

**PUBLIC ACCOUNTS COMMITTEE
1959-60**

TWENTY-SECOND REPORT

(SECOND LOK SABHA)

[Appropriation Accounts (Posts & Telegraphs), 1956-57 and
1957-58 and Audit Reports thereon.]

VOL. I—REPORT



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**LOK SABHA SECRETARIAT
NEW DELHI**

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*Earlier sittings relate to the consideration of the Accounts of the Railways, Civil and Defence Services, etc.

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
1959-60

CHAIRMAN

Shri Upendranath Barman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. R. Neswi
9. Shri Raghubar Dayal Misra
10. Shri T. Sanganna
11. Shri Vinayak Rao K. Koratkar
12. Shri Jaipal Singh
13. Shri Aurobindo Ghosal
14. Shri Yadav Narayan Jadhav
15. Shri Shraddhakar Supakar
16. Shri Amolakh Chand
17. Rajkumari Amrit Kaur
18. Shri Rohit Manushankar Dave
19. Shri T. R. Deogirikar
20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman.

SECRETARIAT

Shri S. L. Shakhder—*Joint Secretary.*

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

Shri Y. P. Passi—*Under Secretary.*

* Shri Upendranath Barman was elected to serve as a Member of the Public Accounts Committee on the 10th September, 1959 [*vice* Dr. P. Subbarayan, who ceased to be a Member of the Committee on his appointment as a Minister] and was appointed as the Chairman of the Committee on the 12th September, 1959.

INTRODUCTION

1. The Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, present this Twenty-second Report on the Appropriation Accounts (Posts and Telegraphs), 1956-57 and 1957-58 and Audit Reports thereon.

2. The Appropriation Accounts (Posts & Telegraphs) 1956-57 and 1957-58 and Audit Reports thereon were laid on the Table of the House on the 10th March, and 8th May, 1959 respectively. The Committee examined* these Accounts etc. at their sittings held on the 13th to 16th July, 1959.

3. A brief record of the proceedings of each sitting of the Committee has been maintained and forms part of the Report (Part II).

4. The Committee considered and approved this Report on the 10th February, 1960.

5. The Public Accounts Committee (1958-59) had commented in their 11th Report that the standard of accuracy in budgeting in P & T Department was below expectation. The Committee came across cases of non-utilisation of funds obtained from Parliament by means of supplementary grant and non-incurrence of expenditure on works provided for in the Budget during the years under Report. On the other hand, the Department executed new major works without any specific provision in the Estimates presented to Parliament. *The Committee feel that there is large scope for improvement in budgeting standards and the P & T Department should examine the adequacy of their arrangements for ensuring better forecast of expenditure.*

6. *The Committee have found cases of regrettable delays on the part of the P & T Department.* In one case wherein the Department had been supplied defective weighing scales, the Department did not inform the D.G.S. & D. for more than a year that further indents for the scales, which were found unsuitable for the post offices requirements, should be cancelled or their supplies withheld. The result was the Department was burdened with 73 scales supplied at a total cost of Rs. 46,500 out of which only 3 were in working order in March, 1957. In another case, the mail transport contractors in a State have been allowed to carry on mail during the last 13 years without executing any written agreement stipulating the terms of service to be rendered and remuneration therefor or the extent of their responsibility to indemnify the Department in the event of loss.

The Committee have also found that in most of the disciplinary cases there had been considerable delay in finalisation of departmental action against delinquent officials though they have on previous occasions emphasised the necessity of prompt and adequate disciplinary action. *The Committee trust that the constitution of the P & T Board will cut short the delays in the Department and improve its efficiency.*

*The examination of these Accounts was conducted under [the Chairmanship of my predecessor, Dr. P. Subbarayan.

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7. A statement showing the summary of the principal conclusions recommendations of the Committee is appended to the Report (Appendix II).

8. The Committee place on record their appreciation of the assistance rendered to them in their examination of these Accounts by the Comptroller and Auditor General of India.

NEW DELHI;

UPENDRANATH BARMAN,^d

*Chairman,*¹

Public Accounts Committee,

The 11th February, 1960.

Magha 22, 1881 (Saka).

POSTS AND TELEGRAPHS DEPARTMENT

I

Control over Expenditure

Financial Working of the Posts & Telegraphs Department

The following table shows the original and final grants and charged appropriations and expenditure actually incurred during the years 1956-57 and 1957-58 :

(In lakhs of Rupees)

	Original grant or Appropriation		Final Grant or Appropriation		Actual Expenditure	
	1956-57	1957-58	1956-57	1957-58	1956-57	1957-58
Total expenditure met from revenue—						
Voted .	52.52	59.65	52.52	60.85	52.12	59.61
Charged .	2.58	2.79	2.58	2.81	2.51	2.79
Total Expenditure met from Capital—						
Voted .	24.48	24.77	24.48	25.77	24.03	25.58
Total :						
Voted .	77.00	84.42	77.00	86.62	76.15	85.19
Charged .	2.58	2.79	2.58	2.81	2.51	2.79
GRAND TOTAL .	79.58	87.21	79.58	89.43	78.66	87.98

2. There were thus savings of Rs. 92 lakhs or 1.2 % over the total final

N.B. As the Grants and Appropriations are for gross amounts, the above details do not include the recoveries which are adjusted in the accounts in reduction of expenditure. Total actual recoveries against all grants and appropriations are given below:

	Actuals	
	1956-57	1957-58
Voted .	18.53	19.19
Charged .	3	4

grants and appropriations during the year 1956-57 and Rs. 146 lakhs or 1.6% over the total final grants and appropriations during 1957-58 as against a saving of about 4.8% in 1955-56 and 6% in 1954-55.

Unnecessary Supplementary Grant and Charged Appropriation—Audit Report, 1959—para 3, page 24 and para 8, pages 28-30, Grant No. 83.

3. In 1957-58, a supplementary grant (Rs. 1.20 lakhs) and a charged appropriation (Rs. 2.29 lakhs) under Grant No. 83—Expenditure met from Revenue—obtained in February, 1958 proved unnecessary. The relevant Appropriation Bill was assented to by the President on the 13th March, 1958—about a fortnight before the close of the financial year. At the close of the financial year, there were, however, savings amounting to Rs. 124.23 lakhs and Rs. 2.60 lakhs in the voted and charged sections of the Grant respectively. Out of this, only Rs. 81.27 lakhs and Rs. 1.45 lakhs were surrendered from the voted and charged sections of the Grant respectively at the end of the year.

4. The Committee inquired why a supplementary grant in the voted section of the Grant was obtained when even the funds originally granted by Parliament could not be fully utilised by the P & T Department during the course of the year. The representative of the P & T Department explained that the estimate of the supplementary grant was based on the progress of expenditure during the first half of the financial year and on certain anticipations. As the major portion of expenditure was usually incurred during the latter half of the financial year, any forecast of the expenditure for the whole year at the time of asking for supplementary grant was wide of the mark.

5. *The Committee are perturbed at the explanation that precision in estimating the supplementary Grant in the course of the year is so much a matter of chance. The Committee feel that with better planning and financial control and stricter watch over progress of expenditure the chances of recurrence of cases of this type can be minimised.*

Non-incurring of expenditure on Works provided for in the Budget—Para 11(iv) of Audit Report, 1958, page 31 and para 10(v) of Audit Report, 1959, Pages 33-34.

6. In the case of Capital Grants for the years 1956-57 and 1957-58, the following analysis would show that no expenditure was incurred on 102 and 73 works out of 192 and 200 major works respectively costing over Rs. 5 lakhs each for which substantial funds were obtained:

(Amounts in lakhs of Rupees).

Category of works	No. of budgeted works exceeding Rs. 5 lakhs each		Total amount budgeted for works in Col. 2		No. of works on which no expenditure was incurred during the year		Total amounts budgeted for works in Col. 4.		
	1	2	3	4	5	6	7		
		'56-57	'57-58	'56-57	'57-58	'56-57	'57-58	'56-57	'57-58
1—Lands & Buildings		45	44	54	158	29	24	42	97
2—Lines & Wires		64	68	117	152	33	21	62	10
3—Apparatus & Plant		83	88	158	95	40	28	18	10
TOTAL		192	200	329	405	102	73	122	117

7. Explaining the reasons for the non-execution of the works, the representative of the P & T Department stated in evidence that in some cases there were difficulties in the timely acquisition of land; in other cases non-receipt of stores in time. The Committee were informed that land acquisition procedure was being streamlined by the State Governments whereafter the position was expected to improve.

8. *The Committee do not find the arguments put forth by the P&T Department convincing. They find it difficult to understand why expectations should have been falsified to such an extent. They trust that the P&T Department will examine the adequacy of their arrangements to ensure better forecast of expenditure.*

As a result of the recommendations of the P.A.C. in their Eighth Report (Second Lok Sabha) instructions have been issued by the Ministry of Finance in August, 1958 that provision should be made in the budget on sanctioned schemes only based on the actual requirements of the year. The Committee hope that such lapses of funds will not recur in future.

Major works started without any specific provision in the Budget—Para 11 (iv) of Audit Report, 1958, page 31 and para 10 (v) of Audit Report, 1959, pages 33-34.

9. 305 major works (68 relating to land and Buildings, 140 to Lines and Wires, and 97 to Apparatus and Plant) and 277 works (51 relating to Land and Buildings, 128 to Lines and Wires and 98 to Apparatus and Plant) pertaining to 1956-57 and 1957-58 respectively and involving outlay of Rs. 35.24 lakhs and 33.57 lakhs were executed during the two years under report without any specific provision in the Budget.

10. In the course of evidence the representative of the P & T Department urged that in 1956-57, 3 works though not provided for in the Budget were started with the special approval of the Ministry of Finance; 275 works were a carry over from the previous year; 25 works formed components of budgeted projects, which were not specifically included in the budget and 2 works had since been abandoned. In the next year also most of the works were a carry over from the previous year.

11. *The Committee are concerned to see that expenditure on works not provided for in the Budget continued to be incurred in the years under report in spite of their adverse comments on such a practice on earlier occasions. Considering the magnitude of the expenditure incurred on such works, the Committee apprehend that the tendency to start in the year works not specifically provided for in the Budget is becoming chronic. The Committee urge that this tendency should be checked as it vitiates financial control by Parliament.*

Commencement of Works before sanction of detailed estimates—para 18 of Audit Report, 1958, page 35

12. In contravention of the departmental rules against the commencement of works without sanction of project and detailed estimates, as also in disregard of the Director-General's instructions issued in September, 1952 for obtaining prior sanction in all cases (except in emergent cases where estimates were to be prepared and sanction obtained within 3 months), works continued to be

undertaken in the P & T Department without sanction of the necessary estimates. A review of the works requiring the sanction of Heads of Circles and higher authorities, undertaken between the period from 1-10-1952 to 31-12-1957, revealed that in 343 cases, works were taken up for execution without sanction of the estimates. Only in 115 cases, was sanction accorded within three months of the commencement of works. In 209 cases, sanction was accorded after three months and in respect of 19 cases, sanction to the detailed estimates had not been accorded by the end of the year 1957. Even on the 31st December, 1958 sanctions to detailed estimates were pending in 14 cases commenced after the issue of the September, 1952 instructions, and 22 works commenced prior thereto.

