 17A.*—There was a small excess of Rs. 3,018 in the voted section of this Grant. The Department being new and in the process of expansion, it had not been possible to frame a more accurate estimate. The Committee agreed to recommend the regularisation of the excess by a vote of the Legislature.

51. *Grant No. 64.—Miscellaneous.—Sub-head D.6.*—It was explained that the grant-in-aid to the Port Haj Committee, Bombay, had been withdrawn as it had been found that the finances of this Committee were sound and did not need any help from Government.

52. *Miscellaneous Expenditure connected with the War.—Sub-head H.6.*—There was a saving of Rs. 9 lakhs compared to the final appropriation of Rs. 17½ lakhs under this sub-head. It was explained that a large portion of this saving—about Rs. 5 lakhs—was due not to the money not having been spent but to it having been kept under suspense, because it had not been settled by the end of the year to which Government—India, Burma or His Majesty's Government—the amount was properly debitable. The amount of expenditure in the year under review under this sub-head on the evacuation of Indians from war zones did not properly reflect the magnitude of the problem which had assumed serious proportions in the next financial year and which was still responsible for heavy expenditure.

Proceedings of the sixth meeting of the Public Accounts Committee held on Tuesday, the 26th October 1943, at 10-30 a.m.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,

Mr. MOHAMED AZHAR ALI,

Sir Syed RAZA ALI, C.B.E.,

Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.,

Sir RATANJI DALAL, C.I.E.,

Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA,

} *Members.*

Sir GEORGE SPENCE, K.C.I.E., C.S.I., I.C.S., Secretary, Legislative Department.

Rai Bahadur A. L. BANERJEE, I.S.O., Registrar, Federal Court.

Mr. A. C. TURNER, C.I.E., M.B.E., I.C.S., Joint Secretary, Finance Department,

Mr. D. L. MAZUMDAR, I.C.S., Deputy Secretary, Labour Department.

} *Witnesses.*

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General.

Mr. S. C. GUPTA, Director of Audit, Defence Services.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

Legislative Department.

53. *Grant No. 13.—Council of State.*—The Committee observed that there was a large percentage of savings in this Grant but were informed that this

was due, both to shorter sessions of the Council of State and to the non-attendance of members of the Congress Party. They accepted the explanation as adequate.

54. *Grant No. 16.*—In answer to a question with reference to the modification in sub-head 'B.—Legislative Bodies' it was explained that under the Legislative Rules electoral rolls had to be prepared after every three years, irrespective of whether there was going to be an election or not.

55. *External Affairs.*—India's contribution to the League of Nations in the year 1941-42 amounted to Rs. 7,54,649. The figure for the current financial year was, however, considerably higher, *i.e.*, Rs. 9,73,000, owing to an increase in the budget of the International Labour Office which had embarked upon certain post-war re-construction activities. The Supervisory Commission, which at present managed the financial affairs of the League, had now included a representative of India in the person of Mr. H. S. Malik, Indian Trade Commissioner in New York.

Finance Department.

56. The Committee then went through the Audit Report and noted in passing that the percentage of savings or excesses to final appropriations and grants was of the same order as in the last year in the case of voted grants but that there had been an improvement in the case of non-voted appropriations, in so far as the revenue and capital expenditure portion was concerned. The variation over the combined voted and non-voted expenditure showed some deterioration from +15 to —2.21. The variations under the heading 'Disbursements of Loans and Advances' had shown a progressive deterioration since the year 1939-40. The large variation during 1941-42, which amounted to 9.88 per cent., was mainly on account of non-receipt of metal for coinage due to circumstances brought about by the war.

57. The Committee was pleased to see that the number of cases in which supplementary demands presented to the Legislative Assembly subsequently proved to be unnecessary, was only one during the year under review compared to three in the previous year and two in the year before. Further, the grant which had proved unnecessary was that relating to the Andaman and Nicobar Islands, the reason being that the expenditure booked in the accounts was for 10 months only, the Andamans Administration having ceased to function from the 23rd March 1942 and the accounts for the last two months of the year not having been received in the accounts office. There were two cases in which the major portion of the supplementary grants remained unutilised, *viz.*, '47—Scientific and Industrial Research' and '66.—Delhi'. The main reasons for these savings were non-receipt of machinery in the first case and the non-completion of a certain work, non-payment of certain bills and late receipt of certain materials in connection with Air Raid Precautions in the second. The Committee accepted the explanations given as adequate.

58. On a general review of financial results the Committee, recognising that accurate budgeting and control over expenditure had been rendered very difficult owing to the intensification of the war and the innumerable demands connected with it which could not possibly be anticipated, agreed with the conclusion of the Auditor-General that, taking all the factors into consideration, both budgeting and control had been, on the whole, satisfactory during the year under review.

59. The Committee then went on to consider the outstanding recommendations relating to the Finance Department and the Auditor-General:—

Item 13.—A memorandum (Appendix V) was placed before the Committee in compliance with their request that an investigation should be made and a

report rendered to them as to whether it was a fact that persistent savings occurred in the provision for works expenditure because budget provision was made by the Finance Department without adequate examination whether the items for which budget provision was made had reached a state of maturity sufficient to enable them to be executed in the following year to the extent of such provision. The memorandum reviewed in detail the procedure adopted prior to budget provision and the Committee, having examined it, came to the conclusion that the present procedure did not suffer from any intrinsic defect and did not, therefore, require to be changed. They were of the opinion that the principle that a project should be in an advanced stage before budget provision was made for it, was a sound principle to follow in peacetime but that it required necessarily to be modified in order to meet wartime conditions. They were further of the opinion that, in view of the stage which had now been reached, in which works budgets showed excesses rather than savings, they were not prepared to recommend a continuation of the system of lump cuts.

Item 16.—The Committee were informed of the steps taken to simplify the system of notation under the Grant 'Aviation' which included the splitting up of the Demand into two and of various sub-heads being shown as separate group heads. The Committee were satisfied with the changes made and hoped that it would now be simpler for them to follow the accounts in future years.

60. With reference to paragraph 40 of these proceedings the Finance Department presented a detailed memorandum (Appendix VI) with regard to the utilisation of unanticipated credits which the Committee discussed at length. The Auditor-General explained that there was a great difference between the utilisation of unanticipated credits and that of unanticipated savings in that, whereas the latter represented money to the expenditure of which the Legislature had already agreed, the former was money placed at the disposal of the Department without the concurrence or the knowledge of the Legislature. The system adopted in England was that the original vote contained what was known as an 'Appropriation-in-Aid' which corresponded to our 'Deduct—Recoveries'. The executive could spend the money so credited up to the limit fixed in the 'Appropriation-in-Aid', but when these credits exceeded the amount so fixed, they were taken in the accounts as receipts and were thus not available to finance any new expenditure. The Public Accounts Committee had already decided not to adopt this system as it was not in accord with scientific accounting principles. The Auditor-General further said that he could not accept the statement in the memorandum that the present arrangement did not involve any real departure from the spirit of the convention arrived at originally with the Standing Finance Committee that they should be informed of all cases where substantial unanticipated credits had to be utilised to incur fresh expenditure. The alterations of the functions of the Standing Finance Committee made it imperative that some fresh convention should now be established in order to bring the matter to the notice of the Legislature, preferably before but in any case after expenditure had been financed from unanticipated credits.

61. The Committee agreed that the present system, by which Departments could obtain funds not voted to them by the Legislature but accruing to them as credits without the matter being specifically brought to the notice of the Legislature, was unsatisfactory. The alternative by which the matter should be brought to the notice of the Assembly was either by moving a token grant or by a specific mention of the fact of unanticipated credits having been utilised being made either in the Budget Memorandum if the credits were noticed before the preparation of the revised estimates or by specific inclusion in the Appropriation Accounts if they were noticed after the close of the year. The latter system was already in force on the Railway side and the Committee agreed to recommend that it should in future be followed on the Civil side also as being much the simpler of the two alternatives.

62. The Committee then went on to examine the Appropriation Accounts of the Grants and Appropriations for which the Finance Department was responsible.

Grant No. 7.—Stamps.—The Committee went through the Commercial Accounts of the Security Printing, India, and the Central Stamp Stores and observed that the net profit in the year under review was of the same order as in the previous year. They expressed themselves satisfied at the commercial working of these Departments.

63. *Grant No. 18.—Finance Department.*—There was a small excess of Rs. 225 in this grant which the Committee agreed to recommend for regularisation by a vote of the Legislature.

64. The Committee then discussed the audit of Secret Service Expenditure and were informed that this expenditure was not open to audit. All that Audit required was an annual certificate of check by the Administrative Officer-in-Charge in the prescribed form. The main Grants which had allotments for Secret Service were those of the Home Department, the External Affairs Department and the Tribal Areas; while the Governor-General also had an allotment of Secret Service Fund of his own. The Administrative Officer, who rendered certificates to Audit, was usually of very high standing and there was thus no risk of these funds being used for purposes other than those for which they were meant. It was stated that the audit certificate, which had not been received at the time of the writing of the report, had now been received, the delay being due to the fact that it related to Bushire and communications with the Persian Gulf were liable to delay.

65. *Grant No. 25.—Audit.*—It was explained that the saving amounting to about Rs. 4½ lakhs in this Grant was due to the transfer during the course of the year of a number of clerks and officers to other Departments.

66. *Grant No. 58.—Currency.*—The Committee went through the surplus silver stock account and the account of the purchases and sales of silver and observed that the amount of silver in stock had been steadily reduced with a corresponding reduction in the silver debt which now stood at Rs. 6,41,00,000.

67. *Grant No. 65.—Miscellaneous Adjustments between the Central and Provincial Governments.*—It was explained that the items contained in this Grant represented really receipts due to the Central Government under certain Central Acts such as the Petroleum and Explosives Acts which were administered by the Provincial Governments on behalf of the Central Government. The fees under these Acts were credited to Central Revenues but an amount equivalent to the fees realised was paid to the Provincial Governments as charges for administering the Acts, and it was these payments which were recorded in this Grant.

68. *Grant No. 76.—Interest-free Advances.*—The Committee observed that a supplementary grant of Rs. 35,50,000 had again been found necessary and reiterated the fear which they had expressed in paragraph 32 of their proceedings of last year that the presentation of the supplementary demand was becoming an annual feature of this Grant. It was explained that this Grant did not, in fact, represent expenditure but in reality the banking activities of Government. The reasons why a supplementary demand had again been found to be necessary were that during the course of the year considerable sums had to be advanced for the purchase of wool on behalf of His Majesty's Government, coins had had to be manufactured in the Indian mints for foreign governments and advances had to be granted to Government servants for evacuation of their dependents from threatened areas, the necessity for none of which measures could have been foreseen. The Committee accepted the explanation as adequate.

Proceedings of the seventh meeting of the Public Accounts Committee held on Friday, the 29th October 1943, at 10-30 a.m.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,

Mr. MOHAMED AZHAR ALI,

Sir Syed RAZA ALI, C.B.E.,

Pandit L. K. MAITRA,

Mr. H. M. ABDULLAH,

Kunwar Hajee ISMAEL ALI KHAN, O.B.E.,

Sir RATANJI DALAL, C.I.E.,

Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA,

The Hon'ble Mr. E. CONRAN-SMITH, C.S.I., C.I.E.,

I.C.S., Secretary, Home Department.

Mr. V. SAHAY, I.C.S., Deputy Secretary, Home Department.

Mr. V. SHANKAR, I.C.S., Deputy Secretary, Home Department.

Mr. MUKANDLAL CHOPRA, representing the Delhi Administration.

Mr. ROSHAN LAL JHA, representing the Ajmer Merwara Administration.

Mr. S. R. ZAMAN, I.C.S., Joint Secretary, Commerce Department.

Mr. S. N. RAY, I.C.S., Joint Secretary, Commerce Department.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General.

Mr. S. C. GUPTA, Director of Audit, Defence Services.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

Members

Witnesses.

Home Department.

69. *Grant No. 12.—Executive Council.*—With reference to the modification in the sub-head 'A.2.—Allowances', it was explained that the practice hitherto had been that the equipment allowance of non-Service Members of the Governor-General's Executive Council had been regarded as voted. During the course of the year, however it had been discovered that under Section 85(1) read with Section 67 (a) (iii) of the Government of India Act, 1919, as kept alive by the Ninth Schedule of the Government of India Act, 1935, the equipment allowance of all Hon'ble Members should be non-voted. The classification had therefore been changed accordingly. Persons appointed to the Governor-General's Executive Council received £500 as equipment allowance if they happened to be resident in Europe at the time of their appointment and £250 if they were resident in India, the difference being due to this allowance being meant also to cover expenditure on the voyage out.

There was a voted excess in this Grant of Rs. 14,088 due to more expenses on touring by Hon'ble Members. The Executive Council was expanded in the middle of this year and as this expansion had not been anticipated, the budget provision for tour charges fell short of actuals. The Committee agreed to recommend that this excess should be regularised by a vote of the Assembly.

70. *Grant No. 15.—Home Department.*—There was an excess of Rs. 24,647 in the voted portion of this Grant, the main cause being the extensive issue of war photographs and increased expenditure on postage and telegram charges, etc. The Committee recommended the regularisation of this excess by a vote of the Assembly.

71. *Grant No. 27.—Police.*—It was explained that the charges brought to account under sub-head “A.—Lump Sum Charges paid to Provincial Governments” were mainly due to the cost of civic guards and additional police. The Central Government reimbursed to the Provincial Governments one-third of the total cost of maintenance of civic guards; and the cost of the additional police employed for the protection of Central Government property or for other similar purposes was met by a grant-in-aid under Section 150 of the Government of India Act.

72. *Grant No. 57.—Ajmer-Merwara.*—With reference to Account II.—Civil Administration, sub-head A.1(1).—“Proportionate Charges paid to the Crown Department”, it was explained that up till the year under review the posts of Chief Commissioner and Agent to the Governor-General and Resident for the Rajputana States were held by the same person. He and his staff were paid out of the Crown Budget and the Civil Estimates made an annual contribution to the Crown Department which was meant to cover the Chief Commissioner’s share of the expenditure.

The explanation for the sub-heads B. 2(2) and B. 5(4).—“Grants-in-Aid, Contributions, etc.”, was similar in that the Judicial Commissioner and the Railway Magistrates were officers of the Crown Department, a part of the salaries and expenses of whom were paid by Civil Estimates, and this payment was here exhibited.

With reference to the sub-head D. 5.—“Deduct—Cost of additional war time Police employed for the protection of Railway property debitable to the B., B. and C. I. Railway”, it was explained that no budget provision was originally made because it had not been decided whether any recovery on this account was to be made from the Railway; and if so, on what basis. A general decision on this question was arrived at during the course of the year and modifications made in the budget accordingly.

73. The Committee observed that there had been a very large saving in the original budget provision under Account III.—‘Miscellaneous—B.—Miscellaneous Charges—B. 1.—Grants-in-Aid’: It was explained that this saving was due to a reduction in the grant to the Ajmer-Merwara Municipality for water supply, drainage and sewage disposal schemes because it had not been possible, owing to conditions brought about by the war, to purchase the necessary machinery and pipes. It had now been decided to postpone these schemes till after the war when it would be possible to obtain machinery with less difficulty.

74. *Grant No. 69.—Andaman and Nicobar Islands.*—The Committee observed that a supplementary grant was obtained under this head for Rs. 3,82,000, while there was a net final saving in the voted portion of Rs. 9,73,000 and the supplementary grant proved unnecessary. It was explained that this saving was due to the fact that the Andamans Administration had ceased to function from the 23rd March 1942, that the accounts for February and March 1942 had been lost by enemy action and that therefore it was not known what amounts had actually been spent. The saving was therefore illusory. The Committee agreed that in the circumstances no objection could be taken to the supplementary grant having been obtained.

In answer to a question why the write-off of losses resulting from the occupation of the Islands by the enemy was still under the consideration of the Central Government, it was stated that it was not desirable to write off the losses straightaway because it was not known what assets might be recovered when the Andamans were reconquered. Many of the assets, such as the buildings, forest works, etc., were of a permanent nature and some of them might be recovered intact. There was no advantage in writing off the losses prematurely and no disadvantage in delaying the write-off for some time.

75. *Federal Public Service Commission.*—The Committee observed that the fees realised during 1941-42 in respect of examinations conducted by the Federal

Public Service Commission amounted to Rs. 1,60,540 which was very much less than the entire expenditure on the Commission. It was explained that it was neither the intention nor was it practicable to recover from candidates appearing for examinations the full amount of expenditure incurred on the Commission, that examination fees were already high, that the Commission performed various other important functions unconnected with examinations and that in any case the direct cost of conducting examinations was more than covered by the fees realised. The Committee agreed that there was no necessity to change the present policy relating to fees.

Commerce Department.

76. *Grant No. 19.—Commerce Department.*—With reference to the modifications under the head 'B—Foreign Trade Control', it was explained that additional posts, the necessity of which had not been foreseen at the time of framing the budget, had had to be created during the year under review owing to the intensification of foreign trade control both in its export and import aspects. The importance of this work had developed owing, on the one hand, to the necessity of conserving India's resources for her own needs and, on the other, to make full use by a system of priority of the limited shipping space available. Work increased in proportion to the number of commodities controlled.

77. *Grant No. 28.—Ports and Pilotage.*—The Committee went through the Commercial Accounts of the Bengal Pilot Service and observed that there had again been a deficit this year amounting to Rs. 67,153 but that the deficit had been less than that of last year. The surplus at the credit of this Fund was, however, still substantial, amounting at the close of the year to Rs. 7,01,262, and the Committee did not, therefore, and particularly in view of the abnormal conditions now prevalent, consider that any action to equate income to expenditure was at present necessary.

78. *Grant No. 29.—Lighthouses and Lightships.*—The Committee went through the Commercial Accounts of the Lighthouses and Lightships Department and were pleased to note that, as in previous years, the working of the Department had shown a completely satisfactory result from the commercial point of view. They were informed that, although many of the Lighthouses had been dimmed, the rates of light dues in force during the year had remained at the same level as before and that this decision was taken on the advice of the Lighthouses Advisory Committee.

