

PUBLIC ACCOUNTS COMMITTEE
(1967-68)

TWENTIETH REPORT

(FOURTH LOK SABHA

**[Review of Defence Budget—Consolidation
of Revenue Demands]**

28979(S)
28-2-1968



LOK SABHA SECRETARIAT
NEW DELHI

February, 1968/Phalguna, 1889 (Saka)

Price : 0.15P.

336.3951
k7

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SARRA
SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
ANDHRA PRADESH					
1	Andhra University General Cooperative Stores Ltd., Waltair (Visakhapatnam)	8	13	Deccan Book Stall, Ferguson College Road, Poona-4	55
2	G. R. Lakshminipathy Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	94	RAJASTHAN		
			14	Information Centre, Government of Rajasthan, Tripolia Jaipur City	18
ASSAM					
3	Western Book Depot, Pat Bazar, Gauhati	7	UTTAR PRADESH		
			15	Swastik Industrial Works, 59, Holi Street, Meerut City.	2
BIHAR					
4	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur	17	16	Law Book Company, Sarfar Parel Marg, Allahabad-1	48
GUJARAT					
5	Vilay Stores, Station Road, Anand.	14	WEST BENGAL		
6	The New Order Book Company, Ellis Bridge, Ahmedabad-6	23	17	Granthaloka, 511, Ambica Mookherjee Road, Belgachia, 24 Parganas	10
			18	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44
MADHYA PRADESH					
7	Modern Book House, Shri Vilas Palace, Indore City.	13	19	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akru Lane, Calcutta-12	82
MAHARASHTRA					
8	M/s. Sunderdas Chanchand, 501, Girgaon Road, near Princess Street, Bombay-2.	6	DELHI		
9	The International Book House (Private) Limited, 9, Ash Lane, Mahatma Gandhi Road, Bombay-1	22	20	Jain Book Agency, Connaught Place, New Delhi.	1
10	The International Book Service, Deccan Gymkhana, Poona-4.	26	21	Sat Narain & Sons, 3141, Mohd, Ali Bazar, Mori Gate, Delhi.	1
11	Charles Lambert & Company, 101, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay	30	22	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9
			23	J. M. Jaina & Brothers, Mori Gate, Delhi.	11
12	The Current Book House, Moruti Lane, Raghunath Dadaji Street, Bombay-1.	50	24	The Central News Agency, 23/90, Connaught Place, New Delhi.	15
			25	The English Book Store, 7-L, Connaught Circus, New Delhi.	20
			26	Lakshmi Book Store, 42, Municipal Market, Janspath, New Delhi.	23

CORRIGENDA TO TWENTIETH REPORT OF P.A.C. (1967-68)
(PRESENTED TO LOK SABHA ON 27TH FEBRUARY, 1968.)

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
1	1.1	2	(36)	(63)
3	1.9	2	revenue	Revenue
		3	demand	Demand
8	S.No.1	2	that,	that
	S.No.3	2	revenue	Revenue
		3	demand	Demand

CONTENTS

	PAGE
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (1967-68) . . .	(iii)
INTRODUCTION	(v)
Report	i

APPENDICES

I. Note furnished by the Ministry of Finance (Defence) regarding Review of Defence Budget—Consolidation of Revenue Demands.	4
II. Summary of main conclusions/recommendations	8

PART II—MINUTES*

Minutes of the sittings of the Public Accounts Committee held on
21st and 22nd February, 1968

33E.34511L
10

*Not printed. One copy laid on the Table of the House and five copies placed in the Parliament Library.