13. Giving an analysis of the above works, the representative of the P & T Department stated that 162 works (involving an outlay of Rs. 152.46 lakhs) fell in the category of emergent works. There were 90 cases in which works were undertaken on the authority of Heads of Circles or under the Director's orders prior to formal sanction. The cost of these works was Rs. 101 lakhs of which Rs. 95.68 lakhs represented the value of stores. There were also cases where works were taken up by the subordinate executive officers. The number of such cases was 91 costing about Rs. 5 lakhs, of which Rs. 4.61 lakhs represented stores. He admitted that in these cases, there had been a violation of the instructions issued by the D. G. P. & T. in September, 1952.

14. *While the Committee appreciate the frankness of this admission, which confirms their own anxieties on this point, they are convinced that commencement of works before detailed estimates had been prepared and got sanctioned by the proper authority will lead to lack of control over expenditure and consequently to avoidable waste. As one of the measures to improve matters, the Committee would suggest that the existing financial powers of the authorities at the various levels to sanction the estimates should be reviewed with a view to examining the possibility of delegating further powers in this regard so as to avoid long delays in the sanctioning of the estimates and obviating violation of the codal provisions.*

*Non-payment of cost of stores purchased through the Supply Department—
Audit Report, 1959—para 28, page 44.*

15. During the year 1957-58, payment of a sum of Rs. 1,25,76,952 was not made by the Accounts Officer, Telegraph Stores and Workshops, in settlement of the cost of stores purchased and paid for by the D.G.S. & D. for the P & T Department on the plea that necessary funds for this purpose were not available in the budget for 1957-58. On examination, it was found that in most of the cases, the P & T Department had either received the stores or got intimation of the probable time of their supply through Railway Receipts and Inspection Notes, etc. before the end of February, 1958. Additional funds amounting to Rs. 1 crore obtained by the Department in February, 1958 by a supplementary grant, however, proved eventually inadequate.

16. Explaining why the P & T Department did not accept the debit the representative of the Posts and Telegraphs Department stated that as sufficient funds were not available and the request of the Department for a larger supplementary grant was not agreed to by the Ministry of Finance in view of the then difficult ways and means position, the debit was not accepted on the advice of the Ministry of Finance (Budget Division). The Committee desired to have a note on this after examination of the relevant records.

17. According to the note (Appendix III) submitted to the Committee, there had been some misunderstanding of the position in this case. The correct position is that under Articles 114(3) and 266(3) of the Constitution, no moneys can be withdrawn from the Consolidated Fund of India except under appropriation made by law and it would not, therefore, be in order to incur expenditure in excess of the grant. This does not, however, mean that debits for the supply of stores or services rendered in respect of which payments had already been made by the supplying Department can be rejected on the plea that there is no provision or insufficient provision in the budget. Nor is it proper to allow such debits to remain unadjusted under "Suspense". Such debits should also be taken into account while controlling the expenditure under the various Grants by a Ministry and additional provision sought in time to cover them. It is the responsibility of the Ministry controlling the Grant to provide adequate funds and not that of the Ministries/Departments which only act as agents. The Committee understand that the Ministry of Finance propose to issue necessary instructions to all the Ministries for guidance in future.

18. *The Committee would like to draw attention to para 5 of their 11th Report (Second Lok Sabha) wherein they have suggested that Ministries should maintain 'Liability Registers' to keep track of their commitments. Had the P & T Department followed this procedure the liabilities in the present case would not have been overlooked. They trust that the instructions proposed to be issued by the Ministry of Finance will be strictly followed by all concerned to avoid recurrence of such cases in future.*

II

Stores and Workshops

Losses of Stores—paras 13 of Audit Reports 1958 and 1959 and item 41 of Appendix I of 11th Report of the P.A.C. (Second Lok Sabha)

19. The total number of cases of loss of stores which occurred or were detected during 1957-58 was 4,940 involving an amount of Rs. 10,62,397. Out of these cases, 4,632 cases involving an amount of Rs. 9.63 lakhs pertained to thefts of copper wires from the existing alignments. Although an analysis of figures of such losses during the years 1955-56 to 1957-58 showed that there had been a slight decrease in the number of cases and amount of loss of stores due to the theft of copper wire, still the loss continued to be heavy.

20. In a note submitted to the Committee in pursuance of action taken in para 22 of their 1st Report (Second Lok Sabha) (Appendix XXII) the P. & T. Department had enumerated the various measures taken by them to avoid losses of copper wire. The Committee desired to know the results of such measures. In the course of evidence, the Committee were informed that one of the measures adopted by the Department was the use of underground cables in the place of overhead wires on a fairly large scale throughout the country. As, however, some of the materials required in this connection had to be imported, the progress was not as rapid as one would have liked. There were two alternatives to the use of underground cables *viz.*, the replacement of copper wire by (i) copper weld wire and (ii) aluminium wire. In regard to copper weld wire, it had been decided to use it on those sections where the incidence of copper wire thefts was the maximum and replacement of copper wire by copper weld wire had been authorised to the extent of its availability in the country. However, copper weld wire did not provide for as much flexibility as copper wire. As for aluminium wire, the results of certain experiments conducted by the Department over an eight mile section had appeared to be encouraging. The extensive use of these wires would have to be determined after taking a number of factors into account, such as the problem of joining of wires, actual results under very long line conditions. etc.

The Committee were also informed that the P. & T. Department was thinking of setting up a special police agency under their own control partly to investigate the problem and partly to ensure more effective supervision.

21. *The Committee would like to watch the results of these measures adopted by the P. & T. Department through subsequent Audit Reports.*

Delay in the Disposal of Surplus Stores—Para 16 of Audit Report, 1958, pages 33-34

22. In paras 69-71 of their Twenty-second Report, the Committee had emphasised the desirability of speedy disposal of all surplus stores and *inter alia* suggested that the disposal procedure should be reviewed with this object in view.

The Surplus Stores Committee of the Posts and Telegraphs Department was reconstituted as a continuing committee in August, 1953, for examining and listing stores held in excess of two years' requirements, exploring the possibility of utilising such surplus stores as substitutes in the Department or in other Government Departments; and submitting concrete proposals to Government for disposal where such surplus stores cannot otherwise be utilised. Lists of surplus stores are prepared periodically for examination by the Surplus Stores Committee; these are transmitted to Government with recommendations for disposal. The surplus stores are reported to the Director General, Supplies and Disposals on receipt of Government sanction for disposal by sale.

According to the Audit Report, an analysis of the progress of disposal of surplus stores stocked in Store Depots under the Chief Controller of Telegraphs Stores, included in 56 lists reviewed by the Surplus Stores Committee during the period from 1-4-54 to 30-9-56 revealed the following instances of delay at various stages in the disposal of surplus stores :

- (a) After the lists of surplus stores had been prepared in 12 cases, the Surplus Stores Committee took 2 to over 15 months in reviewing the items.
- (b) In as many as 33 cases there was delay of over one month to 16 months in forwarding the recommendations of the Surplus Stores Committee to Government after review of the lists by the Surplus Stores Committee had been completed.
- (c) Out of 56 cases reported to Government during the period from 1-4-54 to 31-10-56 with recommendation for disposal, Government sanction for disposal had been accorded upto 31-3-57 in only 15 cases. Of the remaining 41 cases 10 cases were reported in 1954-55, 21 cases in 1955-56 and 10 cases during the period from 1-4-1956 to 31-10-56.
- (d) After receipt of Government sanction for disposal in 11 cases out of 15 cases, a period ranging from 2 1/2 months to over a year was taken in reporting the stores to the Disposals Directorate. In respect of the remaining cases, the stores had not been reported up to 31-3-1957 to the Disposals Directorate, although Government sanction for disposal had been received in September and October, 1955, in regard to 2 cases and in respect of two others in January, 1956.
- (e) Of the 11 cases reported to the Disposals Directorate, in 6 cases it took 3 to over 11 months in effecting disposal by sale. In one case reported to the Disposals Directorate in January, 1956, the stores had not been disposed of up to 31-3-1957.

23. In extenuation of the delay at various stages it was urged before the Committee that after the preparation of lists of stores, these were required to be scrutinised by the local technical survey committee and valued before they were examined by the Surplus Stores Committee. It involved technical appraisals, verifications, checks and counter-checks and references on various points all of which were considered necessary. Another reason for the delay was the anxiety on the part of the Surplus Stores Committee, P. & T. Department and the Ministries of Transport and Communications and Finance to ensure that stores were not disposed of as surplus without

careful scrutiny of their possible use either by the P. & T. Department or other Government Departments, especially since January, 1957 when the foreign exchange position of the country became tight and all possible attempts were being made to find out if the foreign stores in stock could be put to use. Again sometimes the Department had to call for tenders from a limited number of indentors who might be interested in these stores. The part-time assignment of the officers on the Surplus Stores Committee and the reluctance on the part of the departmental staff to take the responsibility for declaring the stores as surplus lest their decision might later on be questioned added to the delay in the process.

24. Indicating the latest position regarding the surplus stores, the D.G. P. & T. observed* that the value of general surplus stores with the P. & T. Department as on 31st March, 1959 was only Rs. 6.45 lakhs. Some changes in the procedure for disposal of stores had been introduced in April, 1959, the full impact of which could only be seen after lapse of some time. *The Committee trust that with the changes made in the procedure for the disposal of surplus stores it would be possible for the P. & T. Department to dispose of the surplus stores expeditiously. They would like to watch the result through future Audit Reports.*

The Committee inquired why the figure of surplus stores was constantly increasing. The representative of the P. & T. Department stated that it was partly due to the change in the pattern of requirements consequent upon automatization of telephone system and technological developments and partly to excessive production of some components at the P. & T. Workshops. *The Committee feel that this indicates the need for greater co-ordination between the production, indenting and stores wings to reduce the accumulation of stores surplus to requirements.*

Infructuous expenditure in the purchase of weighing scales— para 20 of Audit Report, 1958, page 36.

25. Orders for the purchase of ten special type self-indicating weighing scales, at Rs. 627 each, were placed on a firm through the Director General, Supplies and Disposals in November, 1947, after the samples inspected at the firm's premises had been reported as suitable by a representative of the P. & T. Department. Before supplies had commenced, the Department placed further orders through the Director General, Supplies and Disposals, on the same firm in October, 1948, for 89 scales at the same rate.