79. *Grant No. 41.—Agriculture.*—The Commerce Department were concerned with the sub-head 'G—Transfer to the Fund for the benefit of Cotton Growers'. It was explained that this Fund had been created during the year out of the additional duty on the raw cotton imposed by Ordinance No. VIII of 1942, the object of the Fund being to help cotton growers by financing such purchases of cotton as may be necessary to maintain market prices and in other ways. There had been no expenditure from the Fund during the year under review. It closed with a balance of Rs. 7 lakhs but it was understood that in the next year certain grants had been made from this Fund in certain provinces to persuade growers of short staple cotton to switch over from the growing of cotton to the growing of food crops.

80. *Grant No. 57.—Miscellaneous Departments.*—The Committee reviewed the income and expenditure account of the scheme for registration of Accountants and observed that the accounts for the year under review showed a surplus of Rs. 14,537 against a surplus of Rs. 7,172 in the previous year. The net deficit on account of this scheme, however, still remained at Rs. 17,139. The Committee enquired whether the causes which had led to this increase in the surplus, viz., the post of the Secretary being held by an officer in receipt of lower pay, less travelling by the Secretary and less expenses on account of daily allowance to members as the Board had met only for one day, were not hampering the efficiency of the working of the scheme. They were, however, assured that none of these causes was likely to affect the proper working of this organisation, that the Secretary was paid less than the former incumbent of the office as he

was a junior member of the Indian Audit and Accounts Service, that there had been less touring because a system had been introduced whereby local boards had been set up to examine and report on cases and that the Board had met only for one day because it had been the policy to limit meetings of the Board during war time.

81. *Miscellaneous Expenditure connected with the War.*—The Committee examined the accounts of the War Risks (Goods) Insurance Fund for 1941-42 and were impressed by the fact that the ratio of working expenses (Rs. 3,27,961) to premium income (Rs. 2,19,36,930) worked out to so low a figure as 1·6 per cent. They considered that the low ratio of working expenses would be an envy of any insurance company and complimented the Department on the extremely economic manner in which the work had been carried out.

Proceedings of the eighth meeting of the Public Accounts Committee held on Saturday, the 30th October 1943, at 10-30 a.m.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,
Mr. MOHAMMAD AZHAR ALI,
Pandit L. K. MAITRA,

Mr. H. M. ABDULLAH,
Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.,
Sir R. D. DALAL, C.I.E.,
Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA,

Mr. D. D. WARREN, I.C.S., Joint Secretary, War
Transport Department.

Mr. LANGHAM CARTER, I.C.S., Deputy Secretary, War
Transport Department.

Mr. M. K. SEN GUPTA, C.I.E., Financial Adviser,
Communications.

Sir GURUNATH BEWOOR, C.I.E., I.C.S., Secretary,
Posts and Air Department.

Lt.-Col. W. H. WATT, O.B.E., R.N.R., Director,
Civil Aviation.

Mr. J. B. VESUGAR, Consulting Engineer, Roads.

Sir FREDERICK PUCKLE, C.S.I., C.I.E., I.C.S., Secre-
tary, Information and Broadcasting Department.

Professor A. S. BOKHARI, Controller of Broadcasting.

Mr. J. NATARAJAN, Principal Information Officer.

Rai Sahib C. N. SEN, Administrative Officer, Bureau
of Public Information.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General.

Mr. S. C. GUPTA, Director of Audit, Defence Services.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

War Transport Department.

Members.

Witnesses.

82. *Grant No. 73.—Capital Outlay on Vizagapatam Harbour.*—The saving in working expenditure was explained as being due to the delay in starting the construction of a railway line to serve the ship-building yard, the construction of which had itself been postponed.

The Committee then examined the Commercial Accounts of the Vizagapatam Port. It was observed that the working of the year under review had again resulted in a deficit of Rs. 1,58,310 but that this was less than the deficit for the year before, which amounted to Rs. 2,65,610. The total deferred liability on account of depreciation now stood at Rs. 6,91,665. The Committee were of the opinion that though the construction of the Port might well be justifiable on

larger grounds and though a final verdict could not be given till normal conditions had been resumed after the war; it seemed to be fairly clear that the Port had not been and would not for some time be a financially remunerative proposition.

Department of Posts and Air.

83. *Grant No. 21.—Department of Communications.*—There was a substantial saving in this grant which was due mainly to the saving under 'E.—Railway Inspection'. The Railway Inspectorate was actually transferred from the Railway Board to the Posts and Air Department with effect from the 12th May 1941 but the original grant included provision for expenditure for the whole year on the assumption that the transfer would take place from 1st April. Further, there was some reduction in the scale of pay of the two Government Inspectors after their transfer. The savings could not be surrendered in time owing to a misapprehension.

84. *Grant No. 36.—Meteorology.*—The Committee were informed that a large number of meteorological offices and stations had been opened owing to the necessity of providing the Air Force with full information regarding weather conditions. Wherever these stations had been established for purely military needs, for example, at Military Aerodromes, the full cost was met from Defence Estimates.

85. *Grant No. 48.—Aviation.*—The Committee observed that after a number of years there had been an excess over the original appropriation for works expenditure in this grant which had shown large savings for the last six years in succession. The excesses this year was mainly due to accelerated progress on the capital programme of works due to War.

86. *Grant No. 61.—Central Road Fund.*—The Committee went through the accounts of receipts and disbursements from the Road Fund and of the subventions made from that Fund. They were informed that during the year under review a large credit had been received by the Fund from Defence Estimates for expenditure on roads of a military nature. The object of passing this money through the Fund was to utilise the organisation of the Fund for the execution of the works. No portion of the balance at the credit of the Fund which had accrued to it by grants from Civil Estimates, had, however, been used for purely military purposes.

It was explained that 15 per cent of the normal receipts of the Fund were retained as a reserve by the Central Government before distribution was made to the provinces in proportion to the taxable motor spirit consumed in each. From this reserve, however, grants were sometimes made to backward provinces, such as Assam and Orissà, for the execution of approved works.

Department of Information and Broadcasting.

87. *Grant No. 49.—Broadcasting.*—The Committee went through the Commercial Accounts of the All-India Radio and noted that the year's working had resulted in a profit of Rs. 3,23,149 (if Customs revenue was taken into account) or a loss of Rs. 17,19,977 (if Customs revenue were excluded). The result either way was, however, better than in the previous year. The Committee noted that, as in the last two years, the 'Indian Listener' had been run at a profit but that the other publications continued to show a loss.

With reference to sub-head 'C.—Rural Broadcasting' of the Appropriation Accounts, it was explained that an Inspector of Rural Broadcasting had been employed in the Delhi area in connection with the Rural Broadcasting Scheme as an experimental measure. The scheme was being successfully run in this area and Madras, U. P. and the N.-W. F. P. had also taken up rural broadcasting on a fairly wide scale.

88. In connection with item 20 of the statement of outstanding recommendations, the Committee were informed that in order to implement the policy of the Government of India of concentrating all energies on business contributing directly to the war effort, it had been decided to postpone the publication of the Report of the All-India Radio till the termination of the war. Statistics, returns, etc., continued to be collected as it was intended to publish a consolidated

report after the war, which would be followed by reports at reasonable intervals. The Committee did not, in view of this explanation, desire to press its request for the issue of an annual report.

89. *Garnt No. 64.—Miscellaneous.*—It was explained that the sub-head 'A. 1. Subscriptions to the Indian News Agency' comprised during the year under review only payments to the Associated Press of India. Government were however now subscribing to the United Press of India and the Orient Press in addition. Payment to all news agencies was made at the same rate of Rs. 30 per copy.

Proceedings of the ninth meeting of the Public Accounts Committee held on Monday, the 1st November 1943, at 10-30 a.m.

PRESENT.

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,
Mr. MOHAMED AZHAR ALI,
Pandit L. K. MAITRA,
Mr. H. M. ABDULLAH,
Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.,
Sir RATANJI DALAL, C.I.E.,
Khan Bahadur Sheikh FAZLI-HUQ PIRACHA.

Members.

Mr. H. WEIGHTMAN, C.I.E., Secretary, External
Affairs Department.

Mr. V. B. ARTE, Under Secretary, External Affairs
Department.

Mr. N. V. H. SYMONS, C.I.E., M.C., I.C.S., Director
General, Civil Defence.

Mr. G. PEACE, Chief Adviser, Factory A. R. P.

Mr. S. K. KIRPALANI, I.C.S., Joint Secretary,
Supply Department,

Khan Bahadur UBAIDULLAH, Under Secretary,
Supply Department,

Mr. M. V. RANGACHARI, Deputy Financial Adviser,
Supply Finance.

Mian MUHAMMAD RAFI, Secretary, Legislative
Assembly Department.

Rai Sahib I. H. DESAI, Assistant Sugar Controller.

Mr. R. B. ELWIN, I.C.S., Deputy Secretary, Depart-
ment of Industries and Civil Supplies.

Witnesses.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General.

Mr. S. C. GUPTA, Director of Audit, Defence Services.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

Mr. RAM GOPAL, Chief Controller of Supply Accounts.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

External Affairs Department.

90. *Tribal Areas.*—The explanation for the variation in column 4 of sub-heads A. 2(4) and A. 6(4) of Account I was the non-receipt of debits from other Government Departments before the close of the year. It was suggested that it would perhaps be desirable in the case of inter-departmental adjustments to fix a certain date by which, if the debit was not received, the funds earmarked for it should be surrendered. It was, however, pointed out that as funds had to be surrendered by the 15th of March and inter-departmental adjustments could be carried out till the close of the March final accounts which was fairly late in the subsequent financial year, this procedure would not be of use in avoiding savings against final appropriation.

The facts of the large excess in column 4 under sub-head C.6(6) were that settlement operations were going on concurrently in the Tribal Areas as well as in the Settled Districts. The combined debit raised for these operations by the Survey Department were accepted by mistake by the Provincial Government and had later to be adjusted to the correct sub-head.

The Committee observed that the transfer to the Fund of special Frontier expenditure including Development was this year Rs. 25 lakhs as against the normal 5 lakhs, and the total credits to the Fund were about Rs. 30 lakhs. It was explained that, owing to war situation during the period under review, it was considered desirable to provide large sums of money on the Frontier in order to prevent any trouble on the border. The scale of previous contributions was considered insufficient and the sum granted to the Fund was therefore raised to Rs. 25 lakhs, the remaining 5 lakhs being a credit received from the Afghan Government.

91. *External Affairs*.—With reference to sub-head 1.7(2).—"Payment to the Crown Representative for training of Political Service Probationers", it was explained that political probationers were trained by the Political Department but that as the cadre of the External Affairs Department and of the Political Department was combined and these officers were later used by the former, a proportionate share of the expenditure was debited to it by credit to the Crown Representative.

Part of the modification in column I of sub-head M.1(6).—Other Charges, was explained as being due to a decrease in the contribution made by India to the British Library of Information, New York. The contribution was made as the Library provided information about India and it had been reduced during the year from £450 to \$2,200.

92. *Baluchistan*.—It was explained that the net profit from the sale of ephedra had decreased compared to the previous year in spite of an increase in the quantity sold owing to a decrease in sale price.

The modification in sub-head A.1(1).—Major Works of Account III.—Civil Works, was explained as being due to delay in the construction of the Girls' School, Quetta. Owing to the abnormal rise in the cost of materials, the cost of construction during the year was estimated to be much higher than that provided in the original estimates. The Government of India therefore enquired whether it would not be possible to redesign the building in order to keep the expenditure within the original estimate. This had not been found possible and it was ultimately decided to postpone work on the building altogether.

93. The Committee then read the note (Appendix VII submitted to it in pursuance of its recommendation that, in view of the change in military plans regarding Quetta, there should be greater co-ordination between the two Departments of the Central Government which are responsible for the reconstruction of that town, *viz.*, the External Affairs Department and War Department. The Committee agreed that, in view of the reasons explained, it was not necessary to pursue the suggestion they had made last year.

Defence Department (Civil Defence).

94. *Grant No. 15A*.—*Civil Defence Department*.—There was an excess in the voted portion of this grant of Rs. 12,061 which was due to the fact that the Department had been created during the course of the year and it had not been possible to prepare accurate estimates. The Committee agreed to recommend the regularisation of the excess by a vote of the Assembly.

95. It was explained that the present arrangements with regard to the financing of Civil Defence expenditure (which term covered principally A. R. P. measures) was that all expenditure incurred on or after the 1st July 1941 on these measures was pooled. The pool was divided between the Central and Provincial Governments, the principle of division being that certain slabs were fixed, the amounts of which varied from province to province according to the circumstances of each. The first slab was borne entirely by the Provincial Governments; the second was shared half and half between the Centre and the

Provinces, of the third, the Central Government bore 75 per cent, while all expenditure in excess of the third was divided between the Centre and the Provinces in the proportion of $87\frac{1}{2} : 12\frac{1}{2}$. The Provincial Governments had full discretion to incur expenditure on poolable items without prior reference to the Government of India but they were required to submit a monthly statement of all new schemes and variations in existing schemes sanctioned by them. It was only on receipt of the Government of India's approval that the expenditure involved was included in the pool.

96. With reference to the savings and excesses in sub-heads J.2 and J.3 of Grant No. 64.—Miscellaneous, it was explained that originally budget provision was made only for an Air Raid Precautions Staff School at Calcutta. It was intended to start this school on a large scale but this had been found impracticable and therefore, a second school, the Air Raid Precautions Instructors' School, was started, funds for this school being found by re-appropriation from the funds provided for the former. The combined total of modifications in sub-heads J.2 and J.3 showed that the overall variation had been practically nil.

Supply Department.

97. *Grant No. 51.—Indian Stores Department.*—It was explained that on the outbreak of the war the Indian Stores Department, which was the Civil purchasing agency, and the Contracts Directorate, which was the military purchasing agency, were both put under the Supply Department, and from the 1st of August 1941 both these organisations were amalgamated into a single Purchasing Organisation. The organisation for the inspection of stores was now wholly under the War Department as it was not considered desirable that any part of the Inspectorate should be under the administrative control of the department which was responsible for procurement. Even during the year under review only the Indian Stores Department Inspectorate was under the Supply Department, the Ordnance Inspectorate never having been under the control of that Department at all. There was now a special police staff under a Deputy Inspector-General of Police to check and investigate cases of corruption and an Ordinance had been issued for the provision of special Tribunals for the trial of such cases. It was hoped that these measures would serve to check corruption in the matter of procurement and inspection of Stores.

98. With reference to outstanding recommendation No. 24, the Committee were furnished with a statement (Appendix VIII) showing the sanctioned strength of gazetted officers in the Contracts Directorate on various dates.

Legislative Assembly Department.

99. *Grant No. 14.—Legislative Assembly and Legislative Assembly Department.*—The modification in sub-head C.—Charges in England, was explained as being due to the fact that since the outbreak of the war and the interruption of and delay in communications involved, books and publications were now increasingly being purchased in India instead of in England.

100. It was explained that the contributions mentioned in sub-head G.3 of Grant No. 64.—Miscellaneous, for which the Legislative Assembly Department was responsible, were contributions made to the Empire Parliamentary Association, United Kingdom Branch.

Food Department.

101. With reference to head R.—Expenditure in connection with the purchase of sugar in the Appropriation 'Miscellaneous Expenditure connected with the War', it was stated that an officer had been placed on special duty towards the end of February 1942 in order to purchase on behalf of His Majesty's Government 20,000 tons of sugar for supply to troops in the Middle East. It was further explained that at that time conditions were such that the Sugar Industry was pressing for outlets for exports.

Department of Industries and Civil Supplies.

102. *Grant No. 46.—Industries.*—It was explained that the grants for the development of the Handloom Industry and for the development of the Sericultural and Woollen Industries in British India (sub-heads B. and C. of this Grant) were given to various Provincial Governments who administered them.

There was an excess in the voted portion of this Grant of Rs. 19,280, the reason being the unexpected payment of leave salary of an officer in the Colonies, the increased cost of passages of two scholars and erroneous adjustment under this Grant of certain charges debitable to Grant No. 47. The Committee agreed to recommend the regularisation of this excess by a vote of the Legislative Assembly.

Proceedings of the Tenth meeting of the Public Accounts held on Tuesday the 2nd November 1943 at 10-30 a.m.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,

Mr. MOHAMED AZHAR ALI,

Sir Syed RAZA ALI, C.B.E.,

Pandit L. K. MAITRA,

Mr. H. M. ABDULLAH,

Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.,

Sir R. D. DALAL, C.I.E.,

Khan Bahadur Sheikh FAZL-I-HUQ PIRACHA.

Sir JOHN SHEEHY, C.S.I., I.C.S.; Member, Central Board of Revenue.

Mr. K. K. CHETTUR, First Secretary, Central Board of Revenue.

Mr. C. M. TRIVEDI, C.S.I., C.I.E., O.B.E., I.C.S., Secretary, War Department.

Mr. MACWORTH YOUNG, Joint Secretary, War Department.

Mr. C. MacI. G. OGILVIE, C.S.I., C.B.E., I.C.S., Secretary, Defence Department.

Sir JOHN THORNE, K.C.I.E., C.S.I., I.C.S., Secretary to the Governor General (Public).

Rao Bahadur V. P. MENON, C.I.E., Reforms Commissioner.

Members.

Witnesses.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General.

Mr. S. C. GUPTA, Director of Audit, Defence Services.

Mr. RAUNAQ LAL, Assistant Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S., Finance Secretary.

Central Board of Revenue.

103. *Grant No. 1—Customs.*—With reference to sub-head A.3.—Overtime and Holiday Allowances, a member suggested that, in view of the fact that Government servants in all other Departments worked on holidays and beyond office hours without extra payment, there seemed to be no justification for making an exception in the case of Customs staff and granting them overtime and holiday allowances. It was explained that the case of these Customs officials was not analogous to clerical Government servants. Payments for overtime were made in many other Government Departments, such as Posts and Telegraphs, the Railways, the Mints and the Printing Presses and in fact everywhere where conditions of work approximated to those of industrial concerns. This system of overtime allowances had often engaged the attention of the Public Accounts Committee and had also often been reviewed by the Central Board of

Revenue. The conclusion arrived at was that the system was economical and secured willing service at inconvenient times. If it was done away with, the alternative would be to raise the substantive salaries of the staff as well as to employ more staff, and this would no doubt result in much greater expense to Government. The Committee agreed that no alteration in the system was at present necessary.