PUBLIC ACCOUNTS COMMITTEE

(1967-68)

CHAIRMAN

Shri M. R. Masani

MEMBERS

- 2. Shri Syed Ahmed Aga
3. Shri C. K. Bhattacharyya
4. Sardar Buta Singh
5. Shri Shivajirao S. Deshmukh
6. Shri R. Muthu Gounder
7. Shri D. K. Kunte
8. Shri N. R. Laskar
9. Shri V. Viswanatha Menon
10. Shri K. K. Nayar
11. Shri Narendra Kumar Salve
12. Shri Yogendra Sharma
13. Shri Sheo Narain
14. Shrimati Tarkeshwari Sinha
15. Shri P. Viswambharan
16. Shrimati Devaki Gopidas
17. Shri P. K. Kumaran
18. Shri Om Mehta
19. Shri Gaure Murahari
20. Shri M. C. Shah
21. Dr. M. M. S. Siddhu
22. Shri B. K. P. Sinha

SECRETARIAT

Shri N. N. Mallya—*Joint Secretary.*

Shri Avtar Singh Rikhy—*Deputy Secretary.*

Shri R. M. Bhargava—*Under Secretary.*

*Declared elected on the 30th November, 1967 *vice* Shri Mohammed Yunus Saheem ceased to be a Member of the Committee on his appointment as Deputy Minister.

INTRODUCTION

1. The Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this 20th Report on Review of Defence Budget—Consolidation of Revenue Demands.

2. The Committee examined the representatives of the Ministry of Finance at their sitting held on 21st February, 1968 (A.N.) and finalised this Report on the 22nd February, 1968 (A.N.). The Minutes of these sittings form Part-II* of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix II). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of this matter by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the officers of the Ministry of Finance for the co-operation extended by them in giving information to the Committee.

NEW DELHI;
February 22, 1968.

Phalguna 3, 1889 (Saka).

M. R. MASANI,
Chairman,
Public Accounts Committee.

*Not printed (One copy laid on the Table of Lok Sabha and five copies placed in the Parliament Library).

I

INTRODUCTORY

Review of Defence Budget—Consolidation of Revenue Demands

On 15th February, 1968, the Ministry of Finance (Defence/Budget) under their O.M. No. 11(36)/67-B.I./P.C./94-BS, dated the 14th February, 1968 (Appendix I) intimated the Chairman of P. A. C. that "With effect from the Budget for 1968-69, which will be presented to Parliament towards the end of this month, the Defence Services Estimates would be presented in the form of three Demands as against five Demands which were presented in the past."

1.2. In their memorandum, the Ministry of Finance (Defence) have put forward the following proposals:—

- (i) A composite Demand for Revenue expenditure on Defence Services—Effective; the three existing Demands for Army, Navy and Air Force will be combined into one Demand and this would include as sub-major heads, expenditure on Army, Navy, Air Force and Defence Production;
- (ii) One Demand for Non-Effective charges; and
- (iii) One Demand for Defence Capital Outlay.

1.3. It would mean that the number of Demands for the Defence Services would be reduced from five to three.

1.4. A sitting of the Public Accounts Committee was held on the 21st February, 1968 at which the evidence of the Secretary of the Ministry of Finance and the Financial Adviser of the Ministry of Defence was taken.

1.5. During evidence, the Committee asked the representatives of Government to explain the reasons which had prompted the proposal and the Secretary, Ministry of Finance, and the Financial Adviser, Ministry of Defence, explained the reasons for the change and the advantages which in their view would result from it.

1.6. The Committee, however, were not impressed with the arguments adduced before them for the change and felt that they could not agree to any departure from established procedure which

would have the effect of making a serious dent in accountability to Parliament.

1.7. The Committee have now received a communication from the Secretary, Ministry of Finance, dated 22.2.68 in the course of which it is stated that—

“The decision to combine the Demands into one without the prior approval of the Estimates Committee was taken under a misunderstanding because on four occasions in the past combination of Demands had taken place without the Estimates Committee’s prior approval. In view of the reactions which the proposal has evoked, Government do not wish to pursue the proposal.”

“Unfortunately, the Defence Services Estimates for 1968-69 have been prepared and printed on the basis of one Demand for Army, Navy and Air Force. I have looked into the possibility of separating the three Demands even at this stage, but the position is that if we are to do so, the Defence Services Estimates may not be ready by the 29th February when these will have to be placed before the Parliament alongwith the Budget. However, even though the Demand is shown as one, the Finance Ministry undertake that in the operation on the Demand, the same procedure as was followed when the Demands were separate will be followed before effecting reappropriation among the Army, Navy and Air Force estimates. For the Budget 1969-70, as I have stated earlier, we will go back to the arrangement of three separate Demands for the three Services. I wish to assure the two Committees, particularly the Estimates Committee, that there was not the remotest intention of by-passing the Estimates Committee’s jurisdiction in the matter. The correct position has been noted and will be followed in future.”