In April 1949, when only 15 scales had been supplied, the Head of a Circle reported to the Posts and Telegraphs Directorate that the scales supplied were not found suitable for the Post Offices and R.M.S. Sections, and as the suppliers had no local branch or agents at that place, it was not possible to unpack and erect them at site and maintain them. In October, 1949, the Head of that Circle brought to the notice of the Director General, Supplies and Disposals failure on the part of a representative of the supplier to put the scales in working order and reiterated that the scales supplied were unsuitable for Post Office work. In reply, the Director General, Supplies and Disposals, informed the Head of the Circle in November 1949 that as the machines were forwarded to the consignee concerned after due inspection by the Inspecting Officer, he was not concerned at this stage regarding the unsuitability of the scales. In the meantime 58 more scales

*Appendix IV.

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were supplied by December, 1949. On receipt of a complaint from the Head of another Circle intimating that most of the offices had complained of the unsuitability of machines, and also experienced difficulty in removing the mechanical packing and installing the same the outstanding quota of 26 scales was cancelled in March, 1950. Of the 73 scales supplied at a total cost of Rs. 46,500, only 11 scales could be installed and most of them went out of order soon after installation. It was reported in March, 1957 that only 3 scales were in working order.

The National Physical Laboratory in November, 1957 furnished their technical opinion that the materials used in the scales were of inferior quality and their construction was defective and flimsy.

26. The Committee enquired why these scales were not properly inspected by the D.G.S. & D. to find out whether they conformed to the sample and would serve the intended purpose. The representative of the Ministry of Works, Housing and Supply observed that the only specification in the indent was that the scales should conform to the Bombay Weights and Measures Act, 1932. At the time of despatch, these scales were covered by the inspection notes which were passed on examination by the officers of the inspection wing of the D.G.S. & D. as conforming to the Bombay Weights and Measures Act, 1932. The main difficulty in this case, it was stated, arose due to the inability of the P. & T. Department to remove the mechanical packing of these scales and to erect the same at site. The D.G.S. & D. did neither provide a clause in the contract for the erection of the scales by the suppliers nor obtain a guarantee for their proper performance as it was considered that the machines were not so complicated and the P & T Department would be able to erect them. In the absence of a provision to that effect in the contract the contractor was not required to render this service. It was also pointed out that in this case the first order was placed on the firm for 10 machines only after these had been reported as suitable on an inspection carried out by a representative of the P. & T. Department. The second order was also placed on the firm at the instance of the indenter. The representative of the P. & T. Department, however, contended, that the Superintendent of Post Offices had studied the matter only from a functional point of view to see whether the scales were suitable for Post Office requirements. He did not go into the reliability of the various components and the capacity of these scales to withstand normal use in a Post Office, nor was he expected to do so.

27. *The Committee are inclined to agree with D.G.P.T. in this case. It was the duty of the Inspectorate of the D.G.S. & D., to have carried out the technical examination of the scales. According to para 392 of the Manual of Office Procedure for Supplies and Inspection and Disposals the Inspectors besides following technical instructions and the requirements of the terms of the order and of the specification or sample if any, governing the supply shall ensure that the materials which they inspect will be suitable for the purpose for which they are required and not merely carry out surface inspection or pass the stores subject to satisfactory test at site. The Committee, therefore, regret to observe that the Inspectorate of the D.G. S. & D. failed in its duty. The Committee are also disturbed to note that the D.G.S. & D. failed to provide a clause in the contract regarding the guarantee for the performance of these scales and to pursue the matter with the firm to set right the defects in the scales when the complaints regarding their unsuitability were received by them from the P. & T.*

Department. The Committee would urge that all contracts entered into by the D. G. S. & D. should be drawn up in precise and unambiguous terms providing for all such safeguards.

28. *The Committee consider that the P. & T. Directorate was not also blameless in this matter. Although the Head of a circle reported to the Directorate in April, 1949, regarding the unsuitability of these scales for the Post Offices and R.M.S. Section when only 15 scales had been supplied the Directorate did not inform the D.G. S. & D. till February, 1950 that further indents should be cancelled or their supply withheld. The Committee could see no reason for this delay. They desire that this matter should be investigated further and responsibility fixed for this lapse which resulted in loss to Government.*

The Committee also note that no decision has yet been taken regarding the disposal of these scales either through the D.G. S. & D. or otherwise. They would suggest that an early decision should be taken to dispose of these scales, which has already been considerably delayed and a report submitted to them in due course.

Loss due to supply of defective cables—para 21 of Audit Report 1959, page 40.

29. An order for the supply of 9,000 yards of cables valued at Rs. 12,420 was placed by the Director General, Supplies and Disposals, on a firm in December, 1951 after receipt of an indent from the Posts and Telegraphs Department in May, 1951. The order (modified slightly in June, 1952) provided for inspection by an Inspector of the Supplies and Disposals Directorate. Accordingly, 8,947 yards of cables were inspected by the Supplies and Disposals Directorate on 16th October, 1952, and despatched to the consignees. Out of these, 5,747 yards despatched to one Posts and Telegraphs Stores Depot on 20th October, 1952, were accepted in full and the firm was paid for this quantity. Departmental test reports received on 27th April, 1953, revealed that 900 yards of the cable were defective. The balance of 3,200 yards despatched on the same day to another Depot was rejected as not upto standard, as per test reports issued on 10th November, 1952, and 25th November, 1952, but the rejection was intimated to the suppliers on 11th December, 1952, who were not paid for this consignment. The latter referred the matter for arbitration and the arbitrators awarded a sum of Rs. 4,684.50 to the firm representing the value of 3,200 yards of rejected cables (inclusive of some interest charges), on the ground that the consignee did not exercise the right of rejection within a reasonable time and that the procedure adopted by the Ministry could not be upheld. This sum was paid to the suppliers on 29th December, 1953. The 4,100 yards of defective cable was sold as scrap by the Department resulting in a net loss of Rs. 5,296.

The Director General, Posts and Telegraphs had stated to Audit that the loss to Government in this case resulted from the issue of inspection notes by the Inspection Directorate of the Supply Department, certifying the goods as satisfactory, on the basis of the manufacturer's test reports, without actually testing them.

30. In evidence, the Secretary, Ministry of Works, Housing and Supply explained that according to practice, the inspection of indigenous cables was done by the Inspectorate while under production. In the case of cables imported from abroad for orders valued at more than Rs. 40,000 or so, inspection was undertaken at the manufacturer's premises abroad by the Inspection Officers of the India Store Department, London. But in the case

of small orders, as in the present case, the Inspectorate relied on the manufacturer's certificates. However, in view of the recommendation made by the Committee, the Ministry were now trying to get the supplies inspected wherever possible even in the case of small orders instead of relying on the manufacturer's certificate. He further added that there had never been a case in recent years, where such loss in purchase of stores had occurred.

31. The Committee enquired why there had been delay in the P. & T. Department in testing the stores and intimating rejection thereof to the suppliers. In a note submitted to them (Appendix V), it was urged in extenuation that the time taken was 52 days in all, of which 36 days were taken in testing the entire consignment of cable and submitting the test report and 16 days in intimating the rejection of the same to the suppliers which period was not too long. The D.G. S. & D. had also consulted the Ministry of Law on the point of overall delay and that Ministry was of the opinion that the consignee had taken reasonable time in communicating his decision to reject stores as the testing involved 3,200 yards of cable and each coil had to be separately tested.

From the note submitted to them (Appendix V), the Committee learn that at present, sample testing is undertaken by the P. & T. Department itself. If the test results are unsatisfactory, tests are taken on some more samples and finally the whole consignment is tested under the personal check of the Assistant Engineer-in-charge to ensure that no rejections are made of stores which are suitable. *In that case, the Committee feel that inspection of all cables intended for the P. & T. Department could well be undertaken by the P. & T. Department itself especially where P. & T. workshops were stated to be equipped with satisfactory arrangements for testing purposes.* (The Committee were told that in the case of imported cables, the Government Test House had not got efficient arrangements for testing them).

32. *The Committee note that this matter is under consideration of the D.G.S. & D and the P. and T. Department and trust that an early decision will be reached after taking their views in para 31 above into consideration.*

33. *The Committee would also reiterate that the stores should be inspected in all cases, as acceptance of manufacturer's test reports without actually testing the stores is always fraught with risk.*

Unnecessary purchase of stores—para 22 of Audit Report, 1959, Pages 40-41

34. An indent for the supply of 15,120 lbs. (135 cwts.) of seamless copper tubes was placed on 6th June, 1956, by a Telegraph Workshop on the Director General of Supplies and Disposals. An advance order was placed accordingly by the latter on a firm on 23rd August, 1956. The accepted rate was Rs. 567 per cwt.

Meanwhile an error in calculating the requirements having been detected, the indentor revised the order on 24th August, 1956 to 650 lbs. only. The supplier who was approached made a provisional offer to supply either the revised quantity of 650 lbs. of copper tubes at an enhanced rate of Rs. 648 per cwt. or the entire quantity of 15,120 lbs. at the contractual rate of Rs. 567 per cwt. The Department decided to purchase the full quantity of 15,120 lbs. at the original rate of Rs. 567 per cwt., although this raw material was not much in demand. (Upto the end of 1957-58, only 2059 lbs. out

of the supply of 15,120 lbs. could be utilised. There were no issues during the period from 1st April to 31st October, 1958 and the anticipated issues upto 31st March, 1959 were only 200 lbs.)

35. The representative of the Ministry of Transport and Communications (Department of Communications) admitted that it was unwise to have purchased such a large stock.

36. *The Committee trust that the P & T Department will ensure that cases of such type do not recur in future.*

P & T WORKSHOPS

37. In the course of their on-the-spot study of the working of the P & T Workshops, Alipore (Calcutta) in June last, the Committee *inter alia* noticed that some of the machines installed there were not working to their full capacity and that quite a number of them were old and out-moded. The Committee enquired as to what steps were being or proposed to be taken to utilise the existing machines at the P & T Workshops to their full capacity and to replace the old and out-moded machines by modern ones. The representative of the P & T Department stated that the question of utilisation of the installed capacity was dependent on the demand for Workshop products. The demand for these articles had hitherto been solely from the P & T Department. With a view to getting orders from other Departments, a sales organisation had been established last year and orders worth Rs. 4.91 lakhs secured from Railways, Ordnance Factories/Depots, etc. Thus there was scope for increased utilisation of the installed capacity.

38. The Committee were also informed that a Project for the modernisation of the Alipore Workshops to increase its production was also under consideration.