The Committee then went on to examine the *pro forma* account of receipts and expenditure relating to overtime and holidays allowances and observed that the year's working had resulted in a substantial surplus. They were also informed that in July 1942, Government had decided not to recover the penalty fees, which used to be levied for working cargoes on Sundays and Closed Holidays for the duration of the war, the reason being that it was considered necessary to encourage rather than penalise the rapid turn-round of ships during war time.

The full facts of the case reported in note 4(b) of the notes below the Appropriation Accounts were given to the Committee. Since 1940 some firms in Calcutta had been evading Customs duty by misdeclaring good quality raw jute as jute cuttings and the subordinate executive staff had failed to detect this malpractice owing to the non-observance of rules; a contributory factor being the absence of a clear definition of jute cuttings. No collusion had been proved. Disciplinary action had been taken, as a result of which one Superintendent had been retired and the promotion of two Deputy Superintendents stopped. The firms concerned were prosecuted and in two cases prosecution against them was compounded on payment of Rs. 50,000. The rules now provided a clear definition of jute cuttings. Samples of jute and jute cuttings were now taken by bursting open the bags and the contents were verified by an Assistant Collector. The total loss during the period the fraud had continued was estimated to have been about Rupees one lakh. The Committee expressed themselves as satisfied at the remedial action taken.

104. *Grant No. 2.—Central Excise Duties.*—With reference to note 3 of the notes under the Appropriation Accounts, it was explained that the payment of the net proceeds of the Excise duty on coal and coke to the Coal Mines Stowing Board, being a payment made under Statute, was under the constitution, to be treated as non-voted. It had been shown as voted in the year 1940-41 by mistake. On the mistake having been discovered, budget provision was made under the appropriate head in the next year.

105. *Grant No. 3.—Taxes on Income, including Corporation Tax.*—The Committee were pleased to observe that the expenditure of the Department had shown very little increase in spite of the rapid increase of income from this source.

106. *Grant No. 4.—Salt.*—After going through the Appropriation Accounts the Committee reviewed the Commercial Accounts of salt manufacture, etc., in the Commercial Appendix. It was explained that the policy of Government was not to make any profit on the manufacture of salt but to sell salt at cost. Owing to the time lag in the revision of selling rates and to a reduction in the cost of production due to expansion of output there had been some increase in profit but this did not mean any change in the policy of Government. The Commercial Accounts, it was stated, were prepared by the Collectors of Central Excises and Salt and were reviewed by the Board.

107. *Grant No. 5.—Opium.*—There was a large saving in this grant which was explained as being due to less opium having been produced by States owing to adverse weather conditions. Practically the whole saving had, however, been surrendered to Government.

The Committee then went on to examine the Commercial Accounts of the Opium Factory at Ghazipur. They noted that large shortages in opium continued to be noticed and that the losses were reported to be due to assay variations and chemical reactions. The Committee were assured, however, that the Board maintained a considerable and well qualified chemical staff and was making every

effort to find out a reliable method to assist in minimising such losses; one such method receiving attention at present was the storage of opium in vats of small dimensions. The price policy with regard to opium was to sell at cost to Provincial Governments but at a profit to outsiders such as the United Kingdom and the United States of America which, in recent years, had been large purchasers of opium.

108. *Grant No. 6.—Provincial Excises.*—There was a comparatively large saving in this grant but it was explained that a large portion of it was due to an erroneous adjustment made in the accounts office of which the Board was not aware.

War Department.

109. *Ecclesiastical.*—It was explained that the structure of this appropriation was now such that all Ecclesiastical expenditure wherever incurred excluding pensionary charges, was brought together and shown in this appropriation which also showed the recoveries made from Defence Services and the Railways on account of expenditure incurred on their behalf. Section 33 (iii) (e) of the Government of India Act laid down that Ecclesiastical expenditure was to be subjected to a lump-sum limit of Rs. 42 lakhs, excluding pensionary charges. As that section, however, was not yet in force, it was not necessary for there to be any Audit certificate showing that Ecclesiastical expenditure had in fact been kept below this limit.

Defence Department.

110. The Committee were presented with a note (Appendix IX) which explained that it had been decided that the expenditure on account of the Rajputana Indian Soldiers' Board, which had hitherto been met from the Central Civil Estimates, should be transferred to the Defence Services Estimates.

111. The Committee then examined the accounts of the Secretariat of the Governor-General (Public) and the Secretariat of the Governor-General, (Reforms) on which they had no remarks to offer.

Proceedings of the first meeting of the Military Accounts Committee held on Friday the 22nd October, 1943 at 10-30 a.m.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,

Pandit L. K. MAITRA,

Kunwar Hajee ISMAEL ALI KHAN, O.B.E.,

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S.,

Mr. C. M. TRIVEDI, C.S.I., C.I.E., O.B.E., I.C.S.,
Secretary, War Department.

Mr. E. T. COATES, C.S.I., C.I.E., I.C.S., Financial
Adviser, Military Finance.

Mr. M. R. COBURN, C.I.E., O.B.E., Additional
Financial Adviser, Military Finance.

Major General H. E. ROOME, C.I.E., M.C., Engineer-
in-Chief, General Headquarters.

Mr. J. Parlby, C.I.E., O.B.E., Military Accountant
General.

Mr. A. SUBRAHMANYAM, M.B.E., Deputy Financial
Adviser, Military Finance.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General of India.

Mr. S. C. GUPTA, Director of Audit, Defence Services.

Mr. V. D. DANTYAGI, Additional Director of Audit, Defence Services.

The Committee started its proceedings by considering the statement of outstanding recommendations:—

Item 27.—A memorandum (Appendix X) was presented to the Committee, explaining the facts of the frauds practised in connection with the purchase

of stores for the Royal Indian Navy in 1939. It was reported that the contractor involved, the clerk to the contractor and the officer concerned were criminally prosecuted but were acquitted by the Chief Presidency Magistrate, Bombay, and that Government after having taken competent legal advice did not consider it advisable to take the case in review to the High Court. The question of taking departmental action against certain other Government officials was not being pursued. It was pointed out that under the Home Department instructions issued in 1935 and printed as Appendix VIII to the Report of the Public Accounts Committee on the Accounts of 1940-41, departmental action should not have been delayed till the conclusion of the criminal case. In answer it was stated that those instructions could not apply on the Defence side as departmental action against military officers could only be taken by Court Martial which was in itself in the nature of judicial proceeding, and that it would be undesirable to have two judicial proceedings relating to the same case going on at the same time. The Committee hoped that the Special Tribunals appointed under the recent Ordinance for the trial of corruption cases would achieve better results than had been possible in the Civil Courts.

The Committee were informed that notwithstanding the failure of Government to secure a conviction, this case had had a tremendous moral and deterrent effect which amply justified the expenditure of time and money involved.

Item 28.—A memorandum (Appendix XI) showing the action taken and the effect of such action on ensuring the proper maintenance of stores accounts in the Navy, was furnished to the Committee. The Committee did not regard the position as altogether satisfactory in that, although the old accounts were being cleared up, new accounts were not being sent in in time. There were at present 126 stores accounts outstanding, but it was explained that out of this 82 were from vessels on escort duty and it was natural that they should be delayed. The Committee, however, were satisfied and the Auditor-General concurred that the Royal Indian Navy were fully alive to the problem and were tackling it to the best of their ability. They were also of the opinion that the new accounting organisation was being built up on sound lines and would prove its effectiveness in future.

Item 29.—The Committee agreed that as long as prices did not return to a stable level, there was no point in compiling the standard Schedule of rates and that, therefore, the action taken in suspending further work on this compilation was correct.

Item 31.—It was stated that necessary orders had been issued in pursuance of the Committee's recommendation that great care should be exercised before an exceptionally short time limit for the construction of a work was included as a condition of a contract and that whenever a time limit was so included, a penalty clause should invariably be introduced and enforced for the non-completion of the work within the prescribed time.

Item 32.—It was stated that the powers conferred by the rules on local officers to sanction works of extreme urgency without limit of cost or to enter into contracts for such works in anticipation of administrative approval on grounds of urgency had been resorted to much more freely than was ever intended by Government. Orders had consequently been issued, withdrawing the delegations to subordinate authorities that had been made in the previous year. A further safeguard against abuse now was that materials were in such short supply that the Military Authorities themselves were reluctant to sanction construction unless its need was really urgent.

Item 33.—It was stated that necessary instructions had been issued in all cases, including the M. E. S., in pursuance of the Committee's recommendation that steps should be taken to make officers-in-charge of stocks realize the importance of verifying them and their responsibility for their custody.

2. The Committee then went on to consider the Financial Adviser's Review on the Appropriation Accounts of the Defence Services for the year 1941-42. The excess of Rs. 19,88 lakhs over the budget was explained as being due to the fact that developments in the war situation, particularly in the Far East, had made it necessary to retain in India for her own purposes far larger forces than had been anticipated and allowed for at the time of framing the budget and had required the putting into force of a number of costly measures designed to meet the new threats to India's security owing to the Japanese advance.

3. In connection with Lease-Lend Accounts, it was stated that after a long period of experimentation an accounting system had now been devised and put into force for the accounting of Lease-Lend Stores received from abroad. It was hoped that this system would work well, the delay in devising it being due to the complicated nature of the transactions under Lease-Lend and other difficulties such as insufficient documentation and the non-arrival or late-arrival of documents connected with those stores.

4. The Committee then discussed at length the unsatisfactory nature of the stores organisation, as a result of which, it was feared that considerable losses might have occurred in the case of stores *en route* to or lying at the depots owing to pilfering and damage by exposure. The Committee observed that the certificate of the Military Accountant-General contained reservations in regard to stores and stated that in several cases, involving substantial values, consignees of the Defence Department's stores had not in practice linked the goods actually received by them with the particular consignments notified as having been despatched to them, that in other cases stores accounts were very incomplete and that, therefore, he had not been able to satisfy himself that such consignments had been satisfactorily brought to account by consignees.

It was stated that the failure of the Stores Organisation to meet the demands placed on it was one further example of our unpreparedness for war. The quantity of ordnance stores held by the Defence Services was now no less than 23 times that ordinarily held in peace time. The main difficulty in the way of the expansion of the Stores Organisation was the difficulty of obtaining trained personnel of which there was a deficiency. The difficulties in the way of accounting of stores and in particular in the linking of stores were not confined to India but, as had been pointed out when the matter was discussed last year, had been met with in Great Britain and also, to even a greater extent, in the Middle East. Conditions in this respect had unfortunately steadily deteriorated and were worse in 1942-43 than they were in the year under report.

The Financial Adviser, Military Finance, was, however, fully alive to the gravity of the situation and General-Headquarters had, at his instance, recently taken steps, which were already having a beneficial effect, to recover complete control over the Stores Organisation. Such steps were firstly, the appointment of an expert *ad hoc* committee to examine the administration of arsenals and ordnance depots and to make recommendations for their improvement; secondly, the appointment of three touring teams of officers, one each for Medical, Engineering and Ordnance Stores, who visited depots, reported on their condition and made suggestions for improving them; thirdly, the making of arrangements to recruit and train personnel for stock-keeping duties; fourthly, the appointment of a Controller of Accounts for the Master-General of the Ordnance Branch, who devised and enforced accounting arrangements for stores depots; fifthly, the appointment of a Planning Committee to devise means for control over the accounting, receipt and issue of stores; and finally, constant pressure brought on the Master-General of Ordnance by the Financial Adviser, Military Finance, to keep proper superintendence and control over stores. It was stated that the system of control now devised was practically perfect on paper and it was hoped that it would work well also in practice.

5. *Works Expenditure.*—The Committee were satisfied with the orders issued in pursuance of their recommendation No. 26 that the Controllers of Military Accounts should report on cases of abandonment of work before completion to the Military Finance Department, as they occurred, in order that the latter could exercise a check on whether works had been started or abandoned without proper consideration.

6. The Committee observed that there had been numerous irregularities of various kinds during the year in connection with the execution of works for the Defence Services. They observed that these irregularities were largely due to a shortage of skilled technicians and supervisory engineering staff in the country and not to any dereliction of duty on the part of officials in the Military Engineering Service or to the deliberate scamping of work by contractors. This shortage and the insufficient supervision over works were reflected in the still further reduction of the percentage of 'Establishment Charges' to 'Works Expenditure' for the year under review, to 4.39 against 6.76 for 1940-41 which percentage itself the Committee had feared was too low. The Committee felt that this shortage of personnel which, owing to the enormous and world-wide demand for it, could only be partially remedied, must inevitably result in a lowering of standards of supervision and consequent loss of efficiency, and must be regarded as one of the many inevitable evils of the war.

7. The Committee then examined the details of the Appropriation Accounts and proceeded to examine Appendices A, B.I, B.II, B.III and B.IV to the Appropriation Accounts, which contained statements of losses of cash, over-payments, losses of stores, etc., etc., written-off during the year. The items entered in these statements were very small, but it was explained that these losses were only those which had entered the Government account and had then had to be written-off. The main losses which, it was feared, were large, were those which owing to the partial breakdown of store accounting were never brought to account at all and the magnitude of which could not, therefore, be assessed.

The Committee then went through Appendix C which dealt with the Disposals Organisation and desired that a full report on the present state of this organisation which, it is understood, had been considerably expanded, should be submitted to it before it considered its report on the 2nd of November 1943.

8. The Committee then went on to consider the Audit Report and took up first the portion relating to the Military Engineer Services. It had the benefit this year of being able to examine the Engineer-in-Chief who explained that contracts were given out either by open competitive tender, by single tender or by negotiations. The general rule was to invite contracts by open tender; but the single tender was employed for works which required specialised skill possessed only by one or a limited number of contractors and prices were fixed in the single tender system on the basis of rough estimates and the experience of the officers granting the contract gained on similar work elsewhere. Negotiated contracts, in which prices were fixed by negotiation between the contractor and the Engineer, were in force only in the Southern Army and the majority of cases of such contracts occurred during the crisis following on the bombing of Madras. In the conditions then prevalent, contracts had of necessity to be given to those contractors who happened to hold stocks and it was quite impossible to allow the open tender system to prevail. Orders had now been issued, with the return of more normal conditions, for the discontinuance of negotiated and single tender contracts except in conditions of emergency for which of course exception had to be made.

It was explained that all major projects, *i.e.*, projects costing over Rs. one lakh were considered by a Committee at General-Headquarters called "The War Projects, Co-ordination and Administration Committee", of which the Engineer-in-Chief was a member. Only the works considered essential by that

Committee were sanctioned, and if any work was required to be undertaken with an urgency that would materially increase its cost, the Engineer-in-Chief invariably pointed out the disadvantages of allowing a longer period for the construction. If a lower formation, in spite of the orders withdrawing the delegation of powers to them sanctioned a construction on the grounds of urgency, the case was fully reviewed at the Headquarters and necessary action taken if it was found that the discretion had been abused. The Engineer-in-Chief was of the opinion that, with the greater experience gained, there was now fairly good centralised control over the sanction and execution of works.

9. The Engineer-in-Chief stated that the internal check agency consisted of (1) a small cadre of Surveyors of Work who combined the rates and forms of contract in a percentage of cases, (2) the Chief Technical Examiner attached to the Quartermaster-General's Branch who conducted a further test check and (3) two touring officers whose duty was to examine the quality of work, contract rates etc. and to take remedial action wherever possible. The Committee was of the view that it might be advantageous to centralise information at Headquarters as to the rates paid throughout the country for various kinds of work, so that by reviewing these different rates it could be discovered if there was any extravagance anywhere, and desired this suggestion to be examined by the War Department.

10. The Engineer-in-Chief explained at length the facts of the case reported in paragraph 16 of the Audit Report, in which it was stated that the bills of quantities had been returned to the contractors who had destroyed them and that, therefore, it had not been possible for Audit to exercise any check at all. He stated that the original contracts were given on the single tender system to firms of outstanding repute and that the contracts did not have any term with regard to bills of quantities which were never prepared. When the contract was extended—and the extension was really a separate contract altogether for the construction of entirely separate buildings—the contractors prepared rough statements showing the rates on which the previous lump sum contracts were based and the quantities involved, which were returned to them after check by the Engineering Authorities. The Auditor-General and the Committee accepted the explanation of the case given by the Engineer-in-Chief but suggested that whenever there was material available on the basis of which a contract could be checked, it should, whether in the form of bills of quantities or otherwise, be conserved. It was stated that instructions had already been issued to this effect.

11. With regard to the practice mentioned in paragraph 14 of the Financial Adviser's Review, of commencing works on the verbal understanding that lump-sum prices would be settled by negotiation after the completion of the work, the Committee were inclined to consider it as a method which undoubtedly led to extravagance. The Engineer-in-Chief stated that works were started in this manner only in the most exceptional cases and that this method was resorted to only when all the factors relevant to the work were not known. As an example he cited the case of construction of piles in a river without adequate survey which the urgency of the work did not permit of being undertaken, and stated that if the contractor were required to enter into a contract before starting the work, he would undoubtedly tender on the basis of all the unknown factors being against him and the work would certainly cost Government more than under the system now prevalent. The Committee agreed that, provided this method was adopted only in the most exceptional cases and provided further that the prior concurrence of the Financial Authorities before the commencement of work of this kind was obtained, they would not object to its continuance. They were, however, firmly opposed to any extension of this method of giving out work to cases in which all the factors of the situation were known.

Proceedings of the second meeting of the Military Accounts Committee held on Saturday, the 23rd October 1943 at 10-30 a.m.

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI,

Pandit L. K. MAITRA,

Kunwar Hajee ISMAIEL ALI KHAN, O.B.E.,

The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S.

Mr. C. M. TRIVEDI, C.S.I., C.I.E., O.B.E., I.C.S.,
Secretary, War Department.

Mr. A. A. WAUGH, C.S.I., C.I.E., I.C.S., Secretary,
Supply Department.

Mr. E. T. COATES, C.S.I., C.I.E., I.C.S., Financial
Adviser, Military Finance.

Mr. M. R. COBURN, C.I.E., O.B.E., Additional
Financial Adviser, Military Finance.