CONCLUSION

1.8. In the light of the difficulties mentioned in the letter and the assurance contained in the communication that the provision of funds for each of the Services would in the current year be treated as separate and distinct and that no reappropriation of funds as between the Services would be carried out and that from the following year the previous form of estimates would be restored, the Committee consider that with this restoration of the *status quo ante*, the matter may now be regarded as satisfactorily settled.

1.9. Although in the printed Budget papers that will be circulated on the 29th February, 1968 there will be only one composite revenue ~~demand~~ for all the three Services, in the Committee's view it is desirable that, when the Demands are put to the vote of the Lok Sabha, the Demands in respect of each of the three Services viz., Army, Air Force and Navy, should be put to the vote of the House separately, as in previous years.

NEW DELHI;
February 22, 1968.
Phalguna 3, 1889 (Saka).

M. R. MASANI,
Chairman,
Public Accounts Committee.

APPENDIX I

No. F.11(33)/67-B.I./P.C./94-BS.

GOVERNMENT OF INDIA

MINISTRY OF FINANCE (DEFENCE/BUDGET)

New Delhi, the 14th February, 1968.

OFFICE MEMORANDUM

SUBJECT: *Review of Defence Budget—Consolidation of Revenue Demands.*

With effect from the Budget for 1968-69 which will be presented to Parliament towards the end of this month, the Defence Services Estimates would be presented in the form of three Demands as against five Demands which were presented in the past.

Forty copies of a self-contained note explaining the position and which has also been shown to the Comptroller and Auditor General are forwarded herewith (Annexure). Kindly place the matter before the Chairman of the Public Accounts Committee as early as possible.

Sd/-

Deputy Financial Adviser (Budget)

Tele: 32554

The Lok Sabha Secretariat,
P. A. C. Branch,
(Shri A. S. Rikhy, Dy. Secretary).

ANNEXURE
MINISTRY OF FINANCE (DEFENCE)

Review of Defence Budget—Consolidation of Revenue Demands

The Defence Services Estimates have so far been presented in the form of five Demands for Grants—one each for Army, Navy, Air Force, Non-Effective Charges (i.e. Pensions) and Defence Capital Outlay. The Demand for Army also included the requirements on account of organisations like Ordnance Factories, Military Engineering Services, Inspection, Research and Development, etc., which serve all the three Services. Defence Capital Outlay, however, has been a composite head for the Capital requirements of all the Services and connected Inter-Service Organisations. The existence of three separate heads for Revenue expenditure has resulted in an inflation in the Demands as voted by Parliament for the three Services as certain items detailed below were included in the voted grant twice—once under the Army Demand and again under Navy or Air Force as the case may be.

(i) The entire expenditure on Ordnance Factories was provided for under the Army Demand, and costs of stores manufactured and issued to the Navy and the Air Force were again provided for in the Demands for Navy and Air Force. The issues were shown as recoveries in the Army Budget but the vote was for the gross amount. Issues to the Army were not, however, charged separately as the Factories' budget was part of the Army's Grant.

(ii) Similarly all the expenditure on the personnel of the Military Engineering Services Organisation was met out of the Army Grant, and Departmental Charges, constituting 16½ per cent of the cost of the works including maintenance services executed for the Navy and the Air Force, were shown as expenditure in the Navy and the Air Force Demands.

The extent of adjustments under the above categories which were included under the Army Grant and again under the Navy/Air Force during 1967-68 were of the order of Rs. 13 crores. As these amounts were shown as recoveries, the net expenditure was not affected but the Demands as voted by Parliament were larger than the real expenditure.

2. With a view to eliminating the inflation in the gross Demand as voted by Parliament, it has been decided to present with effect from the Budget for the year 1968-69, only three Demands as against the existing five Demands. The revised Demands will be—

- (i) a composite Demand for Revenue expenditure on Defence Services—Effective; the three existing Demands for Army, Navy and Air Force will be combined into one Demand and this would include as Sub-Major Heads, expenditure on Army, Navy, Air Force and Defence Production;
- (ii) one Demand for Non-Effective (Pensionary charges), and
- (iii) one Demand for Defence Capital Outlay.