39. *The Committee trust that early and effective steps will be taken for the modernisation of these workshops to increase their output with a view to bring down the high overheads. In the meantime, efforts should also be made to utilise all the machines in the workshops to their optimum capacity.*

Works-in-progress at the Alipore Workshop

40. According to para 11 of the Financial Review by the D.G., P. & T., 1957-58, the limit for the works-in-progress of the Alipore Workshop had been fixed at Rs. 15 lakhs for the year 1957-58. The closing balance of the works-in-progress at the end of the year was, however, Rs. 22.06 lakhs, thus exceeding the prescribed limit by Rs. 7.06 lakhs. The General Manager, Workshops stated the following reasons for the value of works-in-progress exceeding the prescribed limit :

- (i) Non-acceptance of finished foundry stores by the Chief Controller of Telegraph Stores in March, 1958 for want of space and Railway Transport for outside booking—Rs. 2 lakhs approximately.
- (ii) Hold-up in production of certain equipments for want of raw materials and purchase items due to restrictions in foreign exchange and import—Rs. 3 lakhs approximately.
- (iii) General increase in semi-finished products—Rs. 1.5 lakhs approximately.

41. *The Committee view with disfavour such a tendency to exceed the prescribed monetary limit in respect of works undertaken by the various P & T Workshops. They feel that this tendency be stopped.*

Manufacture Suspense Account of the Alipore Workshops—Appropriation Accounts, (P & T) 1957-58, pages 127-28

42. The original and the final modified estimates for 1957-58 envisaged decreases of Rs. 9.90 lakhs and Rs. 4.03 lakhs respectively in the closing balances under the manufacture suspense account of this Workshop. But this anticipation did not materialise as the actuals showed an increase of Rs. 3.80 lakhs which resulted in excesses of Rs. 13.70 lakhs and Rs. 7.84 lakhs as compared with the original and the final modified estimates respectively. The excess of Rs. 7.84 lakhs as compared with the final modified estimates was mainly due to less challoaning of stores to stock than anticipated.

43. When asked what steps had been taken by the management to improve the position the General Manager, Workshops, stated that a time-limit of six to nine months had been laid down by the P & T Workshops Board for the closure of work-orders. He further stated that in order to cut down the time-lag between the issue of a work-order and its execution, production at various levels was being speeded up.

44. *The Committee would like to watch the position through future Audit Reports.*

III

Losses, Nugatory Expenditure, Financial Irregularities and other topics of interest.

Defalcations or loss of public money and compensation for losses—para 12 of Audit Report, 1958 and paras 12 and 14 of Audit Report, 1959

45. The total number of cases of defalcation or loss of public money which came to light during the years 1956-57 and 1957-58 were 905 and 1103 involving an amount of Rs. 7,86,816 and Rs. 7,17,036 respectively, as compared to 787 cases involving an amount of Rs. 5,90,549 during 1955-56. An analysis of these figures shows that the number of cases of losses is on the increase. The total amount involved also increased during 1957-58 as compared to 1955-56 by Rs. 1,26,487. There has also been an appreciable rise in the incidence of loss in connection with the Savings Bank, Post Office Certificates and Money Order transactions during the year 1957-58. As in the past the employees of the Department were responsible for the bulk of these losses, viz. for 54.9% and 64.9% during the years 1956-57 and 1957-58 respectively.

During the year 1957-58 a sum of Rs. 1,60,695 was paid to various parties as compensation for the insured and other articles lost or damaged in transit. In these cases also, departmental officials were responsible for about 36% of the loss suffered as against the corresponding percentage of 34 during the previous year. About 31% of the amount of compensation paid on account of negligence or dishonesty of the departmental officials was ordered to be recovered from the officials concerned. The net amount of loss on account of payment of compensation was 2.87% of the total amount of insurance fee realised by the department during the year against the corresponding percentage of 4.6 in the previous year.

46. The Committee looked into certain specific cases of defalcations or losses of public money due to frauds etc. It was stated in evidence, that having regard to the number of accounts and the volume of business, the percentage of losses due to frauds etc. as compared to the total transactions was very insignificant. It was only .0052 in the case of savings bank, .0080 in the case of post office certificates and .0022 in the case of money orders. *The Committee would, however, point out that though the number of cases of frauds and the amount involved appears to be small in comparison with the total volume of business transacted, the proportion of cases in which employees of the Department were involved still preponderates and the cases where disciplinary action was not finalised are numerous.*

47. In paras 11 and 27 of their Eleventh Report (Second Lok Sabha) the Committee suggested that the existing procedure in the Post Offices for handling of cash and stamps, should be tightened up to bring down the percentage of losses due to departmental lapses etc. and desired to know the progress made in this direction. The D.G., P. & T. is stated to have issued instructions on 18th May, 1959 (Appendix VI) for the supply of the reserve

safes to all post offices under Grade 'A' Post Masters and to such other offices having an authorised minimum cash balance of Rs. 20,000/- and a stamp balance of Rs. 10,000/-.

Regarding the intensification and strengthening of inspections, proposals for increasing the number of Inspectors according to a phased programme with a view to reviving second inspection were under consideration. *The Committee would like to be informed of the final outcome of the proposals and how far these have proved effective.*

48. From a note furnished by the D.G., P. & T. (Appendix VII) stating the measures taken to eliminate frauds in savings bank branches of Post Offices the Committee understand that orders have been issued that in Offices where transactions are large, separate counters for deposits and withdrawals be provided. It has also been decided to have separate ledgers for Head Offices and sub-Offices. The proposal for setting up a more effective internal check in head Offices in place of the present system was also under consideration in consultation with the A.G., P. & T. *The Committee would like to watch the practical effect of the working of all these measures through future Audit Reports.*

49. *As regards the delay in taking disciplinary action against the delinquent officials, the Committee have dealt with this matter in paras 58—60 of this Report.*

Alleged frauds in the Savings Bank Branch—Para 22 (i) of Audit Report, 1958, p. 37.

50. During the period from 22-5-1950 to 20-9-1952, a sub-postmaster was reported to have misappropriated Rs. 19,843 (including Rs. 2,647 temporarily misappropriated) from several savings bank accounts and absconded on 20-9-1952. The *modus operandi* adopted was that the amounts tendered for deposit were duly entered in the pass books but not incorporated in the accounts of the post office. The case was reported to the police on 23-9-1952. The sub-postmaster was reported to have escaped to a neighbouring Foreign Country.

The sub-postmaster remained in charge of that post office for over 4½ years though the normal period was 3 years and a substantial part of the misappropriation amounting to Rs. 16,057 (including temporary misappropriation of Rs. 2,647) occurred after the normal period of 3 years. Departmental action against the officials responsible for contributory negligence had not been completed even though the case was detected nearly 5 years ago. Departmental action against six officials responsible for contributory negligence could not be taken as they had already retired. Four of these officials retired from service during the period from 1-8-1953 to 14-9-1954 much after the detection of frauds in September, 1952. Their pension is reported to have been reduced by Rs. 8/-, Rs. 8/- Rs. 5/- and Rs. 3/-, p.m. respectively.

51. As regards the reasons for retaining the sub-postmaster in charge of the post office for over 4½ years, it was stated that the rule regarding rotational transfers had been held in abeyance up to May, 1954, due to accommodation difficulties and as an economy measure.

52. Explaining the reasons for the delay in taking departmental action against the officials responsible for the contributory negligence, the representative of the P. & T. Department stated that before the issue of orders by the Ministry

of Home Affairs in October, 1955 laying down the revised procedure for instituting departmental action before launching prosecution, the question of initiating departmental action for contributory negligence was generally taken up only after the case had been decided by the court. Although the court disposed of this case in October, 1953, the records were received back from the court late. By that time, the officials responsible for contributory negligence had retired. Generally in such cases even though the departmental action was still pending, the officials were allowed to retire and deductions, if any, from their pensions were ordered later on if such deductions were found justifiable after the examination of the cases. This practice, he added, was preferable to retaining the officials in service and thereby continuing to incur expenditure by paying their full salaries etc. for the extended period. He admitted that there had been some delay in taking departmental action in this case.

53. The Committee were given to understand that the fraud could have been detected if the pass books had been called for by the Head Post Office for entry of interest, as required under the rules. Explaining the reasons for this omission, the D.G., P & T stated that entries of interest in the pass books were generally made after the entries in the concerned ledgers were completed. As the entries in the concerned ledgers were heavily in arrears, the pass books were not called for by the Head Post Office for making the entries of interest. At present the pass books were being called for simultaneously as and when the entries in the ledgers were made. In the present case, he admitted, the Sub-post Office failed to send the pass books to the Head Post Office even for checking while allowing fresh deposits after the annual accounts had been closed as required under the rules.

54. *The Committee regret to observe that disregard of rules regarding the proper upkeep of the Savings Bank Accounts both by the Head Office and the sub-Post Office facilitated the fraud in this case. They trust that rules and regulations will be strictly observed in future and the Departmental Officers during the course of their local inspection of the Head and Branch Post Offices will invariably review the position to ensure that there had been no deviation.*

Loss of cash in a Post Office—Para 17 of Audit Report, 1959—pages 37-38.

55. In a certain Head Post Office where cash was being supplied to the various counter clerks by a treasury contractor, the clerk in charge of National Savings Certificate payments reported a shortage of Rs. 11,500 on 10-10-57 while closing his accounts for the day. An examination of the rough account register maintained by the clerk revealed that the cash accounts were not correctly maintained by him. The case was immediately reported to the Police. The clerk was arrested on 11-10-57.

During investigation it was noticed that the loss was rendered possible because of the failure on the part of the treasury contractor to obtain proper quittances on the Treasurer's Cash Book for the cash supplied to the above clerk and to take prior orders of the competent authority for transferring the cash from the treasury, as prescribed in the Rules.

56. The Committee were informed (Appendix VIII) that the clerk had been acquitted by the court but as a result of departmental action, a sum of Rs. 900/- had been ordered to be recovered from him in monthly instalments of Rs. 25/- each and his increment had been withheld for two years.

The treasury contractor was asked to make good the loss of Rs.11,500/- caused by the negligence of his employees. He declined to do so. A claim for Rs. 11,500 had been preferred against the Insurance Company on 24-7-1959 against the Fidelity Guarantee Bond of the treasury contractor for Rs.5 lakhs. A final reply from the Insurance Company was awaited.

57. *The Committee would like to be informed in due course of the final outcome of this case.*

Delay in finalisation of departmental action against Government servants responsible for losses and defalcations of public money--para 29 of Audit Report 1959, page 44

58. In paragraph 8 of their Twenty-second Report (First Lok Sabha) the Public Accounts Committee had observed that they would like to watch the results of working of the amended procedure introduced from October, 1955 under which departmental proceedings should be instituted in a case immediately after a delinquency was detected and before a prosecution was launched. The Director General, Posts and Telegraphs had explained that although circulated in October, 1955 the new procedure, which was a complete departure from the previous practice, could be adopted only after the various doubts, felt in connection therewith, had been clarified in December, 1956.