Mr. R. S. Symons, I.C.S., Additional Financial
Adviser, Supply Finance.

Mr. J. Parlby, C.I.E., O.B.E., Military Accountant
General.

Mr. A. SUBRAHMANYAM, M.B.E., Deputy Financial
Adviser, Military, Finance.

Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General.

Mr. S. C. GUPTA, Director of Audit, Defence Services.

Mr. V. D. DANTYAGI, Additional Director of Audit, Defence Services.

Mr. RAM GOPAL, Chief Controller of Supply Accounts.

} *Members.*

} *Witnesses.*

12. The Committee read with great interest the memorandum (Appendix XII) furnished to it, describing the measures taken by the Supply Department to meet the growing demand for the procurement of war supplies. It was stated, that Government now had adequate legal powers to compel Industry to disclose its costs in order to enable them to fix prices on the basis of costs, and cases such as those described in paragraph 37 of the Audit Report, in which the companies had not agreed to—and Government had not insisted on—the full disclosure of the price structure and the profit margin, were exceptions rather than the rule. It was on the grounds of expediency that contracts were sometimes entered into without full costing as, in the last resort, the sanction behind Government's demand for the disclosure of costs was its readiness to take over and run the Industry, to do which the Governmental organisation was not fitted.

It was stated, however, that relations between Government and Industry were getting progressively better and that Government were now getting greatly increased information about Industry owing to an increase in goodwill and mutual trust. The atmosphere now was generally one of co-operation rather than of antagonism and the companies' auditors, who had generally to be relied upon in the investigation of costs, had displayed a full sense of public responsibility and had given unrestricted co-operation to Government, and the Auditor General was satisfied that the system was at present working successfully. In answer to a question it was stated that the number of Cost Accountants in the Supply Department was now 17 but that more staff was being continually recruited.

13. With regard to the goods supplied by Cottage Industries, it was explained that the fixation of their prices was dependant largely on the recommendations made and the information furnished by the Provincial Governments. The prices were, however, finally sanctioned by the Supply Department and a check on costs was maintained by local Accountants-General. Provincial Governments had, on the whole, been fairly reasonable with regard to the prices they had

suggested to be fixed and there was, in any case, an upper limit to these rates because the Supply Department was not prepared to pay prices substantially in excess of those for which the articles supplied by Cottage Industries could be supplied by organized large-scale Industry.

14. With regard to the outright contribution which had sometimes been made to certain firms, it was explained that the contribution took the shape of money, plant and machinery or buildings. When buildings were put up by Government, the arrangement normally was that the company would have a first refusal of the building after the war at a price to be fixed at the time of transfer. Cases such as those reported in paragraph 44(b) of the Audit Report, in which no proprietary rights were retained either in the plant or machinery or in the buildings, were exceptions due to certain special causes. Whenever a contribution of this sort was made to a firm, the value of the service rendered was taken into account in fixing the price paid for the finished article. This kind of assistance had become necessary because in many cases the articles that were required to be produced would have no post-war utility and firms were, therefore, unwilling to sink their capital in assets which would give them a return only for a very limited period of time. Generally speaking, if the company had a post-war survival value, assistance was not given to it.

15. The Committee then reviewed the arrangements made with the Cotton Textile Industry. It was stated that Government wished at the time of entering into the original contract to fix prices in terms of costs, but the resistance of the Industry at that time to an investigation of costs was so great that Government had ultimately to agree to market prices over a fixed period of time being the basis of the determination of prices. From the information available to Government now which, however, was not complete, it appeared that the average profit on the basis of prices charged was between 7 per cent and 16 per cent of costs, and that generally in the Industry the capital was turned over once per annum. In the circumstances the profits made by the Industry on war orders were not unconscionably high, the greater portion of profits made by the Industry being from the civil market where prices were till recently uncontrolled. The large profits occasionally made by certain individual firms were due to their greater comparative efficiency. It had further to be remembered that although profits appeared to be large, the Industry would have to face large replacements of machinery after the war.

16. The Committee then went on to examine the Note (Appendix XIII) regarding purchase arrangements for jute goods, furnished by the Supply Department in pursuance of the outstanding recommendation No. 23. They expressed themselves as satisfied at the modifications made in the arrangements for the purchase of these goods, particularly with the diminution in the margin of profit, the reduction in the definition of large order and the permission to accumulate small orders and place them as a large order.

17. The Committee observed with interest the fact that a refund of no less than Rs. 27 lakhs was obtained during the year under review from an industry owing to the revision of prices brought about by the activities of Cost Accountants.

18. The Committee then went on to consider the question of allocation of Defence expenditure between His Majesty's Government and Indian Revenues, a matter which had received considerable attention in the Legislative Assembly in the last Budget Session. The Additional Financial Adviser, Military Finance and the Additional Director of Audit, Defence Services, explained that methods according to which allocations were made, had been explained to the Committee in the Financial Adviser's Review of the Appropriation Accounts for 1939-40 and 1940-41. The actual procedure followed in the classification of new measures into the categories "India", "H. M. G." and "Joint", was that there was a weekly meeting between the Additional Financial Adviser and the Director of Audit, Defence Services, at which all new measures sanctioned were reviewed and the categorisation decided upon. In cases of dispute the matter was referred to the Auditor-General. The actual allocation of expenditure based on

these classifications was carried out partly by direct accounting at the time the expenditure was incurred and partly (where such direct accounting was not convenient or possible) at the end of the year in the office of the Financial Adviser, Military Finance by the methods already referred to. The detailed calculations involved in the latter adjustments were checked in the office of the Director of Audit, Defence Services. The Auditor-General stated that he and his officers had invariably been given full and complete information on all points when they had demanded it. The Committee, while observing that they could obviously not certify that the allocation in each particular case was in accordance with the letter and spirit of the Financial Settlement, had no suggestions for the improvement of the procedure that was adopted in carrying out these allocations.

19. The Committee then considered paragraph 53 of the Audit Report which stated that under the new procedure introduced since June 1942, contractors were allowed 100 per cent advance payment on bills supported by inspection certificates and proof of despatch. The Auditor-General stated that it was too early to express an opinion on the working of this system. The Committee were not altogether satisfied as to the necessity of a 100 per cent advance payment in present conditions whatever may have been the justification for the issue of these orders at the time they were passed on account of the dislocation in transport and the delays in the payment of bills. They desired that a full report as to the reasons which had led to the introduction of this new procedure should be laid before them and that the Supply Department should consider whether it would not be advisable to revert to the previous system of a percentage advance payment.

20. The Committee went through the Commercial Appendix to the Appropriation Accounts on which they had no remarks to offer.

**Proceedings of the third meeting of the Military Accounts Committee held on
Tuesday, the 2nd November 1943.**

PRESENT:

The Hon'ble Sir JEREMY RAISMAN, K.C.S.I., C.I.E., I.C.S., Finance Member,
Chairman.

Maulvi MOHAMMAD ABDUL GHANI, Pandit L. K. MAITRA, Kunwar Hajee ISMAIEL ALI KHAN, O.B.E., The Hon'ble Mr. C. E. JONES, C.S.I., C.I.E., I.C.S.	}	<i>Members.</i>
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Major General J. N. THOMSON, D.S.O., M.C., A.D.C. Deputy Master General of Ordnance Sir CAMERON BADENOCH, C.S.I., C.I.E., I.C.S., Auditor General. Mr. S. C. GUPTA, Director of Audit, Defence Services.	}	<i>Witness.</i>
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The Committee read with interest the note (Appendix XIV) presented to it on the Salvage Organisation in the War Department. It was stated that this organisation had been handicapped in its work by difficulties of transport, but that the position in this regard was now better. The Military Salvage Organisation was working in close co-ordination with the Directorate-General of Salvage and Disposals of the Supply Department. In answer to a question as to how it had happened that considerable quantities of weapons, munitions and garments in serviceable condition had been recovered from salvage, it was stated that though theoretically this should never happen, in the conditions that prevailed in the operational areas it was impossible for serviceable articles never to get mixed up with unserviceable articles and be thrown away as useless.

APPENDIX I.

Statement showing action taken or proposed to be taken on recommendations made by the Central Public Accounts Committee

Serial No. 1	Year of Report. 2	Paragraph of the Report or Proceedings. 3	Recommendations or suggestions. 4	Action taken or proposed to be taken. 5
1	1939-40	17-R 85-P.	<p><i>Railways.</i></p> <p>That the justification for the amounts paid to the Chief Engineer on account of allowances for performing extra duties of Chairman of Coal Grading Board and Chairman of Soft Coke Cess Committee should be re-examined.</p>	<p>The Committee were told that the question had been re-examined and the remuneration paid to the Chief Mining Engineer for extra duties had been reduced from Rs. 800 p.m. to Rs. 500 p.m.</p>
2	1940-41	16-R	<p>That Railway Administrations should make every effort consistent with the conditions and demands created by the War, by the employment of necessary additional staff and otherwise, to maintain their assets at as high a level of efficiency as possible and so reduce the burden of maintenance arrears to be carried forward to the future.</p>	<p>Necessary instructions have already been issued to railway administrations in letter No. 4141-B dated 20th September 1939.</p>
3	1940-41	17-R 114-P.	<p>That the Legislative Assembly should invariably be given an opportunity to express its views on any proposal to purchase a Railway and consequently that, if the purchase can be financed from savings, a token demand should be placed before the Assembly for the purpose.</p>	<p>Noted.</p>
4	1940-41	18-R 114-P.	<p>The Railway Board should make it clear to all Railway administrations and in particular to the G. I. P. Railway that they must continue to furnish all explanations demanded by Audit.</p>	<p>Noted. Necessary instructions have been issued to railway administrations.</p>
5	1940-41	19-R 114-P.	<p>That the procedure which was adopted on the Bengal Nagpur Railway under which the lump sum provision for works was distributed in such a manner that the total exceeded the sum voted by the Assembly should be discontinued forthwith.</p>	<p>Necessary instructions have been issued to the Bengal Nagpur Railway.</p>
6	1940-41	108-P	<p>That the Railway Administrations should be asked to adhere to the Board's instructions issued in October, 1939, in regard to framing estimates of expenditure on gratuities, etc.</p>	<p>Necessary instructions have been issued to railway administrations.</p>
7	1940-41	119-P	<p>That the investments from the Depreciation Reserve Fund should be transferred to the Railway Reserve Fund.</p>	<p>Steps have been taken to give effect to this transfer in the accounts for 1942-43.</p>
8	1940-41	120-P	<p>That annexure C to the Chief Commissioner's review should in future furnish, in a foot note, statistics with regard to that portion of the Bengal and North Western Railway which was company owned and company managed.</p>	<p>Noted.</p>
9	1940-41	122-P	<p>That explicit instructions should be issued to Railway Administrations enjoining upon them that executive officers should not by implication or otherwise accept any state-</p>	<p>Necessary instructions have been issued to railway administrations.</p>

10	1940-41	7-P	<p>ment of a legal nature such as an assignment or transfer of right without consulting the legal advisers of the Railways. <i>Education, Health and Lands Department.</i></p> <p>That in addition to the present system of the verification of stock in the Photo Litho Office surprise test checks should be carried out by a gazetted officer as frequently as possible.</p>	<p>It has been arranged that surprise test checks of expendible stores should be carried out monthly by a gazetted officer and the results reported to the Surveyor General of India. In view of the pressure of work during war time, the number of individual items to be so checked has been limited to 4 or 5 monthly subject to the condition that such items should be of the stores that are most valuable and that the items should vary from month to month. This procedure was brought into force from December 1942, and the position has not undergone any change since then.</p>
11	1940-41	8-P	<p>That in respect of the Government stock of quinine a test check of quality in addition to the check of quantity should be undertaken for all quinine products and the fact of this having been done should be recorded on the certificate.</p>	<p>Orders have been issued for random samples to be taken and chemically tested in order to verify that there has been no substitution or adulteration.</p>
12	1937-38 1939-40 1940-41	9-P 7-P. 10-P.	<p>That the Committee should be kept informed of developments in the matter of exempting the Indian Museum buildings from municipal tax.</p>	<p>In January 1943 the Calcutta Corporation informed the Trustees of the Indian Museum that the question of exempting the Museum buildings from the house tax etc., could not be considered for so long as the Military authorities were in occupation of a major portion of the buildings for A. R. P. purposes. In March, the Trustees asked the Corporation (1) to apportion the tax for the buildings between the Museum and the Military authorities in accordance with the space occupied by them so that the latter might be asked to bear their share of the tax and (2) to exempt that portion of the Museum buildings which was still under the control of the Trustees on the ground of its being used for public charity but the Calcutta Corporation had declined to do so. A report was placed before the committee.</p>
13	1940-41	7-R 59-P.	<p><i>Finance Department.</i></p> <p>That an investigation should be made and a report rendered to the Committee as to whether it was a fact that persistent savings occurred in the provision for works expenditure because budget provision was made by the Finance Department without adequate examination of whether the items for which budget provision was made had reached a state of maturity sufficient to enable them to be executed in the following year to the extent of such provision.</p>	<p>A report was placed before the committee.</p>
14	1940-41	35-P	<p>That deductions for probable savings, unless they are substantial in amount and can definitely be allocated to any particular head should not be shown separately but effect should be given to them by reducing the original provision by the amount that is expected to be saved.</p>	<p>Noted.</p>

1	2	3	4	6
15	1940-41	88-P.	That expenditure on Secret Service should in future be described as "Secret Service Expenditure" and not as "Secret Service Contingencies".	Noted.
16	1940-41	51-P.	That the system of notation under the grant "Aviation" which led to an unduly large number of figures being prefixed to the name of each sub-head should be revised in order to make it less complicated.	Reference was invited to paragraph 3 on page 126 of the Appropriation Accounts (Civil) for 1941-42 for the changes already made in the grant under 'Aviation' for 1943-44. No further changes were considered necessary.
17	1940-41	41-P.	That the details of the expenditure under the sub-head "F. 4.—Contingencies" in the Grant for "Ports and Pilotage" should be shown in a foot note in the Appropriation Accounts. <i>Auditor General.</i>	This has been done.
18	1940-41	51-P.	That a brief description of each scheme of expenditure under the grant "Aviation" together with the total expenditure incurred on it should be given in a comment at the bottom of the page. <i>Commerce Department.</i>	This has been done.
19	1940-41	44-P.	That if there is no reason to the contrary the heads G. and H. under the grant Commercial Intelligence and Statistics should be amalgamated. <i>Department of Information and Broadcasting.</i>	The sub-heads have been amalgamated from 1941-42 under the head "Subsidies to railways and Steamship Companies."
20	1940-41	57-P.	That Government should consider the question of issuing annually a brief report indicating what the All-India Radio is doing; how it is developing and the policy which it has been following during the year.	In order to implement the policy of the Government of India to concentrate all energies on business contributing directly to the war effort, it has been decided to postpone the publication of the Report of the All-India Radio till the termination of the war. Statistics, returns, etc., will however continue to be collected as it is intended to publish a consolidated report after the war, which will be followed by reports at regular intervals.
21	1940-41	80-P.	That the Department should take steps to see that the arrears which have accumulated of cases of losses awaiting orders for adjustment should be speedily cleared off. <i>Posts and Telegraphs Department.</i>	The accumulated arrears of cases of loss awaiting orders of adjustment have been reduced from Rs. 3,04,158 in 1940-41 to Rs. 2,21,558 in 1941-42. Instructions have also been issued for the speedy conclusion of departmental proceedings which is expected to bring down the accumulation still further.
22	1940-41	97-P.	That in view of the change in military plans regarding Quetta, there should be greater co-ordination between the two Departments of the Central Government (the E. A. Department and the War Department) which are responsible for the reconstruction of Quetta. <i>Supply Department.</i>	A note showing action taken was placed before the Committee.
23	1940-41	P. 21 Military.	That the possibility of placing orders for jute goods directly with the mills should be considered.	A note was placed before the Committee.

24	1940-41	P. 71	That the Committee should be furnished with a statement showing the number of officers employed in the Contracts Directorate on the date of its transfer to the Supply Department on 31st March 1940 and at quarterly intervals up to 31st March 1941.	A statement was placed before the Committee.
25	1940-41	6-R Military	<i>Defence Services.</i> That departmental and financial authorities at G. H. Q. should arrange for periodical reviews and local inspections of all important non-competitive contracts and a report should be made to the Committee on the methods of control it had been found possible to evolve.	The present position was explained in para. 12 of the General Review on the Appropriation Accounts of Defence Services for 1941-42.
26	1940-41	7-R 6-P. Military	That the charge that plans for works are too lightly conceived and embarked upon and too lightly abandoned should be investigated and the Committee informed what safeguards are prescribed to prevent the too light-hearted abandonment of works once started.	The position was explained in para. 15 of the General Review on the Appropriation Accounts of Defence Services for 1941-42.
27	1940-41	7-P Military	That the Committee should be furnished with a report on the facts of the case mentioned in para. 10 of the Appropriation Accounts, Defence Services for 1940-41 and the action taken by departmental authorities as well as the result of the case in court.	A memorandum showing action taken was placed before the Committee.
28	1940-41	8-R 12-P Military	That a report should be furnished to the Committee on the action taken and the effect of such action on ensuring the proper maintenance of stores accounts in the Navy.	A memorandum showing action taken was placed before the Committee. Reference was also invited to para. 11 of the General Review on the Appropriation Accounts of the Defence Services for 1941-42.
29	1940-41	9-P. Military	That the question should be considered whether work on the recompilation of the standard schedules of rates should not now be stopped.	The Committee were informed that with the introduction of Emergency Schedules, further work on the recompilation of the Standard schedules of Rates had been postponed for the duration of the war. They were also referred to para. 20 of the General Review on the Appropriation Accounts of the Defence Services for 1941-42. Please see remarks against item 25.
30	1940-41	18-P. Military.	That the plea of urgency should not normally be allowed to override the operation of the rules with regard to works expenditure and that whenever this plea is put forward it should be submitted to close scrutiny in order to prevent its abuse.	It was stated that necessary orders had been issued.
31	1940-41	20-P. Military.	That great care should be exercised before an exceptionally short time limit for the construction of a work is included as a condition of the contract, and that whenever a time limit is so included, a penalty clause should invariably be introduced and enforced for the non-completion of the work within the prescribed time.	
32	1940-41	20-P. Military.	That the military authorities should avoid as far as possible the classing of works as extremely urgent when they are not necessarily so.	Noted. Please see para. 12 of the General Review on Appropriation Accounts of the Defence Services for 1941-42.