The composite Demand will be so arranged that full information on the three Services will be available to Parliament as in the past and in addition, expenditure on organisations under the control of the Department of Defence Production like Ordnance Factories, Inspection, Research and Development will also be shown separately under a Sub-Major Head. Under Defence Capital Outlay also a slight re-arrangement is proposed and a new unit of appropriation will be opened for showing separately the capital expenditure on works, and plant and machinery for departmentally run units under Defence Production.

3. The main advantages of the revised system will be:

- (i) Elimination of inflation in the total gross Demand thus showing the total expenditure in the proper perspective,
- (ii) opening of separate units of appropriation for Defence Production, and
- (iii) more flexibility in regard to re-appropriation so that savings under one Service may be reappropriated for additional requirements under other Services, thus reducing the need to approach Parliament for Supplementary Demands. Such reappropriations would however be only at the Government level, and after consultation with Finance Ministry and as such no relaxation of control would take place. Further, as the vote for each Service would be under distinct units of appropriation, the reappropriations during the year between the provisions for the different Services would be reflected in the Annual Appropriation Accounts which would be placed

before the Parliament and the Public Accounts Committee.

4. As a major change in the presentation of the Defence budget is being made, this note is submitted for being placed before the Chairman of the Public Accounts Committee. A copy is also being submitted for being placed before the Chairman, Estimates Committee.

5. The Comptroller and Auditor General has seen this note.

Sd./-

*Addl. FA (I) and Jt. Secy, Ministry
of Finance.*

APPENDIX II

Summary of Main Conclusions Recommendations

S. No.	Para No. of Report	Ministry Deptt. concerned	Conclusions Recommendations
1	2	3	4
1	1.6	Finance	The Committee were not impressed with the arguments adduced before them for the change and felt that, they could not agree to any departure from established procedure which would have the effect of making a serious dent in accountability to Parliament.
2	1.8	do.	In the light of the difficulties mentioned in the letter and the assurance contained in the communication that the provision of funds for each of the Services would in the current year be treated as separate and distinct and that no reappropriation of funds as between the Services would be carried out and that from the following year the previous form of estimates would be restored, the Committee consider that with this restoration of the <i>status quo ante</i> , the matter may now be regarded as satisfactorily settled.
3	1.9	do.	Although in the printed Budget papers that will be circulated on the 29th February, 1968 there will be only one composite revenue demand for all the three Services, in the Committee's view it is desirable that, when the Demands are put to the vote of the Lok Sabha, the Demands in respect of each of the three Services viz., Army, Air Force and Navy, should be put to the vote of the House separately as in previous years.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27	Bahree Brothers, 183, Lax- patrai Market, Delhi-6.	27	33	Bookwell, 4, Sarai Nara- hari Colony, Kingsway Camp, Delhi-9.	90
28	Jayana Book Depot, Chap- parwala Kuan, Karol Bagh, New Delhi.	56	MANIPUR		
29	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.	68	34	Shri N. Chandra Singh, News Agent, Ramlal Puri High School Annex, Imphal.	77
30	People's Publishing House, Rani Jhansi Road, New Delhi.	75	AGENTS IN FOREIGN COUNTRIES		
31	The United Book Agency, 48, Amrit Kaur Market, Pahar Gani, New Delhi.	48	35	The Secretary, Establis- ment Department, The High Commission of India, India House, Aldwych, LONDON, W.C.-2.	
32	Hind Gun House, 51, Janpath, New Delhi.	95			

©1968 BY THE LOK SABHA SECRETARIAT

PUBLISHED UNDER RULE 382 OF THE RULES OF PROCEDURE AND CONDUCT OF
BUSINESS IN LOK SABHA (FIFTH EDITION) AND PRINTED BY THE GENERAL MANAGER,
GOVERNMENT OF INDIA PRESS, MITTO ROAD, NEW DELHI.