A review by Audit of the more important cases of loss or defalcations of public money, involving Rs. 1,000 or more, however, indicated the following situation :

- (a) Out of 69 cases of loss etc., detected during the period from 1st January, 1957 to 30th September, 1957, departmental action was not finalised in 67 cases upto the end of March, 1958. The reasons for non-completion of the departmental proceedings in each case were reported to be under investigation till January, 1959 by the Director General, Posts and Telegraphs.
- (b) Among the cases detected prior to 1st January, 1957, departmental action was not finalised upto 31st March, 1958 in 62 cases although the connected legal proceedings had concluded before 31st December, 1956. Out of these, two court cases are reported to have been decided as far back as 1946-47 and 29 before 31st March, 1955. It had been stated by the Department that generally great delays occur in the return of documents by the police.

59. Explaining the reasons for the long delay that generally occurred in taking disciplinary action against the delinquent officials, the representative of the P & T Department told the Committee that though the Department was trying to implement the orders of the Ministry of Home Affairs and departmental proceedings were generally initiated as soon as possible after the detection of fraud, some difficulties were encountered and in some cases the departmental proceedings had to be kept pending either on the advice of the Special Police Establishment or under orders of the Court. There were only 32 cases pending out of the cases detected prior to 1st January, 1957, and 33 cases out of the cases detected after 1st January, 1957. The main reasons for delay in the disposal of these cases were difficulties in the return of documents, assessment of the exact loss sustained, transfer of officers to

other areas, differences of opinion with Audit, negligence on the part of disciplinary authorities, etc. As one of the measures to eliminate such delays and expedite disposal of disciplinary cases, the P & T Department was stated to have set up a Vigilance Organisation to watch disposal of such cases.

60. *The Committee need hardly emphasise the necessity of prompt and adequate disciplinary action being taken against the delinquent officials to safeguard not only the financial interests of the State but also the integrity of the Services. One of the reasons for delay in some cases was stated to be the long time taken by the Courts and Police in returning the documents. The Committee suggest that close liaison should be maintained by the Department with the Police in such cases. As suggested by the Committee on previous occasions* while commenting upon such delays, whenever original documents were required to be filed with the Court, the Department concerned should invariably keep photostat copies of such documents as have got an important bearing on the disposal of the case involving disciplinary action against the delinquent officers.*

Absence of agreement for conveyance of mails owing to delay in finalisation of form of contract—Para 19 of Audit Report, 1958—pages 35-36.

61. In 1945, a State Government suggested to the Union Government that the terms and conditions of the standard form of agreement for conveyance of mails by contractors in the State should be revised so as to accord with the conditions then prevailing. The P & T Department took six years to consider the suggestion and in the 1958 furnished to the State Government, for their comments, a revised draft agreement incorporating such of the suggestions as were found acceptable. The State Government, however, pointed out in 1952 that the original recommendations made by them in 1945 had since become obsolete in the light of the provisions of the Motor Vehicles Act and suggested the revision of the form of agreement in certain important respects.

A Committee was set up in 1951 to examine all the contract forms and suggest amendments thereto wherever necessary. The Committee submitted its recommendations in June, 1955, and, thereafter it took the P & T Department about three years to take up again with the State Government the question of amendment of the contract form on the basis of the recommendations of this Committee.

62. In a note submitted to the Committee (Appendix IX) explaining the reasons for the delay of six years in the finalisation of the agreement form it has been stated that the delay was mainly due to the detailed scrutiny that had to be done and also to the fact that in that process it had to be referred to the various Departments and Ministries of Government of India, the subordinate offices time and again to settle the various points that arose from time to time. The Committee consider this explanation as hardly convincing.

As regards the reasons for the further delay of 3 years in taking up with the State Government the question of the amendment of the contract form on the basis of the recommendations of the Standardisation Forms Committee, it has been stated that the Departmental Committee did not agree to modify the form as recommended by the Madras Government. In 1957, efforts

* Para 30 of Fifth Report of P.A.C. (1952-53)
Para 33 of 13th Report of P.A.C. (1958-59).

were made through the State Transport Authority, Madras to persuade the operators to execute the agreement in the standard form pending decisions on the report of the Standardisation Forms Committee by the Government of India. The operators were, however, adamant in their attitude. Ultimately, a letter was sent to P.M.G., Madras on 5-9-1958 accepting more or less all the amendments suggested by the Madras Government purely on a provisional basis till the revised form of agreement was adopted by the Government of India. The Madras Government, however, have not intimated their views regarding the acceptance of the proposal by the P & T Department although it is nearly more than a year since the P & T Department communicated its revised terms.

63. *The Committee are concerned over the continuance of the existing arrangement for the conveyance of mails without any formal contract as it is fraught with risk and does not in any manner indemnify the Government against any possible losses etc. They trust that it would be possible for the P & T Department to finalise the contract with the contractors without any further delay.*

64. The Committee also learn that the P & T Department experienced many difficulties in entering into contracts with the private operators. Under the Motor Vehicles Act, the Central Government are not vested with any power to compel the private operators to carry mails. Only the State Governments had those powers subject to such terms and conditions as they thought fit. Having regard to the all-India nature of the activities of the P & T Department and coupled with the fact that the postal services cannot suffer any interruption, the P & T Department has felt it necessary that some such powers be vested in the Central Government also. *In view of this the Committee suggest that the Government should give earnest consideration to this proposal put forth by the P & T Department to obviate the difficulties experienced in executing contracts with private operators for carriage of mails.*

*Outstanding Telephone Revenue—Para 28 of Audit Report, 1958 and
Para 23 of Audit Report, 1959*

65. The total amount of telephone revenue outstanding on 1st July, 1958 in respect of bills issued upto 31st March, 1958 amounted to over Rs. 127 lakhs, out of which about Rs. 81 lakhs related to the bills issued during 1957-58. A major portion of these outstandings related to Government subscribers.

A test audit of telephone revenue accounts revealed instances of short recoveries and failure to issue bills to the extent of Rs. 5.6 lakhs. Some of the typical irregularities detected during the test-check were as follows: —

- (a) Delay in the issue of disconnection and proscription lists to defaulting subscribers.
- (b) Want of hiring contracts.

- (c) Delay in the issue of advice notes intimating installations, etc. of telephones.
- (d) Delay in the issue of trunk call bills.
- (e) Failure to exercise the prescribed checks for ensuring recovery from all telephone subscribers shown in the Telephone Directories.
- (f) Arrears in the pairing work of inward and outward trunk call tickets.

66. As regards the delay in the issue of trunk call bills, it was stated in evidence that as a result of some measures recently taken by the P & T Department, the position had considerably improved. Truck billing in the Delhi Telephone District had become up-to-date, and in other Telephone Districts the delay had been brought down from about 2-4 months to about 1½ months. In order to improve the position still further, some organisational changes were proposed to be made. According to one of them in all large areas, instead of issuing a number of bills at different times to a subscriber, a single monthly consolidated bill would be issued for all the services rendered by the Telephone Branch including extensions, PBXs, phonograms, etc. The Committee were, however, given to understand by Audit that the inclusion of phonogram charges in the consolidated telephone bill would create difficulties in accounting in as much as phonogram charges fell in the category of telegraph revenue. *The Committee should be informed of the final outcome of these proposals and how far these have helped in improving the situation by the time they next take up this matter.*

67. Regarding the progress made in the recovery of outstanding telephone revenue, the Committee were informed that the amount of outstanding telephone revenue, in respect of bills issued upto 31st March, 1958, had been brought down from Rs. 127 lakhs on 1-7-1958 to Rs. 73·58 lakhs on 1-2-1959. A major portion of this related to Government subscribers, the chief defaulter being the Ministry of Defence. In spite of repeated reminders, there had not been any tangible improvement and the Department had been compelled as a last resort to issue strict instructions that even Government telephones should be disconnected in case of default in payment of dues. In the case of private subscribers, as a result of stern measures introduced by the Department significant improvement was expected in about a year's time.

68. *The Committee regret to observe that despite their repeated comments made in their 13th and 22nd Reports (First Lok Sabha) and 1st Report (Second Lok Sabha), the position regarding the liquidation of the outstanding telephone revenue has not shown any substantial improvement. As a commercial Department, the P & T Department should be business like in its methods to bring down the outstandings. The Ministries and Departments of the Government of India should also pay of the telephone dues within the stipulated period and set an example to private customers.*

Accumulation of arrears of rent for telegraph and teleprinter circuits—para 24 of Audit Report, 1959, page 42

69. One of the conditions subject to which the P & T Department provides telegraph and teleprinter circuits for the exclusive use of Government Departments, newspapers and news agencies, private parties etc. is that the rent would be payable in advance annually, quarterly or monthly, at the option of the subscriber. Due to frequent cases of default in the payment of rentals of such circuits, however, the outstandings on this account as on 1st June, 1958 (in respect of bills issued upto 31st March, 1958) amounted to Rs. 14.06 lakhs. Of this, a sum of Rs. 9.85 lakhs was payable by Government Departments, Rs. 3.06 lakhs by newspapers and news agencies and Rs. 1.15 lakhs by other parties.

70. Explaining the reasons for heavy outstandings, the representative of the Department stated in evidence that in the beginning, payments from the lessee were received in advance, but later on, they started defaulting. The problem now facing the Department was whether to continue or disconnect the service. Normally disconnection was ordered by the Department only as a last resort when all attempts to recover the dues were of no avail.

As regards the heavy outstandings against the Ministry of Defence (amount outstanding was Rs. 4.98 lakhs on 1-6-1958), it was stated that these pertained to the war and the post-war periods, and there were points of dispute as to why the bills were not submitted to the Ministry in time and whether the dues really related to them.

71. *So far as the Government Departments were concerned it was just a question of adjustment in accounts. The Committee suggest that to save time this matter may be dealt with at a high level inter-ministerial meet which should be attended by the representatives of the associate Finance also. As regards the dues from Newspapers and Other Parties, the Department should take recourse to the relevant penalty clauses in the contract form and enforce recovery from all defaulters as early as possible.*

Outstandings from a News Agency—Para 26 of Audit Report, 1959, pages 42-43

72. The agreements of the P & T Department with private users of teleprinter circuits stipulated that they should pay the rentals quarterly in advance, but in the case of telegraph messages, news agencies were allowed the privilege of settling their dues with the Department in arrears.

In 1948, a News Agency started defaulting payment of bearing messages issued by it. The same agency defaulted in 1950-51 on payments on account of teleprinter circuits leased to it since 1949. Although Departmental negotiations with the firm in 1951, brought down the outstandings from Rs. 1,54,000 in August, 1951 to Rs. 81,500 in April, 1952, the position deteriorated thereafter and at the end of January, 1954, the outstandings against the Agency were about Rs. 2.30 lakhs. The matter was thereupon examined and a special agreement was effected with the News Agency in February, 1954, whereby it was required to clear up its arrears in 18 equal monthly

instalments besides paying regularly its current dues on both counts. Following this agreement, the News Agency paid some instalments, but defaulted thereafter. The current dues were not also paid regularly with the result that at the end of March, 1956, the outstandings stood at Rs. 2·55 lakhs.