Necessary instructions have been issued, including in the case of the M. E. S.

That steps should be taken to make officers in charge of stocks realise the importance of verifying them and their responsibility for their custody and that instructions should be issued to the effect that the actual physical verification of stocks should be made without reference to the ledger balances and that such discrepancies as become evident should be explained afterwards.

ITEMS POSTPONED FOR CONSIDERATION AFTER THE WAR.

Finance Department.

That their recommendation that the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt there should not be separate provision for the amortisation of Railway debt should be pursued after the War.

Department of War Transport.

That the question of handing over the port of Vizagapatnam to the Bengal Nagpur Railway should be postponed till the end of the War.

External Affairs Department.

That a decision on the question of the incidence of Persian Gulf expenditure should be postponed till the end of the War.

Defence Services.

That the question of simplification of headings in the Defence Budget should be taken up at the end of the war when the Defence Budget is revised.

23	1940-41	27-P Military	That steps should be taken to make officers in charge of stocks realise the importance of verifying them and their responsibility for their custody and that instructions should be issued to the effect that the actual physical verification of stocks should be made without reference to the ledger balances and that such discrepancies as become evident should be explained afterwards.
1	1937-38 1938-39 1940-41	9-R. and 29-P 41-P. 20-P.	ITEMS POSTPONED FOR CONSIDERATION AFTER THE WAR. <i>Finance Department.</i> That their recommendation that the Finance Department should examine whether in addition to the annual provision of Rs. 3 crores for reduction or avoidance of debt there should not be separate provision for the amortisation of Railway debt should be pursued after the War.
2	1935-36 1936-37 1937-38 1938-39 1939-40 1940-41	12-R. and 111-P. 8-R. and 41-P. 10-R. and 48-P. 54-P. 29-P. 48-P.	<i>Department of War Transport.</i> That the question of handing over the port of Vizagapatnam to the Bengal Nagpur Railway should be postponed till the end of the War.
	1929-30 1934-35 1935-36 1936-37 1937-38 1938-39 1939-40	114-P 27-P. 78-P. 60-P. 72-P. 72-P. 50-P.	<i>External Affairs Department.</i> That a decision on the question of the incidence of Persian Gulf expenditure should be postponed till the end of the War.
4	1936-37 1937-38 1938-39 1939-40	4-R and 15-P. 6-P. 5-P. 3-P. Military.	<i>Defence Services.</i> That the question of simplification of headings in the Defence Budget should be taken up at the end of the war when the Defence Budget is revised.

APPENDIX II.

Statement comparing Expenditure with Grants for 1941-42.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than granted.	More than granted.
1	2	3	4	5
	Rs.	Rs.	Rs.	Rs.
PART I.—CIVIL.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Customs :				
<i>Non-voted</i>	7,99,000	7,53,667	45,333	..
Voted	84,22,000	83,61,419	60,581	..
2. Central Excise Duties :				
<i>Non-voted</i>	68,17,840	68,17,994	..	154
Voted	10,85,000	10,39,250	45,750	..
3. Taxes on Income including Corporation Tax :				
<i>Non-voted</i>	1,46,548	1,46,336	212	..
Voted	82,63,000	81,51,564	1,11,436	..
4. Salt :				
<i>Non-voted</i>	44,56,145	44,52,463	3,682	..
Voted	53,37,000	51,73,624	1,63,376	..
5. Opium :				
<i>Non-voted</i>	1,44,400	1,44,903	..	503
Voted	25,56,000	22,17,946	3,38,054	..
6. Provincial Excise :				
<i>Non-voted</i>	30,401	30,391	10	..
Voted	4,09,000	3,16,412	92,588	..
7. Stamps :				
<i>Non-voted</i>	2,16,000	2,28,102	..	12,102
Voted	32,14,000	30,08,571	2,05,429	..
8. Forest :				
<i>Non-voted</i>	2,91,850	2,83,606	3,244	..
Voted	6,86,000	6,33,930	52,070	..
9. Irrigation, (including Working Expenses) Navigation, Embankment and Drainage Works :				
<i>Non-voted</i>	10,75,926	10,83,287	..	7,361
Voted	2,11,000	1,95,002	15,998	..
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt :				
<i>Non-voted</i>	8,32,54,400	8,67,31,886	..	34,77,486
Voted	84,24,000	73,04,890	11,19,110	..
12. Executive Council :				
<i>Non-voted</i>	5,93,467	6,01,831	..	8,364
Voted	1,76,000	1,89,088	..	14,088
13. Council of State	1,39,000	95,856	43,144	..
14. Legislative Assembly and Legislative Assembly Department :				
<i>Non-voted</i>	51,400	51,092	308	..
Voted	8,11,000	6,21,505	1,89,495	..
15. Home Department :				
<i>Non-voted</i>	23,84,210	23,60,729	23,481	..
Voted	11,74,000	11,98,647	..	24,647
15-A.—Civil Defence Department :				
<i>Non-voted</i>	63,500	74,370	..	10,870
Voted	72,000	84,061	..	12,061
15-B.—Department of Information and Broadcasting :				
<i>Non-voted</i>	32,800	31,910	890	..
Voted	1,53,000	1,42,617	10,383	..
16. Legislative Department :				
<i>Non-voted</i>	1,87,200	1,86,709	491	..
Voted	5,39,000	5,05,194	33,806	..
17. Department of Education, Health and Lands :				
<i>Non-voted</i>	2,15,335	2,10,660	4,675	..
Voted	5,71,000	5,65,178	5,822	..

PART I.—CIVIL.		Rs.	Rs.	Rs.	Rs.
A.—EXPENDITURE CHARGED TO REVENUE— <i>contd.</i>					
17-A.—Department of Indians Overseas :					
	<i>Non-voted</i>	40,221	38,854	1,367	..
	Voted	39,000	42,018	..	3,018
18. Finance Department :					
	<i>Non-voted</i>	21,36,064	21,48,852	..	12,788
	Voted	5,12,000	5,12,225	..	225
19. Commerce Department :					
	<i>Non-voted</i>	3,81,098	3,78,589	2,509	..
	Voted	8,19,000	7,87,253	31,747	..
20. Department of Labour :					
	<i>Non-voted</i>	1,89,254	1,90,049	..	795
	Voted	5,15,000	5,10,534	4,466	..
21. Department of Communications :					
	<i>Non-voted</i>	1,37,021	1,13,313	23,708	..
	Voted	2,05,000	1,65,858	39,142	..
22. Central Board of Revenue :					
	<i>Non-voted</i>	2,08,834	2,06,922	1,912	..
	Voted	5,60,000	5,58,299	1,701	..
23. India Office and High Commissioner's Establishment Charges :					
	<i>Non-voted</i>	21,94,000	21,74,201	19,799	..
	Voted	18,51,000	18,43,903	7,097	..
24. Payments to Other Governments, Departments, etc., on account of the administration of Agency subjects and management of Treasuries :					
		1,11,000	1,10,919	81	..
25. Audit :					
	<i>Non-voted</i>	6,98,800	6,90,897	7,903	..
	Voted	90,37,000	86,05,579	4,31,421	..
26. Administration of Justice :					
	<i>Non-voted</i>	2,79,817	2,78,747	1,070	..
	Voted	63,000	62,580	420	..
27. Police :					
	<i>Non-voted</i>	1,000	1,243	..	243
	Voted	36,20,000	36,62,154	..	42,154
28. Ports and Pilotage :					
	<i>Non-voted</i>	9,13,500	9,07,806	5,694	..
	Voted	14,91,000	14,73,234	17,766	..
29. Lighthouses and Lightships :					
	<i>Non-voted</i>	10,000	10,076	..	76
	Voted	8,14,000	8,07,501	6,499	..
30. Survey of India :					
	<i>Non-voted</i>	4,62,700	4,40,812	21,888	..
	Voted	15,83,000	15,09,246	73,754	..
31. Botanical Survey :					
	<i>Non-voted</i>	18,000	18,195	..	195
	Voted	56,000	45,088	10,912	..
32. Zoological Survey :					
	<i>Non-voted</i>	51,000	50,649	351	..
	Voted	1,20,000	1,17,620	2,380	..
33. Geological Survey :					
	<i>Non-voted</i>	1,69,250	1,57,461	11,789	..
	Voted	3,59,000	3,57,414	1,586	..
34. Mines :					
	<i>Non-voted</i>	1,04,180	1,04,426	..	246
	Voted	1,50,000	1,45,214	4,786	..
35. Archæology :					
	<i>Non-voted</i>	65,528	65,256	272	..
	Voted	11,67,000	11,52,711	14,289	..
36. Meteorology :					
	<i>Non-voted</i>	96,435	96,086	349	..
	Voted	22,27,000	22,22,648	4,352	..
37. Other Scientific Departments :					
		3,53,000	3,51,585	1,415	..
38. Education :					
	<i>Non-voted</i>	240	240	..	..
	Voted	7,11,000	7,11,240	..	240
39. Medical Services :					
	<i>Non-voted</i>	2,09,057	2,10,099	..	1,042
	Voted	8,02,000	7,00,028	1,01,972	..

PART I. CIVIL—contd.		Rs.	Rs.	Rs.	Rs.
A.—EXPENDITURE CHARGED TO REVENUE—contd.					
40. Public Health :					
	<i>Non-voted</i>	7,96,211	1,89,502	6,709	..
	Voted	11,80,000	11,69,183	10,817	..
41. Agriculture :					
	<i>Non-voted</i>	8,16,500	8,51,912	..	35,412
	Voted	29,30,000	29,15,993	14,007	..
42. Imperial Council of Agricultural Research :					
	<i>Non-voted</i>	15,53,866	15,53,591	275	..
	Voted	2,29,000	2,15,188	13,812	..
43. Agricultural Marketing :					
	<i>Non-voted</i>	22,100	22,283	..	163
	Voted	4,97,000	4,36,864	60,136	..
44. Imperial Institute of Sugar Technology :					
		1,000	..	1,000	..
45. Civil Veterinary Services :					
	<i>Non-voted</i>	26,000	25,496	504	..
	Voted	8,61,000	8,31,661	29,339	..
46. Industries :					
	<i>Non-voted</i>	300	339	..	39
	Voted	9,16,000	9,35,280	..	19,280
47. Scientific and Industrial Research :					
		10,54,000	9,40,323	1,13,677	..
48. Aviation :		1,02,62,000	90,09,365	12,52,635	..
49. Broadcasting :					
	<i>Non-voted</i>	19,824	19,679	145	..
	Voted	49,85,000	50,21,265	..	36,265
50. Capital Outlay on Broadcasting Charged to Revenue		1,000	..	1,000	..
51. Indian Stores Department :					
	<i>Non-voted</i>	2,100	2,436	..	336
	Voted	16,53,000	4,55,955	11,97,045	..
52. Emigration—Internal		25,000	23,942	1,058	..
53. Emigration—External :					
	<i>Non-voted</i>	1,56,300	1,72,483	..	16,183
	Voted	1,72,000	1,63,606	8,394	..
54. Commercial Intelligence and Statistics :					
	<i>Non-voted</i>	67,000	68,258	..	1,258
	Voted	8,27,000	7,82,461	44,539	..
55. Census :					
	<i>Non-voted</i>	1,70,543	1,69,286	1,257	..
	Voted	5,66,000	5,60,083	5,917	..
56. Joint Stock Companies :		1,70,000	1,59,748	10,252	..
57. Miscellaneous Departments :					
	<i>Non-voted</i>	22,936	25,916	..	2,980
	Voted	8,12,000	7,89,653	22,347	..
58. Currency :					
	<i>Non-voted</i>	2,20,300	2,03,787	16,513	..
	Voted	45,58,000	43,23,407	2,34,593	..
59. Mint :					
	<i>Non-voted</i>	1,19,465	1,18,867	598	..
	Voted	83,12,000	76,55,841	6,56,159	..
60. Civil Works :					
	<i>Non-voted</i>	25,67,619	25,33,096	29,523	..
	Voted	1,15,33,000	1,05,93,565	9,39,435	..
61. Central Road Fund		2,07,00,000	2,05,00,000	2,00,000	..
62. Superannuation Allowances and Pensions					
	<i>Non-voted</i>	1,05,11,000	1,02,72,519	2,38,481	..
	Voted	1,08,05,000	1,04,51,371	3,53,629	..
63. Stationery and Printing :					
	<i>Non-voted</i>	71,044	71,021	23	..
	Voted	61,33,000	68,06,892	..	6,73,892
64. Miscellaneous :					
	<i>Non-voted</i>	2,98,364	2,78,443	19,921	..
	Voted	78,69,000	76,67,622	2,01,378	..
65. Miscellaneous Adjustments between the Central and Provincial Governments		1,47,000	87,028	59,972	..

1	2	3	4	5	
	Rs.	Rs.	Rs.	Rs.	
PART I.—CIVIL—conold.					
A.—EXPENDITURE CHARGED TO REVENUE—conold.					
66. Delhi :					
Non-voted	2,31,000	2,32,881		1,881	
Voted	55,05,000	52,79,430	2,25,570		
67. Ajmer Merwara :					
Non-voted	3,22,238	3,21,394	844		
Voted	20,31,000	19,57,834	73,166		
68. Panth Piploda	13,000	12,993	7		
69. Andamans and Nicobar Islands :					
Non-voted	1,74,600	1,55,009	19,591		
Voted	46,62,000	36,89,454	9,72,546		
Staff, Household and Allowances of the Governor General	19,16,006	19,97,537		81,531	
Secretariat of the Governor General	4,70,762	4,66,476	4,286		
Federal Public Service Commission	4,28,071	4,28,297		226	
Defence Department	7,26,700	7,22,839	3,861		
Ecclesiastical	4,88,705	6,58,960		1,70,255	
Payments to Crown Representative	1,33,21,299	1,29,76,567	3,44,732		
Tribal Areas	2,54,26,029	2,50,96,392	3,29,637		
External Affairs	79,34,360	78,40,214	94,146		
Grants-in-aid to Provincial Governments	3,03,00,000	3,03,00,000			
Baluchistan	74,60,277	73,30,841	1,29,436		
Department of Supply	1,23,54,500	1,16,73,072	6,81,428		
Miscellaneous Expenditure connected with the War	3,50,63,997	3,46,05,185	4,58,812		
National Defence Council	81,744	61,480	20,264		
Total—Expenditure charged to Revenue.	44,14,83,181	43,36,24,379	1,25,27,181	46,68,379	
Total	{ Non-voted	26,26,68,181	26,39,28,767	25,81,923	38,42,509
	{ Voted	17,88,15,000	16,96,95,612	99,45,258	8,25,870
B.—EXPENDITURE CHARGED TO CAPITAL.					
73. Capital Outlay on Vizagapatam Harbour	1,50,000	10,036	1,39,964		
74. Delhi Capital Outlay	34,31,000	32,96,715	1,34,285		
75. Commuted Value of Pensions :					
Non-voted	—9,86,300	—6,69,074		3,17,226	
Voted	1,000	—20,19,312	20,20,312		
Total—Expenditure Charged to Capital.	25,95,700	6,18,365	22,94,561	3,17,226	
Total	{ Non-voted	—9,86,300	—6,69,074		3,17,226
	{ Voted	35,82,000	12,87,439	22,94,561	
C.—DISBURSEMENTS OF LOANS AND ADVANCES.					
76. Interest free Advances	2,13,19,000	1,90,10,234	23,08,766		
77. Loans and Advances bearing Interest	1,49,03,000	1,36,33,255	12,69,745		
Advances to Crown Representative for loans to Indian States and Notabilities	9,75,965	8,76,042	99,923		
Total—Disbursements of Loans and Advances.	3,71,97,965	3,35,19,531	36,78,434		
Total	{ Non-voted	9,75,965	8,76,042	99,923	
	{ Voted	3,62,22,000	3,26,43,489	35,78,511	
Total—Civil.	48,12,76,846	46,77,62,275	1,85,00,176	49,85,605	
Total	{ Non-voted	26,26,57,846	26,41,35,735	26,81,846	41,59,735
	{ Voted	21,86,19,000	20,36,26,540	1,58,18,330	8,25,870

1	2	3	4	5
PART II.—POSTS AND TELE- GRAPHS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
10. Indian Posts and Telegraphs Department :				
<i>Non-voted</i>	83,49,400	81,02,473	2,46,927	..
Voted	11,65,57,000	11,68,29,265	..	2,72,265
B.—EXPENDITURE CHARGED TO CAPITAL.				
70. Capital Outlay on Indian Posts and Telegraphs Department (Outside the Revenue Account):	13,76,000	5,45,826	8,30,174	..
71. Stores and Workshop—(Outside the Revenue Account)	40,00,000	14,47,918	25,52,082	..
72. Capital Outlay on Telephone Project—(Outside the Revenue Account) financed from Telephone Development Fund.	1,000	..	1,000	..
Total—Expenditure Charged to Capital (Voted).	53,77,000	19,93,744	33,83,256	..
Total—Posts and Telegraphs	13,02,83,400	12,69,25,482	36,30,183	2,72,265
Total— { <i>Non-voted</i>	83,49,400	81,02,473	2,46,927	..
{ Voted	12,19,34,000	11,88,23,009	33,83,256	2,72,265
PART III.—RAILWAYS.				
A.—EXPENDITURE CHARGED TO REVENUE.				
1. Revenue—Railway Board :				
<i>Non-voted</i>	5,07,000	5,06,806	194	..
Voted	11,52,000	11,01,857	50,143	..
2. Revenue—Audit :				
<i>Non-voted</i>	1,78,000	1,78,312	..	312
Voted	15,03,000	14,34,305	68,695	..
3. Revenue—Miscellaneous Expenditure :				
<i>Non-voted</i>	17,88,000	17,43,101	44,899	..
Voted	11,00,000	10,77,136	22,864	..
5. Revenue—Payments to Indian States and Companies.	4,18,85,000	4,35,37,694	..	16,52,694
6-A. Revenue—Working Expenses—Maintenance of Structural Works :				
<i>Non-voted</i>	16,67,000	16,84,218	..	17,218
Voted	11,81,34,000	11,79,03,007	2,30,993	..
6-B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power :				
<i>Non-voted</i>	9,04,000	8,88,419	15,581	..
Voted	20,06,20,000	20,07,81,305	..	1,61,305
6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock :				
<i>Non-voted</i>	3,41,000	3,33,460	7,540	..
Voted	6,56,90,000	6,07,76,756	49,13,244	..
6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours :				
<i>Non-voted</i>	16,000	17,632	..	1,632
Voted	32,97,000	31,80,973	1,16,027	..
6-E. Revenue—Working Expenses—Expenses of Traffic Department :				
<i>Non-voted</i>	9,86,000	9,68,440	17,560	..
Voted	10,95,75,000	11,06,45,781	..	10,70,781
6-F. Revenue—Working Expenses—Expenses of general Departments :				
<i>Non-voted</i>	18,53,000	18,43,305	9,695	..
Voted	4,24,95,000	4,22,74,738	2,20,262	..