With a view to assisting the News Agency to tide over its financial difficulties, the Government decided in May, 1956 to allow it a moratorium of 2 years in respect of dues upto 31st March, 1956, but to ensure regular recovery of at least a major portion of the current dues, arrangement was made with the Ministry of Information and Broadcasting for transferring directly to the Posts and Telegraphs Department the monthly subscription of Rs. 12,000 payable by the All-India Radio to the Agency, for news services. Despite this settlement, the dues outstanding against the Agency continued to rise ; it was ultimately decided in September, 1958, to withdraw all telegraph and teleprinter facilities from the Agency with effect from 1st October, 1958. The total amount due from the Agency on this date was assessed at Rs. 3·44 lakhs.

73. The Committee were informed that the Agency had since gone into liquidation and that there were little prospects of recovering the dues from it.

74. *The Committee feel that action should have been taken to withdraw telegraph and teleprinter facilities from the Agency in March, 1956 itself when the Agency defaulted in payment of both the arrears and the current dues and thus the loss ultimately sustained by the P & T Department could have been minimised.*

The Committee would, however, like to be informed of the final outcome in this case after the liquidation proceeding was over.

Postal Life Insurance Organisation—Appropriation Accounts (P & T), 1957-58, pages 146—161 and para 35 of Audit Report 1959, pp. 47-48

75. In paragraph 69 of their First Report (First Lok Sabha) on the accounts for 1948-49, the Public Accounts Committee desired that consequent on its transfer from the Audit Department to the Posts and Telegraphs Department under the Ministry of Communications, the Postal Insurance Organisation should be run on commercial lines and that a balance sheet in respect thereof duly countersigned by the Audit Officers appended to the Appropriation Accounts.

According to the Audit Report, a provisional balance sheet has been drawn up on the basis of an *ad hoc* valuation of the share of India and Pakistan as on 14th August, 1947. The final balance sheet has yet to be drawn up. It has been stated that the preparation of balance sheet as on 31st March, 1957 will be taken up on completion of *de novo* valuation of the P.L.I. Fund as on that date. As an interim arrangement, statements showing (i) the business of the Post Office Insurance Fund, (ii) the policies issued, discharged, lapsed and surrendered, and (iii) receipts and payments during 1957-58 together with the Financial Review on the working of the Fund during the year have been exhibited in Appendix 9 of the Appropriation Accounts, 1957-58 (pages 146—161).

76. The local Audit of the Accounts of the Postal Life Insurance Branches of the various Circle Offices, conducted during December 1957—July 1958, revealed heavy accumulation of arrears and a generally unsatisfactory state of the Insurance accounts due to lack of internal Checks, arrears in postings in the ledger cards and checking thereof, unposted items of premia realised, non-maintenance or imperfect maintenance of important registers, records, non-settlement of claims, etc.

In the civil wing of the Post Office Insurance Fund, the total number of policies issued during 1957-58 was 7,843 as against 10,360 issued during the previous year and the sum assured was Rs. 1,52,37,600 as against Rs. 1,82,51,100 of last year. Thus, there was fall of about 24·3% in the number of the policies issued and 16·51% in the total sum assured as compared to the corresponding figures of the previous year, the decrease in value being to the extent of Rs. 30,13,500.

77. In evidence, it was admitted that one of the reasons for the unpopularity of this scheme was the difficulty experienced by the policy-holders in the settlement of their claims which was in turn due to heavy accumulation of arrears in the maintenance of Insurance accounts and other defects pointed out by Audit.

78. From a note submitted to them (Appendix X), the Committee learn that as a result of the steps, taken the P & T Department has overtaken much of the arrears.

79. *In the opinion of the Committee the arrears especially in regard to clearance of unposted items are still fairly heavy. With such a large number of unposted items, the accounts of the policy holders will not be accurate and up-to-date which will in turn lead to delay in the settlement of their claims. The Committee would, therefore, emphasise the imperative need to clear up these arrears and ensure that accumulation of unposted items does not recur.*

IV

Outstanding recommendations

80. The Committee shall now proceed to deal with some of the important items outstanding from their previous Reports, those of less importance are referred to in Appendix I of the Report.

Compensation for losses—para 5(ii) of 22nd Report (1st Lok Sabha)

81. In para 5 of their 22nd Report, the Committee observed that in taking disciplinary action against the officials responsible for losses and frauds, both speed and firmness were essential and desired that a report on the disposal of pending cases relating to the years 1952-53 to 1954-55 should be submitted to them.

82. In a note furnished to the Committee (Appendix XI) it has been stated that on 1-4-1958 there were 151 cases pending in which investigation/disciplinary action was not completed and that efforts were being made to expedite disposal of the pending cases. The Committee, however, understand from Audit that on 1-1-1959, 102 cases were pending in which investigation/disciplinary action had not been completed. Of these, 32 were *sub-judice*, 6 with the Police and 64 with the Department. The Committee also understand that a good number of these cases did not relate to primary offenders, but covered also those who were responsible for contributory negligence. *The desire that the P & T Department should consider the possibility of fixing a time-limit within which all the cases pending with the Department or Police should be got settled.*

Defective working of a Postal Stock Depot—Para 6 of 1st Report (Second Lok Sabha)

83. The Committee in para 6 of their First Report (Second Lok Sabha) had desired to be informed of the action taken by the P & T Department against the persons responsible for over-indenting of cloth by a Postal Stock Depot.

84. In a note submitted to the Committee (Appendix XII), it has been *inter alia* urged in extenuation that the policy decision to change over to Khadi cloth for supplying uniforms to staff was communicated to all the Circles by the P & T Directorate in October, 1954. Though this decision did not require submission of any revised indent for the year 1955-56, the Director, Posts and Telegraphs, Rajasthan Circle, Jaipur, submitted a revised indent for Khadi cloth for 1955-56 in February, 1955 without taking into account the Acceptances of Tenders already received by him in July-August, 1954. The revised indent was forwarded to the Director of Textiles by the P & T Directorate on the 19th April, 1955 for arranging supply under some misapprehension. It has been contended by the D. G., P. & T. that since there has been no loss as a result of excessive purchase of cloth in this case, disciplinary action would not be justified.

85. *The Committee find it difficult to accept this plea. In their opinion over-indenting of stores, be they susceptible to loss or not, should be avoided by the Department as it locks up funds unnecessarily. They trust the Department will take steps to prevent this in future.*

Failure of a tailoring contractor to account for materials supplied by a Postal Stock Depot for delivery of finished garments—para 14 of 1st Report (Second Lok Sabha)

86. In para 14 of their First Report (Second Lok Sabha) the Committee had desired to be apprised of the final outcome of the proceedings against the Manager of the Postal Stock Depot, Madras, and the contractor involved in this case.

87. In a note submitted to the Committee (Appendix XIII), it has been observed *inter alia* that in issuing the cloth to the contractor in excess of the amount of the security, the Manager seemed to have been guided by the extremely urgent nature of the requirements and the Manager had no reasons to doubt the contractor's good faith or integrity.

88. *The Committee consider the plea of urgency hardly tenable in this case, as the contractor was allowed to delay supply of stitched garments upto December, 1954, although the work was required to be finished within two months according to the agreement signed on the 12th February, 1954. Evidently, the Manager of the Depot did not act with due caution despite the instructions of the Assistant Director, Postal Services, not to issue materials exceeding the amount of security and earnest money paid until the Revenue Authorities' report was received. They understand that the Manager retired in January, 1955 and the Law Ministry had opined that he could not be proceeded against under Article 351-A of the Civil Service Regulations as the departmental action was not instituted within a year of the date the official was last on duty. The Committee would like to know the circumstances under which action was not taken in time and what action has been taken against the person responsible for the delay.*

The Committee further understand that the decree against the contractor has since been awarded by the Madras High Court. They would like to be apprised of the progress made in the realisation of the decretal amount from the contractor.

Loss due to delay in taking action against the Extra-Departmental Branch Post-master—para 28 of 1st Report (Second Lok Sabha)

89. In this case, the Committee had desired to be informed of the action taken against the officers concerned who were still in service. In a note submitted to the Committee (Appendix XIV), it has been stated *inter alia* that after the examination of the officers responsible in this case, it has been decided that no action should be taken against the officers still in service who dealt with this case in the Circle Office or in the Directorate.

90. *The Committee are not satisfied with explanations furnished in the note. They do not agree with the contention of the D.G., P. & T., that the Directorate was mainly concerned with the writing off of the loss and not with the removal of*

the Branch Postmaster. As such, the officers dealing with the case in the Directorate and the Circle did not look into the latter aspect. The Committee feel that the Directorate should have seen whether action on the case was complete in all respects, and, if not, pointed out the omissions to the appropriate authorities.

Loss due to abandonment of works—Jabalpore Foundry Project—para 23 of 11th Report (Second Lok Sabha)

91. In para 23 of their 11th Report (Second Lok Sabha), the Committee had desired to be informed of the final outcome of the disposal of surplus materials and of the plant and machinery as well as the ultimate loss to Government on the abandonment of the ill-conceived Jabalpore Foundry Project and the action taken against the concerned officer.

92. From a note furnished by the Ministry of Transport and Communications (Departments of Communications & Civil Aviation) (Appendix XV), the Committee learn that the buildings, sheds and other installations meant for Workshop are now being utilised for storage purposes. This does not however mean that full value for the money spent has been obtained and that there had been no loss on this account. Even on the Department's own admission, substantial loss has been caused to Government on account of the abandonment of the Foundry Project which was due to either an error of judgement or lack of foresight. *The Committee, therefore, consider that the disciplinary aspect of the case should be pursued.*

NEW DELHI;
The 11th February, 1960.
Magha 22, 1881 (Saka).

UPENDRANATH BARMAN,
Chairman,
Public Accounts Committee.

PART II

**Proceedings of the Sittings of the Public Accounts
Committee held from the 13th to 16th July, 1959 and
10th February, 1960**

PROCEEDINGS OF THE THIRD SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON MONDAY, THE 13TH
JULY, 1959.

93. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Dr. P. Subbarayan—*Chairman*.