	1	2	3	4	5
PART III—RAILWAYS—concl'd.					
A.—EXPENDITURE CHARGED TO REVENUE—concl'd.					
6-G. Revenue—Working Expenses—Miscellaneous Expenses:					
<i>Non-voted</i>		15,12,000	14,66,688	45,312	..
Voted		5,23,17,000	5,70,64,554	..	47,47,554
6-H. Revenue—Working Expenses—Expenses of Electrical Department:					
<i>Non-voted</i>		2,26,000	2,18,557	7,443	..
Voted		3,75,30,000	3,53,46,039	21,83,961	..
7.—Revenue—Appropriation to Depreciation Reserve Fund		12,68,00,000	12,67,99,420	580	..
8. Revenue—Interest Charges:					
<i>Non-voted</i>		28,58,21,000	28,41,70,546	16,50,454	..
Voted		2,64,000	2,63,064	936	..
9-A.—Revenue—Repayment to Depreciation Reserve Fund		7,07,60,000	7,91,07,748	..	83,47,748
10. Revenue—Appropriation to Reserve		1,64,84,000	..	1,64,84,000	..
Total—Railway Expenditure charged to revenue		1,18,54,05,000	1,17,53,13,861	2,60,90,383	1,59,99,244
Total { <i>Non-voted</i>		29,57,99,000	29,40,19,484	17,98,678	19,162
Voted		88,96,06,000	88,12,94,377	2,42,91,705	1,59,80,082
B.—EXPENDITURE CHARGED TO CAPITAL.					
11. Capital—New construction		11,000	—2,35,325	2,46,325	..
12. Open Line Works:					
<i>Non-voted</i>		23,000	26,245	..	3,245
Voted		15,54,00,000	6,21,23,721	9,32,76,279	..
Total—Railway Expenditure Charged to Capital		15,54,34,000	6,19,14,641	9,35,22,604	3,245
Total { <i>Non-voted</i>		23,000	26,245	..	3,245
Voted		15,54,11,000	6,18,88,396	9,35,22,604	..
Total—Railways		1,34,08,39,000	1,23,72,28,502	11,96,12,987	1,60,02,489
Total { <i>Non-voted</i>		29,58,22,000	29,40,45,729	17,98,678	22,407
Voted		1,04,50,17,000	94,31,82,773	11,78,14,309	1,59,80,082
PART IV—DEFENCE SERVICES*.					
A.—EXPENDITURE CHARGED TO REVENUE.					
58. Defence Services—Effectives— <i>Non-voted</i>		95,03,63,000	96,58,33,000	..	1,54,700,000
59. Defence Services—Non-effective— <i>Non-voted</i>		8,87,80,000	8,79,85,000	7,95,000	..
Total—Defence Services—(Non-voted)		1,03,91,43,000	1,05,38,18,000	7,95,000	1,54,700,000
Grand Total		2,99,15,42,246	2,88,57,34,259	14,25,38,346	3,67,30,359
Total { <i>Non-voted</i>		1,60,59,72,246	1,62,01,01,937	55,22,451	1,96,52,142
Voted		1,38,55,70,000	1,26,56,32,322	13,70,15,895	1,70,78,217

*The Figures are gross.

(a) This amount is less than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1941-42 by Rs. 125 which is due to rounding.

(b) This amount is more than that given in statement No. 3 of Part A of the Finance Accounts of the Central Government for 1941-42 by Rs. 11,01,740 which is composed of (i) Rs. 11,01,741 and (ii) Re.—1. (i) is due to the fact that credit to Capital for the value of assets sold and abandoned in the Posts and Telegraphs Department have not been taken into account in the Appropriation Accounts of that Department as the Demand was for the gross capital Expenditure. (ii) is due to rounding.

APPENDIX III.

Summary of Approximate Financial Results of Indian State Railways in 1942-43.

The latest approximate figures of revenue and expenditure of State railways for 1942-43 show the following results :—

Gross traffic receipts amounted to 154.47 crores (149.31 for State-owned lines and 5.16 for worked lines) or 19.30 crores more than in the previous year and 5.22 crores more than the revised estimate.

Ordinary working expenses (excluding depreciation) amounted to 68.82 crores or 5.28 crores more than in the previous year and 2.45 crores less than the revised estimate. The amount set apart for depreciation was 12.59 crores or 9 lakhs less than in the previous year. The payment to the worked lines amounted to 2.67 crores or 66 lakhs less than in the previous year.

Net traffic receipts amounted to 70.39 crores or 14.77 crores more than in 1941-42 and 7.66 crores more than the revised estimate.

Miscellaneous transactions resulted in a net receipt of 1.80 crores or 90 lakhs more than in the previous year and 9 lakhs more than the revised estimate.

The net revenue before meeting interest charges was 72.19 crores or 15.67 crores more than in 1941-42 and 7.75 crores more than the revised estimate.

The total interest charges amounted to 28.13 crores or 31 lakhs less than in 1941-42 and 3 lakhs less than the revised estimate.

There was a surplus of 44.06 crores against 28.08 crores in 1941-42 and against the revised estimate of 36.28 crores. Out of this 20.13 crores will be paid to general revenues, 16.08 crores to the depreciation reserve fund towards repayment of the loan taken from it and the balance of 7.85 crores will be transferred to the railway reserve fund.

Against appropriation of 12.59 crores to the depreciation reserve fund there was a withdrawal of 4.52 crores including 22 lakhs on account of dismantled lines. The total increase in the balance in the fund was 30.68 crores, 8.07 crores being the net accretion for the year, 22.38 crores repayment of the outstanding loan (16.08 crores from the year's surplus and 6.30 crores from railway reserve), and 23 lakhs representing the balance at the credit of the renewal suspense account of the late Bengal and North Western and Rohilkhand and Kumaon Railways which accrued to Government on the purchase of these railways. The closing balance on 31st March, 1943 was 82.53 crores.

Against 7.85 crores transferred to the railway reserve fund from the year's surplus there was, for reasons stated in para. 7 of the explanatory memorandum on the Railway Budget for 1943-44, a withdrawal of 6.30 crores for credit to the depreciation fund. The balance in the reserve therefore increased only by 1.55 crores and stood at 8.34 crores, out of which 74 lakhs represents investments in branch line shares and 9 lakhs loans to branch line companies.

The total capital expenditure during the year amounted to 17.78 crores, of which 16.23 crores was on account of the purchase of various railways, viz., the Bengal and North Western (12.51 crores), the Rohilkhand and Kumaon (2.31 crores), the Tapti Valley (1.65 crores, out of which 43 lakhs has been contributed by the Baroda Durbar) and the Mirpurkhas-Khadro (12 lakhs); partly reduced by credit received from the Baroda Durbar on account of sale of Broach Jambusar Railway to the Durbar (36 lakhs). The balance of the expenditure was on account of the increase in stores and suspense balances (1.83 crores) and expenditure on improvement of lines (mainly engineering works) (1.85 crores). Against this there was a write-off of 1.61 crores on account of units of rolling stock sent overseas without replacement and 52 lakhs on account of the cost of dismantled lines. The Government capital-at-charge increased by 6 crores on account of the discharge of the debenture raised by the Rohilkhand and Kumaon Railway Company owing to the purchase of the line and a part of certain debentures raised by the Bengal Nagpur and the South Indian Railway Companies in pursuance of the scheme of repatriation of sterling loans.

At the end of 1939-40, the liabilities of the railways amounted to 66 crores, of which 30.29 crores represented loans from the depreciation reserve fund and 35.71 crores unpaid contribution to general revenues from 1931-32 to 1939-40 and there was a sum of 48 lakhs in the Railway reserve. At the close of 1942-43, all the liabilities were cleared and the balance in the reserve rose to 8.34 crores.

The ratio of ordinary working expenses to gross traffic receipts was 44.6 per cent. against 47 per cent. in the previous year.

The ratio of the total working expenses including contribution to the depreciation reserve fund was 62.7 per cent. against 56.4 per cent. in the previous year.

The ratio of net revenue to the capital-at-charge was 9.35 per cent. against 7.49 per cent. in the previous year.

The following statement compares the results of the working for the year 1942-43 with the revised estimates for this year and the actuals for the previous year.

(In crores.)

	1941-42 Actuals.	1942-43.	
		Revised estimates.	Latest approximate actuals.
1. Gross traffic receipts	135.17	149.25	154.47
2. Ordinary operating expenses	63.54	71.27	68.82
3. Depreciation	12.68	12.58	12.59
4. Payment to worked lines	3.33	2.67	2.67
5. Net traffic receipts	55.62	62.73	70.39
6. Net miscellaneous receipts	0.90	1.71	1.80
7. Interest	28.44	28.16	28.13
8. Surplus	28.08	36.28	44.06
9. Share of general revenues	20.17	20.13	20.13

APPENDIX IV.

Memorandum on making a lump sum contribution of Rs. 150 lakhs to the Renewals Reserve Fund of the Posts and Telegraphs Department.

The Public Accounts Committee at their meeting held on 21st August 1940, approved of the annual contribution to the Renewals Reserve Fund from revenue being raised from Rs. 23,05,000 to Rs. 25 lakhs for a period of 5 years from 1941-42. In view of the large project estimated to cost Rs. 8 crores (since revised to 16 crores of which the Posts and Telegraphs share is 4 crores) for the development of telegraph and telephone communications, it was decided by the Committee at their subsequent meeting held on 13th August 1942 that the arrangement should stand for two years only instead of 5 years and the position should be reviewed at the end of 1942-43.

2. The annual contribution to the Renewals Reserve Fund, the withdrawals therefrom since 1936-37, the balance at the credit of the fund and the capital at charge at the end of each year are indicated below:—

Year.	Opening Balance.	Contri- bution from revenue.	Withdraw- al from the Fund.	Closing balance at the end of the year.	Capital at charge.	Proportion which closing balance bears to capital at charge.
1936-37	3,03,79	25,00	21,88	3,06,91	17,62,71	17.41%
1937-38	2,83,30*	23,13	15,30	2,91,13	16,71,88†	17.41%
1938-39	1,89,13†	23,13	16,36	1,95,90	17,07,03	11.47%
1939-40	1,95,90	23,05	20,89	1,98,06	17,36,06	11.41%
1940-41	1,98,06	23,05	26,40	1,94,71	17,59,24	11.06%
1941-42	1,94,71	25,00	27,13	1,92,58	17,73,04	10.86%
1942-43	1,92,58	25,00	39,83	1,77,75	19,07,96	9.31%
(Up to March Supply).						
1943-44 (B. E.)	1,77,75	25,00	58,47	1,44,28	21,06,66	6.85%

*Excludes 23,61 representing the share of Burma and Aden.

†Excludes 1,38,83 representing the value of assets of Burma and Aden.

‡Rs. 1,02 lakhs paid to make up the arrears losses on Press traffic.

3. Since 1940-41, the fixed annual contribution to the Fund has been insufficient to meet the demands on it. The rising proportion of withdrawals to meet the heavier cost of replacements is causing the depletion. It has therefore been decided by the Government of India that a lump sum contribution of Rs. 150 lakhs should be made to the Fund by way of replenishment out of the accumulated surplus at the end of 1942-43. This will practically double the balance at the credit of the Fund at the end of the current financial year and bring it up to the level of 1936-37.

4. The telephone systems of Licensed Telephone Companies are in the process of being amalgamated with the departmental system. The Department has invested over Rs. 6 crores in purchasing the shares, etc., of the Companies. In addition to the annual contribution of Rs. 25 lakhs to the Renewals Reserve Fund, a sum of Rs. 16.34 lakhs has been provided for in the budget for 1943-44 in respect of the assets taken over from the Companies. The amount required can be assessed more correctly after some experience has been gained of the expenditure on renewals.

5. A suitable time for review of the annual contribution and apportionment thereof among the branches will be the end of 1944-45 when the Telecommunication Development Scheme and the taking over of the Companies' assets are expected to be completed. For the present the replenishment to the extent of Rs. 150 lakhs is considered to be sufficient. The apportionment of this lump sum contribution among the branches, namely Post Office, Telegraphs, Telephones and Radio will be decided after the approval of the Committee is obtained to the main proposal.

APPENDIX V.

Memorandum on the occurrence of persistent savings in the provision for works expenditure.

In paragraph 7 of their report on the Appropriation Accounts for 1940-41, the Public Accounts Committee desired that an investigation should be made and a report rendered to the Committee as to whether it was a fact that persistent savings occurred in the provision for works expenditure because budget provision was made by the Finance Department without adequate examination of whether the items for which budget provision was made had reached a state of maturity sufficient to enable them to be executed in the following year to the extent of such provision. The question has been examined in detail. The position is as follows.

2. The rules require a scheme to pass through the following stages before being put into execution :—

(1) Submission of proposal by the local authorities with rough plans and estimates obtained from the Public Works Department.

(2) Accord of administrative approval by the Department concerned if the proposal is accepted by it.

(3) Budget provision by the Finance Department with reference to budgetary prospects and the relative importance and urgency of the scheme.

(4) Preparation of detailed plans and estimates and sanction from the technical viewpoint.

(5) Expenditure sanction.

3. The condition regarding the preparation of rough plans and estimates by the Public Works Department before administrative approval is sought has, however, had to be modified since a number of proposals fail to mature ultimately, thus involving fruitless labour on the part of the Public Works Department. The Public Works Department are now required to take action only where the prospects of administrative approval and budget provision justify this. This has in a few cases resulted in administrative approval and, in turn, budget provision, being allowed on the basis of estimates which have not had any real professional scrutiny although of course the Public Works Department officials are generally consulted informally, but the alternative of insisting on a strict adherence to the original condition would throw an impossible extra burden on the Public Works Department whose energies are at present heavily overtaxed.

4. Budgetting authorities are strictly enjoined to take into consideration the time likely to be spent on the completion of formalities preliminary to the execution of the work and not to ask for more funds than are likely to be spent in the ensuing year. They are also required to take in hand the preparation of detailed estimates, etc., as soon as budget provision is secured, so that the work can be started immediately on the commencement of the year. Where, however, so many authorities are concerned, it is not improbable that these exhortations sometimes prove difficult to observe in practice.

5. The present procedure in regard to budget provision for works does not thus suffer from any intrinsic defect and the only effective means of curbing a tendency towards extravagant estimating is to reduce estimated provision generally or impose lump cuts as such wherever possible in consultation with the Labour Department. Accordingly, lump cuts have been made in the 1943-44 budget under the heads 'Civil Works' and 'Tribal Areas' along with other expenditure heads.

APPENDIX VI.

Memorandum on utilisation of unanticipated credits.

The following note is submitted with reference to the discussion at the meeting of the Public Accounts Committee on the 30th August 1943 on the question of the utilisation of unanticipated credits.

The question of utilisation of unanticipated credits was examined in detail by the Public Accounts Committee in dealing with the Appropriation Accounts for 1930-31 and 1931-32. The Committee laid down the general principle that no controlling officer should be permitted to utilise unanticipated credits in order to increase his spending power. To implement this principle they at first recommended that such credits should be treated in the accounts as receipts and not as deductions from expenditure. This was however impracticable on the following grounds :—

(i) Anticipation or non-anticipation of a credit is not really a valid criterion of classification and an item cannot be classified as receipt or as reduction of expenditure according to the accuracy of a previous forecast, and

(ii) Where the recovery is from another Department, this involves a double vote.

Ultimately the Committee recommended "that in cases where substantial unanticipated credits are to be utilised to incur fresh expenditure which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants". The recommendation was accepted and necessary instructions were issued to all concerned.

2. The functions of the Standing Finance Committee came under review subsequently and the following conclusions were accepted by the Committee:—

(i) The Committee is constituted to examine expenditure proposals and is not concerned with the ways and means necessary to meet the proposed expenditure.

(ii) All proposals for new services would be referred to the Committee,

(iii) Proposals for extension to existing services called new items would be referred to the Standing Finance Committee at the discretion of the Finance Department. The question whether a reference should be made would be decided on the merits irrespective of the method whereby funds were to be provided whether by budget provision, re-appropriation or supplementary grant,

(iv) Supplementary grants would no longer be referred to the Committee as a matter of course but only where these were occasioned by the adoption of substantial new schemes which would have to be referred to the Committee in view of their intrinsic importance.

3. The clarification of the functions of the Standing Finance Committee has made it unnecessary to refer an expenditure proposal to the Committee merely on the ground that it would be financed from unanticipated credits. Practical difficulties also, however, preclude a strict adherence to the letter of the Public Accounts Committee's recommendation. Proposals for fresh expenditure justifying reference to the Standing Finance Committee on merits have naturally to be referred to the Committee at the earliest possible stage and it is seldom, if ever, possible at that stage to say definitely whether unanticipated credits would accrue to meet the expenditure or a part of it. An appreciable portion of the civil works programme for 1941-42 was thus referred to the Standing Finance Committee in September 1941 but the additional air-field construction work on behalf of the Defence Services which was mainly responsible for the bulk of the ultimate unanticipated credit in the civil works grant was not known at the time. Credits in this grant have to be estimated with reference to the works expenditure on behalf of other parties and in the case of works in progress an accurate estimate is hardly possible until towards the end of the year.

4. In practice, Finance Department merely allow savings to be utilised for meeting expenditure on schemes which have already been undertaken with the approval, where necessary, of the Standing Finance Committee. It is not permissible to take a supplementary grant so long as savings are available for whatever reasons (except, of course, in the case of a 'new service' where a token grant is mandatory under the Legislative Rules) and the utilisation of the savings is more or less formal to avoid large variations under individual sub-heads.

5. The procedure in vogue involves no real departure from the main principle of the Public Accounts Committee's recommendation. Spending departments cannot utilise without Finance Department's concurrence any unanticipated credits even for normal excesses such as on travelling allowances, leave salary and contingencies. Fresh items have to be referred to the Finance Department in any case under standing instructions. Finance Department accept fresh items not because savings are or may become available but only if they are justified on merits. Cases are referred to the Standing Finance Committee in accordance with the conventions accepted by the Committee and no exemption is allowed on the mere ground of availability of funds.

6. The Auditor General's view is briefly this :

Although legally even the Finance Department's approval is not necessary to the utilisation of unanticipated credits, the Legislature is not only justified in seeing that additional spending power is not given to Government without its own approval but is under an obligation to do so. The convention mentioned in the last sub-paragraph of paragraph 1 above was accepted after detailed consideration to achieve this object. If the functions of the Standing Finance Committee are limited to the examination of fresh items of expenditure then it is no longer the authority to deal with the utilisation of unanticipated credits unless its functions are enlarged, and the alternatives are either to have a token vote for the utilisation of unanticipated credits or to follow the Railway System under which such utilisation is either explained in the Budget Memorandum if the credits are noticed before the preparation of the revised estimates or specifically included in the Appropriation Accounts if they are noticed after the close of the year.

7. Although for reasons already explained, the Government of India do not consider that the present arrangement involves any real departure from the spirit of the convention, they have no objection if the Public Accounts Committee so desires, to the adoption on the Civil side of the system obtaining on the Railways side.

APPENDIX VII.

Memorandum on collaboration between War and External Affairs Departments as regards Quetta Reconstruction.

In sub-para. 2 of para. 97 of their Report on the Accounts of 1940-41, the Public Accounts Committee recommended that in view of the change in military plans, it would be desirable to have somewhat greater contact between the External Affairs and War Departments as regards Quetta Reconstruction.

2. The External Affairs Department were not quite clear as to how greater contact between these two Departments was to help civil reconstruction unless the Public Accounts Committee had in view the possibility of some of the permanent buildings of the War Department becoming surplus to their requirements and being taken over by the Civil Administration. The question was therefore discussed with the War Department. It was pointed out by that Department that there was no reason to suppose that the military importance of Quetta after the War would be less than it was in 1939. Plans for military reconstruction accepted pre-war were likely to be required in full after the war. In their opinion, it was most improbable that anything built in permanent construction for military purposes would be available for transfer to Civil Departments.

3. The Public Accounts Committee seem also to have thought that the Civil Department should follow the military practice of slowing the tempo of constructional activities in Quetta during the war and of using cheaper materials. Neither of these practices can be followed on the civil side. As was explained to the Committee, the importance of Quetta from the Civil point of view would still be great as it is the headquarters of a local administration. It is necessary that Quetta should have decent public buildings before long. As such buildings will have to be permanent (unlike the temporary structures put up by the military during the war) and also earthquake-proof, cheaper materials cannot be used in their construction.

4. In these circumstances, the suggestion of the Public Accounts Committee was not pursued.

APPENDIX VIII.

Statement showing sanctioned strength of gazetted officers in the Contracts Directorate.

Designation.	As on 13-12-39	As on 1-7-40	As on 1-1-41	As on 1-7-41	As on 31-7-41
Director of Contracts	1	1	1	1	1@
Deputy Director of Contracts	1	1	1	1	1@
Assistant Directors of Contracts/Controllers of Purchase	2	2	4	3	3
Deputy Assistant Directors of Contracts/Deputy Controllers of Purchase	2	2	2	4	5*
Staff Captains/Assistant Controllers of Purchase	4	12	15	16	16
Attached Officers/Deputy Assistant Controllers of Purchase		10	27	38	38
Officer Supervisors	3	3	4	5	5
TOTAL	13	31	54	68	67

@ Held in abeyance (with effect from 3rd August, 1941 and 5th August 1941) consequent on the formation of the Purchase Branch.

* Excludes one post of Deputy Assistant Director of Contracts sanctioned for Contracts Directorate on 11th August 1941.

NOTE :— (1) Before the war the Directorate did not have any purchase officers below the rank of Staff Captain. From 1-7-40 onwards certain posts of attached officers of the rank of Lt. or 2nd Lt. were created.

NOTE :— (2) The dates shown above are different from those mentioned in the last sub-para. of paragraph 71 at page 42 of the "Report of the Public Accounts Committee on the Accounts of 1940-41". As the information given above is the one readily available and as figures for any other intervening dates would require to be compiled specially, it is more convenient to give the strength of the Contracts Directorate on the dates mentioned in the above statement rather than those mentioned in the Report, referred to above. It is, therefore, hoped that the statement as it stand will serve the Committee's purpose.

APPENDIX IX.

Memorandum on discontinuance of payments to the Rajputana Indian Soldiers' Board.

The Rajputana Indian Soldiers' Board was constituted in 1919, to co-ordinate and supervise the work of District and State Soldiers' Boards in Rajputana. The cost of the establishment of the Rajputana Board including other charges on account of contingencies etc., amounts to Rs. 2,300 a year and is met from the Central Civil Budget.

2. In para. 127 of the Proceedings of the Public Accounts Committee on the accounts of 1940-41, it was stated that the question of discontinuing payments to the Rajputana Soldiers' Board had already been taken up and was under active consideration.

3. The Government of India have recently agreed to meet the expenditure on the pay of Secretaries and Clerks of all District Soldiers' Board in British India, from the Defence Services Estimates. Besides, they have also agreed to make a grant-in-aid to cover other expenditure such as stationery, travelling allowance and postage etc. Moreover all expenses in connection with the welfare scheme for Rajputana (C. L. O. and A. C. L. O., Rajputana and Ajmer-Merwara) is met from the Defence Services Estimates.

4. In view of the position stated in the preceding paragraph, it has since been decided by the Government of India that the expenditure on account of the Rajputana Indian Soldiers' Board, which was hitherto met from the Central Civil Budget, should be transferred to the appropriate head of the Defence Services Estimates.

APPENDIX X.

Memorandum on Irregularities in the purchase of naval stores.

In paragraph 7 of their report for 1942, the Military Accounts Committee desired to be furnished with a report of the facts of the case mentioned in paragraph 10 of the Appropriation Accounts of the Defence Services for the year 1940-41, relating to certain alleged frauds in connection with the purchase of stores for the Royal Indian Navy in 1939.

2 These irregularities were first enquired into by an expert committee, appointed by the Government of India, and on the recommendations of that Committee, the matter was put in the hands of the police. As a result of the police investigation (which lasted for 8 months) and after taking legal opinion, Government decided to prosecute a private contractor, his clerk and a responsible Government officer, and criminal proceedings were instituted in the court of the Chief Presidency Magistrate, Bombay. It was decided to postpone departmental action against certain other Government officials until the result of the criminal proceedings was known, as premature departmental action might have prejudiced the criminal proceeding.

3. The charges framed in the criminal case are summarised below:—

(a) *Private Contractor*.—Under section 420 I. P. C. for presenting to Government, and obtaining payment for, a bill which included a sum of Rs. 2,625 in respect of a certain quantity of steel supplied to the R. I. N. and which, though of an inferior quality, was falsely described as "High Tensile High Speed Steel."

(b) *The clerk to the Contractor*.—Under section 420 read with 109 I. P. C. for abetting the Contractor and conspiring with him to cheat Government by making a false description of the steel in the bill submitted to Government.

(c) *Government officer*.—Under section 420 I. P. C. for signing a certificate on the reverse of the bill submitted by the Contractor containing materially false statements that from the best information obtainable the prices charged were not more than the market prices at that time and that either tenders had been invited or that sufficient reasons existed that it was not in the public interest to do so.

4. After a prolonged trial the Chief Presidency Magistrate, Bombay, in January 1943, found that the prosecution had failed to establish the charges and acquitted all the accused.

5. The judgment was very carefully considered by Government and after obtaining legal advice, they decided that no useful purpose would be served by filing an appeal against the acquittal.

6. The question of taking departmental action against certain other Government officials mentioned in paragraph 2 above is being actively pursued.

7. Instructions have already been issued to the effect that except for articles covered by separate contracts, all purchases of Naval Stores in India should be made normally through the Supply Department agencies.

APPENDIX XI.

Memorandum on delays in store accounting in L. N. D. Vessels.

In paragraph 8 of their report for 1942, the Military Accounts Committee asked for a report on the problem of store accounting in Local Naval Defence Vessels. These ships are too small to accommodate Accountant Officers and ratings, and so cannot, like the larger vessels of the R. I. N., be properly self-accounting. The Store Accounts of such vessels are therefore maintained as follows:—

Type of accounts.	Responsibility for maintenance of accounts.
Victualling, Clothing	Base Accountant Officer at the L. N. D. Bases
Consumable Stores, Permanent Store, Fuel	The Executive or Engineer Officers, as the case may be, of the L. N. D. vessels.

The duty of maintaining such initial accounts as must be written up on board as transactions occur devolves on the executive and technical officers of the ships. As explained in the Audit Report for 1942, these officers were pre-occupied with their own Naval training, were unfamiliar with the Government-accounting system and, due to frequent transfers and extreme pressure of work, had little opportunity of becoming conversant with it. Constant transfers of these ships from base to base involve transfer of responsibility for such of the accounts as are maintained by Base Accountant Officers and an inevitable time lag which tends to cause confusion. Moreover, the Base Accountant Officers themselves were only partially trained and so were unable properly to advise the ships' officers in the duties placed upon them, or to assist in the solution of the administrative problems inevitably associated with such a system.

2. The problem is thus two-fold. It is necessary in the first place to improve, as far as this is possible in such circumstances, the maintenance of the basic records from which the accounts are compiled and rendered, and to define responsibility clearly at each stage. Secondly, to adapt the existing system to the special features of L. N. D. vessels.

3. The arrears reported to the Military Accounts Committee at their meeting of 3rd August 1942, were not restricted, however, to L. N. D. vessels. On further investigation it became apparent that the standard of accounting throughout the R. I. N. was in need of improvement, and that the only way to improve it was to establish a properly organised Accountant Branch.

4. Immediate measures were therefore taken to recruit and train a large number of officers and ratings in advance of commitments. The Accountant Branch was formally re-constituted in Finance Department (Military) letter No. 13361-N., dated 2nd December 1942. It consists *inter alia* of:—

(i) a Fleet Accountant Officer who is on the F. O. C.'s staff and is charged with the duty of rendering advice to the F. O. C. in all "internal accounting" matters;

(ii) two Port Accountant Officers, similarly charged with the duty of advising local commanders and of supervising accounting organisations in the ports and areas assigned to them;

(iii) a Base Accountant Officer for each Base;

(iv) an Accountant Officer for each of the larger ships. The smaller ships are based on a port, and come automatically under the accounting control of the Base Accountant Officer;

(v) in addition, each officer has a staff of ratings of different grades commencing with Writers.

5. During the year under report, satisfactory progress was made in the recruitment and training of officers to staff the re-organised Branch, and to provide a reserve against expansion. Accountant training is given in Bombay in a separate establishment. The two duties of the Accountant Branch fall generally under the Supply and Writer heads, the former being concerned with the issue and accounting of provisions, clothing, naval stores etc., and the latter with keeping of cash accounts, pay accounts, clerical work in administrative offices etc. Ratings are now trained in either one or other, but not both, of the above categories. By so specialising, it is possible to achieve a higher standard of efficiency in a shorter time, although in a more limited sphere of activity.

6. The re-organisation of this Branch, combined with the special measures described in the next paragraph, has had a good effect. The latest report shows that no regular vessels' accounts are in arrears. The outstandings (24 in number) are in respect of L. N. D. vessels only. Details are given in the statement in paragraph 8 below.

7. *Pari passu* with the re-organisation of the Branch, the two-fold problem of L. N. D. accounts was vigorously tackled. Special parties, each consisting of an officer and a few selected ratings, were deputed to all ports and ships to find out the root causes for delay, and to advise how these causes could be removed and the accounts properly rendered. The Controller of Naval Accounts deputed a portion of his staff to the ports to assist in this special drive. Detailed instructions were also issued about the maintenance of basic records and the allocation of responsibility for compilation of accounts. The special parties neglected no opportunity of seeing that these instructions were understood and duly carried out.

8. That this special drive had the desired effect will be apparent from the tabular statement below:—

Number of accounts whose submission is overdue.

Nature of Accounts.	1-2-42 (Audit Report 1942.)		1-6-42 (Mily. Accts. Committee 1942.)		1-2-43 Audit Report 1943.		1-5-43.	
	Regu- lar ves- sels.	LND vessels and Bases.	Regu- lar ves- sels.	LND vessels and Bases.	Regu- lar ves- sels.	LND vessels and Bases.	Regu- lar ves- sels.	LND vessels and Bases.
I. Quarterly accounts—								
1. Victualling accounts . . .	1	8	9	55	..	36	..	17
2. Clothing accounts . . .	..	3	9	19	4	13	..	1
3. Consumable Store Accounts . . .	..	3	..	32	..	13	..	3
II. Half-yearly accounts—								
Fuel accounts, Consumable Store Accounts.	3	12	24	24	10	11	..	2
III. Annual Accounts—								
Permanent Store Accounts . . .	..	25	16	110	2	11	..	1
Total . . .	4	51	58	240	16	84	..	24

9 The preparation of the 17th outstanding victualling accounts proved difficult, mainly due to the absence of records, some of which were lost in transit, and yet others simply untraceable. It has now been decided that the only solution is to reconstruct these particular accounts so that a modified audit may be conducted. Instructions have been issued accordingly. Receipts will be assessed on the basis of the quantities actually delivered to the ships as evidenced by contractors' claims and public supplies, while issues will be based on the strength of the men as shown in the pay accounts. It is hoped that, in a very short period, all the arrear accounts under this heading (victualling accounts) will have been cleared. It may be pointed out in this connection that new accounts have already been started from definite dates based on physical balances exhibited by a special stock-taking.

10. In an attempt to deal with the second aspect of the problem referred to in para. 2, it has been decided to apply a system of central storekeeping, similar to that obtaining in the Royal Navy, and the Fleet Accountant Officer is engaged in laying down a detailed procedure. The Naval authorities confidently expect by this combination of modifications in system with closer and more expert supervision over its working, to effect a continuous improvement in the standard of store accounting for L. N. D. vessels.

11. It will be appreciated that, before the present war, the Royal Indian Navy was a small organisation based only on Bombay. Since the present war began, however, the Royal Indian Navy has expanded very rapidly and is now many times its pre-war strength. Further, the Service now has bases at every important port in India. The accounting problem is therefore a direct corollary of this phenomenal expansion.

It is felt that the time has now come to obtain the services of an experienced and senior accountant officer of the Royal Navy to advise on the accounting problems of the Royal Indian Navy. The Government of India have therefore asked the Secretary of State to agree to the loan of such an officer and this request has been approved.

APPENDIX XII.

Memorandum describing the measures taken by the Supply Department, to meet the growing demand for the procurement of war Supplies.

1. The principal measures taken by the Supply Department to meet the increased demands of the Defence Services have been enumerated in paragraph 6 of the General Review of the Appropriation Accounts of the Defence Services for the year 1941-42. This Memorandum explains the nature and scope of these measures and gives further, the developments that have taken place since the Memorandum explaining the methods of purchase and control adopted by the Supply Department was presented to the Military Accounts Committee in 1940. (Appendix XVII to the Report of the P. A. C. on the accounts of the year 1939-40).

2. One of the earliest steps taken to establish closer liaison with Industry was the location of the Directorate General of Munitions Production in Calcutta, the main centre of the Engineering Industries. In furtherance of the object of establishing and maintaining closer contact with the Provincial Govts., the Chambers of Commerce and Industries generally, Controllers of Supplies were set up at Bombay, Calcutta, Madras, Karachi, Cawnpore and Lahore. They were made responsible for the assessment and allocation of capacity and for procurement of stores in their respective circles. To facilitate procurement, these officers were invested with considerable purchase powers and an establishment of Purchase Officers was placed directly under their control. Deputy Financial Advisers were also appointed to these circles to work in close association with their respective Controllers of Supplies and for according financial concurrence whenever necessary. A further step in decentralisation was taken by transferring the wing of the Directorate General of Supply responsible for Cotton Textiles to Bombay, the principal centre of the Cotton Industry. A panel of advisers from the Textile Industry was set up to enlist the co-operation of the Industry and to assist Govt. in the allocation of orders. These measures of decentralisation of order have assisted greatly in building up harmonious relationship between the trade and the Government.

3. To meet increasing military demands on the industrial resources of India, it soon became necessary to encourage the expansion of existing productive capacity and to establish new capacity. The following measures were adopted by Government for achieving this end:—

(a) Expansion of existing Government factories or provision of new factories constructed and operated by Government Department, or by firms on an agency basis;

(b) Augmentation of existing industrial capacity by addition of—

(i) balancing plant and/or

(ii) Annexes.

(c) Greater use of Workshops belonging to other Departments of the Central Government or Provincial Governments.

(d) Harnessing of small scale or cottage industry.

The Munitions Production schemes, which were the outcome of the recommendations of the Ministry of Supply Mission, were undertaken by Government as a governmental measure and the projects were planned and implemented by the Armaments Production Division of the Supply Department. In addition to these Munitions Factories, new factories for the production of Toluene, Super-Tropical Bleaching Powder, Field Cables etc., were planned in consultation with Industries either interested in with facilities for such production.