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. R. Neswi
9. Shri Raghubar Dayal Misra
10. Shri T. Sanganna
11. Shri Vinayak Rao K. Koratkar
12. Shri Jaipal Singh
13. Shri Aurobindo Ghosal
14. Shri Yadav Narayan Jadhav
15. Shri Shraddhakar Supakar
16. Shri Amolakh Chand
17. Rajkumari Amrit Kaur
18. Shri Rohit Manushankar Dave
19. Shri T. R. Deogirikar
20. Shri Surendra Mohan Ghose
21. Shri Jaswant Singh
22. Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller & Auditor-General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller & Auditor-General.*

Shri O. K. Ghosh, *Accountant General, Posts & Telegraphs.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

Ministry of Transport & Communications (Depts. of Communications and Civil Aviation)

Shri M. M. Philip, *Secretary.*

Directorate General, Posts & Telegraphs

Shri V. Shankar, *Director General, Posts & Telegraphs.*

Shri C. V. Cunningham, *Senior Deputy Director General, P. & T.*

Shri S. C. Jain, *Deputy Director General (Savings Bank).*

Shri R. C. Vaish, *Chief Engineer-I (P & T).*

Shri P. M. Agerwala, *Chief Engineer-II (P. & T).*

Ministry of Finance

Shri S. S. Shiralkar, *Financial Adviser (Communications)*

Shri Shiv Naubh Singh, *Joint Secretary (Dept. of E.A.).*

Budgeting and Control over Expenditure

Unnecessary Supplementary Grant—Audit Report, 1959, para 3, (page 24) and para 8 (pages 28-30), Grant No. 83

94. In 1957-58, a supplementary grant (Rs. 1,20 lakhs) and charged appropriation (Rs. 2.29 lakhs) under Grant No. 83—Expenditure met from Revenue obtained in February, 1958 proved unnecessary. The relevant Appropriation Bill was assented to by the President on the 13th March, 1958—about a fortnight before the close of the financial year. At the close of the financial year, there were, however, savings amounting to Rs. 124.23 lakhs and Rs. 2.60 lakhs in the voted and charged sections of the Grant respectively.

The Committee desired to know the justification for obtaining a supplementary grant in the voted section when even the funds originally granted by Parliament in this case could not be fully utilised by the P & T Department during the course of the year. The explanation of the representative of the P & T Department was that the estimate of the supplementary grant was based on the progress of expenditure during the first half of the financial year and on certain anticipations. The major portion of expenditure was, however, incurred during the latter half of the financial year and it was not possible at the time of asking for supplementary grant to forecast with accuracy the total amount of expenditure to be incurred by the Department by the close of the financial year.

UNCOVERED EXCESSES

*Capital Outlay on P & T Department (Outside the Revenue Account)—
Stores Suspense*

Appropriation Accounts (P & T), 1956-57—page 229 and Audit Report, 1958—para 6, page 26—Grant No. 114—Sub-head 69

Appropriation Accounts (P & T), 1957-58—page 123, and Audit Report, 1959—para 5, page 27—Grant No. 127—Sub-head 69

95. There were savings of Rs. 44.91 lakhs and Rs. 19.06 lakhs under these two Grants during the years 1956-57 and 1957-58 respectively. In the case of Stores Suspense Account under sub-head 69 of the Grants, there were, however, uncovered excesses of about Rs. 11 lakhs and 4 lakhs, in 1956-57 and 1957-58 respectively. These were mainly due to larger purchases of stores in India.

The Committee desired to know as to why these excesses were not covered even at the time the final re-appropriations were made at the close of the respective financial years. Explaining the position in respect of 1957-58, the representative of the P & T Department stated that the major portion of the anticipated excess under the Stores Suspense was covered by supplementary grant and re-appropriation. The actual excess of Rs. 4 lakhs could, however, not be covered by re-appropriation or supplementary grant, firstly, because at the time of asking for supplementary grant, the Department did not have an idea of the amount of the actual excess that was likely to accrue and secondly, because, due to the difficult ways and means position, it was decided to restrict deliberately the supplementary grant to a sum which could be given by the Ministry of Finance and to leave the balance, if any, uncovered.

Non-payment of cost of stores purchased through the Supply Department—Audit Report, 1959, para 28

96. During the year 1957-58, a total sum of Rs. 1,25,76,952 claimed for settlement by the Pay and Accounts Officers of the Ministry of Works, Housing and Supply during the last quarter of the year, could not be paid in that year as, contrary to the existing arrangements, the cheques and bank drafts were not issued by the Accounts Officers, Telegraphs Stores and Workshops on the plea that necessary funds for this purpose were not available in the budget for 1957-58. It was found on examination that, in most of the cases, the consignees in the P & T Department had received the stores or got intimation of the probable time of their supply through Railway Receipts and Inspection Notes, etc., before the end of February, 1958. Additional sums amounting to Rs. 1 crore were, however, obtained by the Department in February, 1958 by a supplementary grant which, however, proved eventually inadequate.

The Committee desired to know whether it was proper on the part of the P & T Department to have refused to accept the debits raised by the Ministry of Works, Housing and Supply in respect of expenditure incurred by that Ministry on behalf of, and at the instance of, the P & T Department. The representative of the Posts and Telegraphs Department explained that the requisite funds to discharge these liabilities were not available with the P & T Department. He further stated that the request of the Department for a larger supplementary grant to cover these liabilities was not agreed to by the Ministry of Finance in view of the then difficult ways and means position.

In these circumstances, he added, had the debits raised by the Ministry of Works, Housing and Supply been accepted, the Department would have exceeded the budget allotment for the year. In reply to a question it was stated by the Financial Adviser (Communications) that the liabilities were refused to be accepted on the advice of the Ministry of Finance (Budget Division).

The Committee asked the representative of the Ministry of Finance (Budget Division) to elucidate the position. He stated that though no expenditure could be incurred by a Department in excess of the budget provision sanctioned by Parliament for a particular year, yet any liability that had already been incurred—even though it resulted in an excess over the sanctioned grant—had to be accepted and could not be left out of accounts.

As there was a divergence between the views expressed by the Financial Adviser (Communications) and the representative of the Ministry of Finance (Budget Division), the Committee desired to be furnished with a note fixing responsibility for the refusal on the part of the P & T Department to accept debits in this case.

In regard to the actual and estimated amounts of the liabilities dischargeable by the P & T Department, the representative of the Department stated that the liabilities amounting to Rs. 285 lakhs matured during the year 1957-58 as against an amount of Rs. 228 lakhs estimated by the Department on this account. Referring to the procedure introduced in November, 1955 whereby controlling officers were required to maintain a liability register to enable them to keep a track of their commitments, the Committee enquired whether the prescribed procedure was being strictly followed, and the liability register properly maintained. They were informed that further instructions in the matter had recently been issued.

Non-incurrence of Expenditure on Works provided for in the Budget—Audit Report, 1958—para 11(iv), page 31—Audit Report, 1959—para 10(v), pages 33-34

97. Out of 192 major works, each costing over Rs. 5 lakhs, provided for in the budget for the year 1956-57, no expenditure was incurred in the case of 102 works during the year. During the next year, viz., 1957-58, out of 200 such works provided for in the budget, no expenditure was incurred on 73 works. The amounts provided for in respect of these works during each of the two years were Rs. 122 lakhs and Rs. 117 lakhs respectively. Explaining the reasons, the representative of the P & T Department observed that in some cases there were difficulties in the timely acquisition of land; in other cases, non-receipt of stores in time accounted for the non-execution of the works. He added that land acquisition procedure was being streamlined by State Governments whereafter the position was expected to improve. The Committee then desired to be furnished with the following information:

- (i) Number of works provided for in the budgets of the years 1956-57 and 1957-58 which could not be taken up due to (a) difficulty in the timely acquisition of land, (b) non-receipt of stores in time, and (c) other causes?
- (ii) Of the works referred to in (i) (a) above, in how many cases, acquisition proceedings had not been initiated before the estimates were presented to Parliament?

- (iii) Are the instructions contained in para 2(d) of the Ministry of Finance Office Memorandum No. F.9(5)-E(Coord)/58, dated the 18th August, 1958 regarding provision of funds for works for which administrative approval has been accorded being followed in the P & T Department?

Major works started without any specific provision in the Budget—Audit Report, 1958—para 11(iv), page 31—Audit Report, 1959—para 10(v), pages 33—34

98. During 1956-57, 305 major works, involving an outlay of Rs. 35·24 lakhs, were started without any specific provision in the budget. During the next year, the number of such works was 277, involving an outlay of Rs. 33·57 lakhs.

Giving a break-up of the works started during 1956-57, the representative of the P & T Department stated that three works, though not provided for in the budget, were started with the special approval of the Ministry of Finance; 275 works were a carry-over from the previous year; 25 works formed component of budgeted projects; and two works had since been abandoned. He further stated that in the next year too, most of the works were a carry-over from the previous year.

The representative of the P & T Department then referred to a proposal submitted by them which sought to raise the existing limit in respect of major works to Rs. 4 lakhs (in the case of P & T Department), the details of which were required to be exhibited in the budget volumes in support of the relevant provision included therein. He summed up to say that if this proposal was adopted, only a few of the works referred to in the Audit paras would qualify for being brought before Parliament for sanction.

Commencement of Works before sanction of detailed estimates—Audit Report 1958—para 18, page 35

99. A review of the works requiring the sanction of Heads of Circles and higher authorities, undertaken between the period from 1-10-1952 to 31-12-1957, revealed that in 343 cases, works were taken up for execution without sanction of the estimates. In terms of the instructions issued by the D.G. P. & T. in September, 1952, no work should be undertaken without prior financial sanction, except in emergent cases where estimates were to be prepared and sanction obtained within three months. According to the Audit para, out of the 343 cases referred to above, only in 115 cases sanction was accorded within three months of the commencement of works. In 209 cases, sanction was accorded after three months, and in respect of 19 cases, sanction to the detailed estimates had not been accorded by the end of the year 1957. Even on the 31st December, 1958, sanctions to detailed estimates were pending in 14 cases commenced after the issue of the September, 1952 instructions, and 22 works commenced prior thereto.

Giving an analysis of the above works, the representative of the P & T Department stated that 162 works (involving an outlay of Rs. 152·46 lakhs) fell in the category of emergent works. There were 90 cases in which works were undertaken on the authority of heads of Circles or under the Director's orders prior to formal sanction. The cost of these works was Rs. 101 lakhs of

which Rs. 95.68 lakhs represented value of stores. Then there were cases in which works were taken up by the subordinate executive officers. The number of such cases was 91, involving a cost of Rs. 5 lakhs of which Rs. 4.61 lakhs represented stores. He admitted that in these cases, there had been a violation of the instructions issued in September, 1952. He, however, added that if the emergencies and pressure of service from the various sources were to be adequately met, and if the work of the Department was to be carried on with the aim of providing service as and when needed, it was felt on further consideration that the instructions issued in September, 1952 required some modification.