These factories were constructed by the agent companies on behalf and at the expense of the Government and were managed by the Agent Companies on agreed terms. Ownership of the Government in the new assets created at public expense was preserved but the firms operating the plants were allowed under the agreement the first refusal to purchase the assets at the termination of hostilities at either the depreciated cost or the then value. In addition to the construction of these complete producing units, it became also necessary to provide balancing plants to firms and to encourage expansion of capacity by building annexes. In many cases, firms were hesitant to undertake expansion at their own expense, as they were doubtful about the future peacetime prospects of marketing the additional production. In recognition of the enhanced cost of capital construction during wartime and of the fact that the additional capacity might in certain circumstances be surplus to India's normal requirements, the policy of making an outright contribution to the firms in certain selected cases was adopted. The main considerations that led to the adoption of this policy were as follows :—

(a) in many cases the assets created were indistinguishable from existing assets or could not be properly sequestered.

(b) the uncertainties of Post-war disposal of assets would be eliminated.

Due allowance is made in the prices for the capital assistance given. Important developments for establishing construction, repair and maintenance facilities for ships and aircraft took place in the year under review. A small Directorate of Ship Repair and Ship Construction had already been set up under the control of the Directorate General of Munitions Production. This has now grown into a Directorate General of Ship Building and Repairs with manifold responsibilities for constructing, equipping and maintaining the naval and the merchant fleets in Indian waters. Similarly, a small R. A. F. Directorate was constituted for meeting the urgent operational demands of the air forces for service, repair and overhaul of aircraft. This has also developed into the Aeronautical Stores Division responsible for maintaining the large India based air force in fighting trim.

The assessment of the capacity of the workshops of provincial Governments and of the Railway and other Departments of the Central Government in relation to their essential requirements revealed that in some cases capacity could be released for meeting the demands of the Defence Services. With the co-operation of the Departments and Governments concerned this released capacity has made valuable contributions towards the solution of India's production problem.

Another interesting development was the harnessing of the Small Scale or Cottage Industries to meet the requirements of the Defence Services. Items like locks, blankets, camouflage nets, Pith Hats, halves, which could be produced on a large scale by the Cottage Industries of India were replanned thus releasing the capacity of organised industry which could be better employed, for the production of other articles in short supply.

4. The methods adopted for controlling imports have been varied. It was realised that the co-operation of the importing firms was a pre-requisite of any scheme of control and panels of importers were, therefore set up to advise on the quantity and variety of articles required for maintaining essential civil industries. In some cases it has been possible to arrange with these importing firms to distribute the imports to the ultimate consumers only with the consent of and at prices fixed by Government. Throughout the endeavour has been to see that the available shipping space is utilised to the maximum advantage and that the imports reach the essential users at a fair price. It has also been found necessary to regulate exports, with or without price control, of certain essential materials in short supply so as to ensure that the requirements of Indian war production are first fully met at reasonable prices.

5. Controls have also been established over the production and distribution of several principal items in short supply. The more important of these are the Iron & Steel Control, Non-Ferrous Metals Control and Rubber Control. These Controls operate in different ways, but the main principle always is to see that the controlled stores are used only for essential purposes including essential civil needs. They operate sometimes under a licensing system and sometimes under special permits issued by the Controlling Officer. The establishment of such Controls has been utilised in some cases for the purpose of regulating prices also. In the case of the Iron & Steel Control it has, for instance been recently decided that all steel sold by controlled stockholders must be at prices determined by Government from time to time. In the case of rubber, effective control over production, distribution and price has recently been secured only by Government undertaking the purchase of the entire Indian crude rubber output, and by Governments developing at the same time production from wild rubber yielding plants.

6. Arrangements exist to secure the effective concurrent control of the Finance Department in all activities of the Supply Department involving the disbursement of public funds: and they are closely associated with the conduct of the negotiations which in present day conditions almost invariably precede the placing of any big contract. The number and value of contracts placed by negotiations increased in a marked manner during the year 1941-42. For instance, the procurement of Government's requirements of cotton textiles, which showed a tremendous increase in the period, was placed during the latter half of the year on a basis of bulk contracts negotiated with the industry as a whole through a representative negotiating body as opposed to *ad hoc* contracts entered into with individual firms on a basis of tender and acceptance. Contracts made with industry after negotiation showed many variations some of which were as follows :—

(i) Those in which actual costs are payable with a fixed amount of profit per unit.

(ii) Those based on actual costs with a ceiling price. If the actual costs exceed the agreed ceiling price Government's payments are usually limited to the ceiling price only.

(iii) Those in which the prices paid before the war or those thrown up later by competition are accepted as basic prices. Variations are made in such prices according to market fluctuations in costs.

7. It was realised very early that cost plus arrangements are open to the objection that the supplier being assured for his actual costs has no incentive for economy and efficiency in production. This matter was discussed by the P.A.C. in 1940 and on their recommendations orders were issued to make it clear that in all cases our aim must be to conclude firm price arrangements. Cost plus arrangements, with variations to suit individual circumstances, are inevitable in some case, e.g., when no previous experience exists or when the supplier is unduly nervous of loss. Cost plus contracts in such cases are regarded as an interim arrangement to be replaced as soon as possible by firm price arrangements.

Experience has, however, shown that cost plus arrangements are more economical with certain large, efficient and well organised firms. Where supervision is efficient and cost accounts are maintained properly the risk involved in cost plus arrangements are considerably lessened while at the same time the danger of high prices due to invisible reserves for contingencies always kept by private firms in their estimates of cost is eliminated.

8. From the enumeration of the basis of contracts given above, it will be recognised that examination of the books of the producing units is an integral part of the price arrangements. The Cost Accounting Organisation established under the Supply Finance Branch had, therefore, to be considerably strengthened to meet the growing demands on their services. An Accountancy Panel consisting of representatives of well established firms of Accountants had also been formed to advise Government on specific accountancy problems involving general principles.

9. Very shortly after the commencement of the war complaints began to be made by suppliers of delays in payments for supplies made to Government. The standard procedure followed by Government provided for bills being submitted along with the certificates of inspection and consignees' acknowledgments to the Accounts Office for payments. Delays arose at various stages before the bills reached the Accounts Office, one of the main causes being the delay in obtaining acknowledgments from consignees. Due to the enormous volume of consignments passing into them the Military Depots were not functioning perfectly. Difficulties in transport were adding to the complexity of the situation. Diversions of consignments were becoming more frequent, which rendered the tasks of obtaining acknowledgments extremely difficult.

To remove all genuine complaints action was taken on the following lines:—

(1) The procedure relating to the preparation and submission of bills to the Controller of Supply Accounts was simplified and standardised.

(2) Payments were authorised against proof of despatch. The consignees were made responsible for sending their acknowledgments direct to their Accounts Offices. A special procedure was introduced in the Supply Accounts Offices for watching the receipt of acknowledgments and for actively securing them in the event of delay.

(3) An Accounts Office was established in Bombay for making payments against contracts placed by the Supply Organisations located in Bombay and Madras.

(4) When considered necessary progress payments against work done are also made on the condition that the assets are hypothecated to Government.

10. An appreciation of the expansion of the activities of the Department can be made from the figures given below:—

Value of contracts placed:—

1940-41	Rs. 78 crores.		1941-42	Rs. 184 crores.
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APPENDIX XIII.

Note Regarding the purchase arrangements for Jute Goods.

(Placed before the Military Accounts Committee *vide* item 23 of the statement of action taken on the recommendations of the Central Public Accounts Committee.)

In paragraph 21 of the Proceedings of their second meeting held on the 4th August 1942, the Military Accounts Committee considered the system adopted for the purchase of jute and jute goods. They examined the arrangement by which these purchases were being made through the Jute Adviser to Government and suggested that, as only a small proportion of the total output of the Jute Industry, namely, about 20 per cent., was being taken up by Government, the possibility of placing independent orders might be considered.

2. Government have since examined this question very fully and to aid them in their decisions have conducted, through their Cost Accounts Organisation, an investigation of the profits earned by the Jute Industry both in respect of their general trade and also in respect of Government orders. These investigations have shown that the purchases of Government requirements through the Jute Adviser have been made at prices well below the current market prices and have resulted in profits to the Industry of considerably smaller dimensions on the average, than have been obtained from its general trade: further, that the profits obtained from the general trade have themselves on the average not been exorbitant. In view of this, it appeared to Government that there were solid advantages in continuing the system of purchasing in negotiation with the Indian Jute Mills Association and by allocation to all the member-mills of the Association through the

Jute Adviser, rather than by the placing of independent orders through the open tender system which would, it is certain, result in higher prices being paid. In fact, one of the concerns of Government has been that the Industry were not accepting for general allocation comparatively small orders of the value of Rs. 5 lakhs or less. These, in consequence, were purchased by open competitive tender with the result that higher prices were paid over a range of orders which, though individually comparatively small, were in the aggregate of substantial value. Moreover it appeared to Government that with the production of the Industry in danger of considerable restriction owing to increased transport and power difficulties and with the demands of the Allied Nations, chiefly the U. K. and the U.S.A., for war purposes being at the same time on the increase, there would be a danger that India's war needs would not be properly met if an open competitive system of purchase were relied upon.

3. It appeared to Government however, that there were certain features of the existing system of purchase through the Jute Adviser which called for improvement, particularly in regard to laying down a definite basis for price determination and associating the Finance Department more closely with the Jute Adviser in the determination of prices on such basis. Negotiations were accordingly opened with the Industry and as a result the following arrangement has been agreed to and is now operative:—

(i) The orders concerned are orders placed by the Supply Department of the Govt. of India for jute goods either for the Government of India or through them for direct war orders from H. M. G. in the United Kingdom.

(ii) These orders will continue to be placed as hitherto through the Adviser on Jute Supplies, the existing procedure being continued except as modified below.

(iii) Orders of Rs. 2 lakhs or more in value will be treated as 'Large Orders'. Orders below Rs. 2 lakhs in value will be 'Small Orders'.

(iv) 'Large Orders' will ordinarily be allocated to all mills in the membership of the I.J.M.A. by the Adviser on Jute Supplies, but he will have discretion to omit such units as he may consider necessary or advisable in consultation with the Committee of the I.J.M.A. In cases where orders are deemed by the Adviser to be of such a nature as not to permit of their being placed on all mills, he will place them on such mills as he considers suitable provided that such orders will be distributed evenly to all mills in the Association over a period. In this respect he will ordinarily consult the Committee of the I.J.M.A.

(v) All 'Large Orders' will be executed at the following rates:—

(a) Cost of raw jute based on the price of Indian Jat Middles as given in the Daily Market Report of J. Thomas & Co. for the day on which the order is placed, subject to the maximum price fixed by bye-law of the Indian Jute Mills Association *plus*

(b) Manufacturing costs as agreed, *plus*

(c) Profit at 7½ per cent. on (a) *plus* (b).

(vi) Prices will be fixed on the above basis by the Adviser on Jute Supplies in consultation with, and with the concurrence of, the Controller of Supplies, Bengal, and the Joint Financial Adviser (M), Calcutta. The Adviser will make available to the Controller and the Joint Financial Adviser such information as to costs as may be necessary to enable them to satisfy themselves as to the correctness of the prices fixed and will, if necessary for this purpose, arrange to give them reasonable access to the cost records of selected mills in the membership of the Association.

(vii) In the case of orders, deliveries in respect of which extend over a longer period than three months, the element in the price representing manufacturing costs will be the subject of review and alteration quarterly to provide for increases or decreases in the costs. Such alterations and the consequent alterations in the prices will be fixed by the Adviser on Jute Supplies in consultation with and with the concurrence of, the Controller of Supplies, Bengal, and the Joint Financial Adviser (M), Calcutta.

(viii) 'Small Orders' will be executed by open competitive tender. It will be open however to the Government of India to accumulate small orders for the same material until their total exceeds Rs. 2 lakhs in value, when they will be dealt with in bulk, as a 'Large Order'.

4. Government consider this a satisfactory arrangement. The cost investigations referred to have shown that generally in the Industry the capital is turned over once per annum. The agreed profit of 7½ per cent. on costs therefore will represent a return of 7½ per cent. per annum only on capital. This compares favourably with the return on Government contracts secured by other large scale Indian industries.

APPENDIX XIV.

Note on the Salvage Organisation in the War Department

PART I.—ORIGIN AND DEVELOPMENT OF ORGANISATION

The economic strain of the war has caused economy in material to become a matter of primary importance for the war effort in all countries. The salvage of all old or broken articles for recovery and re-use of the material has become a vital necessity.

The growth of the military forces in India—Naval, Army and Air—and the consequent increase in stores and equipment in military use implied that a large amount of old material would become available which could be used in some other form for military or civil requirements. The quantities involved and circumstances of their collection necessitated a special organisation to deal with the problem.

2. In July 1942, a Salvage Directorate consisting of three officers was accordingly set up under the MGO. at G.H.Q. The Directorate was charged with:

- (a) Co-ordination of the Salvage activities of the Navy, Army and Air Force in India.
- (b) Co-ordination with the Salvage and Disposals Organization in the Department of Supply.
- (c) Collection and tabulation of such statistics as are essential to ensure efficient and economical control.

3. Examination of the situation indicated that the work required from the military salvage organization was:—

- (a) Direction, supervision and control of the salvage activities of all units in the three Services in the India Command and Ceylon.
- (b) Co-ordination of all arrangements for transportation of salvaged material.
- (c) Planning for Salvage Depots to act as reception, storage and disposal points for salvage arising in India, and coming from overseas.
- (d) Disposal of salvaged material within the Defence Services to ensure that material capable of use or re-use in a secondary capacity was not allowed to leave the Services.
- (e) Initiation and prosecution of vigorous anti-waste and conservation measures throughout.
- (f) Preparation and dissemination of Salvage propaganda.
- (g) Close and constant co-operation with the Department of Supply to ensure prompt disposal of materials unsuitable for further use by Defence Services.
- (h) Compilation of necessary statistics.

4. To meet these requirements sanction was given for the creation of the existing organization comprising:

Officer Personnel.—A Controller of Salvage (Brigadier), Deputy Controller and Assistant Controller at G. H. Q. with representatives of correspondingly lower grading at the headquarters of lower formations down to Districts/L. of C. Areas/Sub-Areas.

Installations and Units.—4 Port Salvage Depots. 4 Army/Command Salvage Depots Up to 12 Sub-Depots and 150 Transit Depots as required. 18 Salvage Units.

Of the 4 Port Depots 3 are in temporary sites lacking proper facilities: plans for new depots are in hand and work on 2 has commenced.

One of the 4 Army/Command Depots is combined with a Port Depot (Calcutta); only one of these is yet completed.

The Sub-Depots and Transit Depots are not yet in place having only recently been sanctioned.

5. The organization in India is certainly not lavish as compared with that in the U. K. with its much smaller area.

In India there are 53 officers as against 109 in U.K.; 8 Port and Army Depots as against 16; 12 Sub-Depots as against 23; and 150 Transit Depots compared with 138 in U.K.

6. The military salvage organization is responsible only for the collection, sorting, storage and reporting for disposal of salvage accruing from military sources after articles which are serviceable or repairable have been returned to the Service concerned for re-use. The Disposal of all salvage to the best advantage is the responsibility of the Supply Department which is building up a "Directorate General of Salvage and Disposals" to deal with salvage accruing from non-military sources and the disposal of salvage accruing from all sources. The military salvage organization works in very close co-operation with the Supply Department organization, and working instructions have been drawn up and issued jointly.

PART II.—RESULTS.

7. Up-to-date work has been hampered by difficulty of completing suitable staff and by lack of properly laid out and equipped depots. Nevertheless, some marked results have been achieved.

8. The average monthly receipts in Salvage Units and Depots over the last six months has been:—

Non-Ferrous metals	85 tons	Timber	120 tons.
Ferrous metals	1,500 "	Bottles	30,000 Nos.
Tinplate	400 "	Broken glass	35 tons
Cotton cuttings, rags	600 "	Cardboard	50 "
Wool rags	120 "	Container, tinsplate andterne plate	400,000 Nos.
Miscellaneous textiles <i>i.e.</i> , U/S Tentage Mosquito nets, etc	300 "	Packing cases	4,000 "
Rubber	65 "	Electric cables	27 tons
Leather	60 "	Dry cells	48 "
Paper	100 "	Drums	28,000 Nos.

In addition a considerable quantity of weapons and ammunition, garments and miscellaneous items of equipment have been recovered serviceable from salvage and returned to stock.

From ferrous metal scrap received from overseas many valuable and much required spare parts for M. T. vehicles have been recovered.

9. As the result of action by the Military Salvage organisation use of the highest order has been found by transfer to other branches in the Defence Services of items offered for disposal as salvage, *e.g.*:—

*240,000 lbs. of unserviceable Kapok, of estimated value of Rs. 2,40,000 from Navy to Harness and Saddlery Factory for use on Tank Water Canvas.

12 obsolete Projectors Searchlight, Rs. 17,080 from Navy to R.A.F. for use on airfields.

57,000 surplus table napkins, Rs. 1,00,000, from Navy to Ordnance for stock.

10. Outlets for some of the main items received are as follows:—

Wool rags.—Shipment to United Kingdom. Current price in United Kingdom Rs. 3,250 per ton as against Rs. 963 per ton in India where there is no retreating capacity. Anticipated minimum annual recovery Rs. 24 lakhs.

Cotton rags.—To paper mills at Rs. 150 per ton. Anticipated minimum annual recovery Rs. 7½ lakhs.

Canvas cuttings and old tentage.—To paper mills at Rs. 170 a ton.

Scrap Rubber.—To India Rubber installations.

Waste paper.—To paper mills. Controller of Salvage is also Adviser on Paper Production to Government of India.

PART III.—THE FUTURE.

11. Salvage officers play a big part in the Services Economy Campaign. The combined salvage and economy campaigns can be expected to bring progressively increasing receipts, whilst the speedy disposal of salvage will make for keenness by those who collect it and will ensure that deterioration in depots does not take place. This speed of disposal will be attained by three factors—the building up of the Supply Department organisation, the completion of proper depots and an increased availability of rail transport.

A heavy increase in the amount of salvage to be dealt with will also arise on account of the increase in military forces in or based on India and from the fact of their operational role. When operations are finished, the salvage organisation will have a heavy task in clearing up the large quantities of unserviceable items which will be thrown up for disposal.

An economy drive has been instituted and has been enthusiastically taken up by all General Officers Commanding-in-Chief of Armies and Central Command, who have taken a direct personal interest in the matter.