*Delay in the Disposal of Surplus Stores—Audit Report, 1958—para 16,
pages 33-34*

100. An analysis of the progress of the disposal of surplus stores stocked in Store Depots under the Chief Controller of Telegraphs Stores included in 56 lists reviewed by the Surplus Stores Committee during the period from 1-4-1954 to 30-9-1956, revealed the following instances of delay at various stages in the disposal of surplus stores:—

- (i) After the lists of surplus stores had been prepared in 12 cases, the Surplus Stores Committee took 2 to over 15 months in reviewing the items.
- (ii) In as many as 33 cases there was delay of over one month to 16 months in forwarding the recommendations of the Surplus Stores Committee to Government after review of the lists by the Surplus Stores Committee had been completed.
- (iii) Out of 56 cases reported to Government during the period from 1-4-54 to 31-10-56 with recommendation for disposal, Government sanction for disposal had been accorded up to 31-3-57 in only 15 cases. Of the remaining 41 cases, 10 cases were reported in 1954-55, 21 cases in 1955-56 and 10 cases during the period from 1-4-56 to 31-10-56.
- (iv) After receipt of Government sanction for disposal in 11 cases, a period ranging from 2½ months to over a year was taken in reporting the stores to the Disposals Directorate. In respect of the remaining four cases, the delay was still larger.
- (v) Of the 11 cases reported to the Disposals Directorate, in 6 cases it took 3 to over 11 months in effecting disposal by sale. In one case reported to the Disposals Directorate in January, 1956, the stores had not been disposed of upto 31-3-1957.

The representative of the P & T Department attributed the delay in the disposal of surplus stores, mainly, to the following factors:

- (i) Anxiety on the part of the Surplus Stores Committee, P & T Department, and the Ministries of Transport and Communications and Finance to ensure that stores were not disposed of as surplus without careful scrutiny. This was especially so since January, 1957 when the foreign exchange situation of the country became difficult.
- (ii) The existence of a large number of stages intervening between the initial preparation of the schedules of surplus stores and their final disposal. All this involved technical appraisals, verifications, checks and counter-checks, and often necessitated back and forward references on various points.

- (iii) Reluctance on the part of the Departmental staff to assume responsibility for declaring the stores as surplus, lest their decision might later on be questioned in retrospect.
- (iv) Part-time assignment of the officers on the Surplus Stores Committee.

The Committee desired to know the reaction of the P & T Department to the proposal for simplifying the existing procedure, by eliminating some stages, with a view to securing the expeditious disposal of surplus stores. The representative of the Department preferred expediting the existing procedure to eliminating some stages therein. He admitted that delegation of powers to the subordinate executive authorities would facilitate the expeditious disposal of work and that proposals in this connection were under examination. In reply to a question, he stated that if technical officers were appointed whole-time on the Committee, it would be possible to liquidate the surplus stores problem in a comparatively shorter period.

Dealing with the progress made in the disposal of surplus stores, he stated that the position had considerably improved in the last few months. A number of measures with that end in view had been adopted by the Department. One of them was a new procedure introduced with effect from 1st April, 1959 for the declaration of surplus stores. According to this procedure, the overall requirements of the Department were taken into account, and surplus stores were declared soon after ensuring that no utilisation of these items was possible either in the near future or within the next three or four years.

To enable them to examine the matter further, the Committee desired to be furnished with a note setting forth the following information:

- (i) The value of surplus stores disposed of during each of the last five financial years.
- (ii) The value of surplus stores with the P & T Department as on the 31st March, 1955, 1956, 1957, 1958 and 1959.
- (iii) Salient features regarding the working of the new procedure for the declaration of surplus stores introduced with effect from the 1st April, 1959.

The Committee then enquired about the reasons leading to the accumulation of surplus stores (apart from the war-time surplus stores, which had almost been liquidated). The representative of the P & T Department ascribed it partly to the changes in the pattern of requirements consequent upon automatization of telephone system and technological developments, and partly to excessive production of some components at the P & T Workshops. He, however, did not rule out the possibility of excessive indenting in some cases. In reply to another question, he admitted that there existed a need for greater co-ordination between the production, indenting and stores wings.

Copper wire thefts

Audit Report, 1959—para 13, pages 34-35

101. The Committee desired to know the results of the various measure that had been adopted by the P & T Department to prevent copper wire thefts. The representative of the Department stated that one of the measures adopted by them was the use of underground cables in the place of overhead wires on a fairly large scale throughout the country. As, however, some of

the materials required for use had to be imported, their programme in this respect had not proceeded as rapidly as they would have liked to. He further stated that two alternatives to the use of underground cables were the replacement of copper wire by copper weld wire or by aluminium wire. In regard to copper weld wire, he stated that it had been decided to use it on the sections where the incidence of copper wire thefts was the maximum. There were, however, two limitations on its use. Firstly, it was an imported article, and secondly, it did not provide for as much flexibility as copper wire. So far as aluminium wire was concerned, he stated that the results of certain experiments conducted by the Department over an eight-mile section had appeared to be encouraging. The use of these wires on a larger scale would, he added, have to be determined after taking a number of factors into account, such as the problem of joining of wires, actual results under very long line conditions etc.

Referring to the law and order aspect of the problem, he stated that the Department was thinking of setting up a special police agency under their own control partly to investigate the problem and partly to ensure more effective supervision.

Absence of agreement for conveyance of mails owing to delay in finalisation of form of contract—Audit Report, 1958—para 19—pages 35-36

102. In 1945, a State Government suggested to the Union Government that the terms and conditions of the standard form of agreement for conveyance of mails by contractors in the State should be revised so as to accord with the conditions then prevailing. The P & T Department took six years to consider the suggestion and in 1951 furnished to the State Governments, for their comments, a revised draft agreement incorporating such of the suggestions as were found acceptable. The State Government, however, pointed out in 1952 that the original recommendations made by them in 1945 had since become obsolete in the light of the provisions of the Motor Vehicles Act, and suggested the revision of the form of agreement in certain important respects.

A Committee was set up in 1953 to examine all the contract forms and suggest amendments thereto wherever necessary. The Committee submitted its recommendations in June, 1955, and, thereafter it took the P & T Department about three years to take up again with the State Government the question of amendment of the contract form on the basis of the recommendations of this Committee.

Indicating the latest position, the representative of the P & T Department stated that the matter had been placed by the P & T Department before the State Government in a final form who were now favourably inclined to their suggestions. He was hopeful of an early settlement of this case.

Dealing with the difficulties in the way of the Department to enter into contracts with private operators, he stated that under the Motor Vehicles Act, the Central Government were not vested with any powers to compel the private operators to carry mails. Only the State Governments had those powers subject to such terms and conditions as they thought fit. Having regard to the nature of postal services which could not suffer any interruption, he felt it necessary that some such powers be vested in the P & T Department also.

103. The Committee then adjourned till 10.00 hours on Tuesday, the 14th July, 1959.

Twenty-second Report of the Public Accounts Committee
(Second Lok Sabha)

CORRIGENDA

Reference 1.	For 2.	Read 3.
Page 9, para 26, 4th line from bottom .	suit ble	suitable
Page 17, para 59, line 12	asesment	assessment
Page 18, para 61, line 5	the 1958	1951
Page 20, para 66, line 3	Truck	Trunk
Page 20, para 68, line 7	ndia	India
Page 21, para 69, lines 8-9	pay of Governments	pay off Government
Page 25, para 88, line 4 from bottom.	further	further
Page 32, line 1	o	of
Page 35, para 101, line 1	measure	measures
Page 40, lines 24-25 line 30	n r-mally Cassification	normally Classifi- cation.
line 32	departrtmental	departmental
line 38	Pol ce	Police
Page 41, line 10	Nvember	November
line 11	abconder	absconder
line 12	ction	action
line 13	rder	order
line 14	issue	issued
line 15	pthout	without
line 16	uportunity	opportunity
lines 16-17	unconstiational	unconstitutional
line 14	2-12-53	12-12-53

1	2.	3.
Page 41, line 18 from bottom	reslht	result
Page 42, para 112 heading, line 1	loss of	loss or
Page 44, line 5	letter	letters
Page 57, line 5 from bottom	o	of
Page 58, line 17	scale	scales
line 23	add 'for' before	'disposal'
line 25	davelopmental	developmental
Page 59, line 5	p id	paid
Page 67, Col. 4, line 9	counter-cheks	counter-checks
Page 71, S.No. 11, Col. 2	17 and (ii)	17 and 18(ii)
Page 75, S.No. 18, Col. 4, line 2.	delay	delays
Page 75, S.No. 18, Col. 6, lines 2-3	of 60 Report	60 of Report
Page 81, S.No. 29, Col. 4, line 10	official	officials
Page 84, Col. 4, lines 2-3	examina ion	examination
S.No. 37, Col. 4, line 3	outst ndings	outstandings
Page 86, line 1	Twenty-secona	Twenty-second
S.No. 2, Col. 4, line 2	del ys	delays
S.No. 4, Col. 4, line 4	ch nce	chance

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Page 41, line 18 from bottom	reshlt	result
Page 42, para 112 heading, line 1	loss of	loss or
Page 44, line 5	letter	letters
Page 57, line 5 from bottom	o	of
Page 58, line 17 line 23 line 25	scale add 'for' before 'disposal' davelopmental	scales 'disposal' developmental
Page 59, line 5	p id	paid
Page 67, Col. 4, line 9	counter-cheks	counter-checks
Page 71, S.No. 11, Col. 2	17 and (ii)	17 and 18(ii)
Page 75, S.No. 18, Col. 4, line 2.	delay	delays
Page 75, S.No. 18, Col. 6, lines 2-3	of 60 Report official	60 of Report officials
Page 81, S.No. 29, Col. 4, line 10		
Page 84, Col. 4, lines 2-3 S.No. 37, Col. 4, line 3	examina ion outst ndings	examination outstandings
Page 86, line 1 S.No. 2, Col. 4, line 2	Twenty-secona del ys	Twenty-second delays
S.No. 4, Col. 4, line 4	ch nce	chance

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Page 87, Col. 4, S.No. 5, line 7	f lsified	falsified
S.No. 6, line 9	ye r	year
S.No. 7, line 9	power	powers
Page 88, Col. 4, S.No. 10, line 1	th	the
S.No. 11, line 6	cl use	clause
line 12	Dep rtment	Department
Page 89, Col. 4, S.No. 12, line 4	Dierctorate	Directorate
line 24	h s	has
S.No. 13, line 4	Dep rtment	Department
	especi lly	especially
Page 91, Col. 4, S.No. 25, line 21	delinquert	delinquent
Page 93, Col. 4, line 3	sustaired	sustained
Page 94, Col. 4, line 5	opened	opined

PROCEEDINGS OF THE FOURTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 14TH
JULY, 1959

104. The Committee sat from 10.00 to 13.00 hours.

PRESENT

Dr. P. Subbarayan—*Chairman.*

MEMBERS.

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri T. R. Neswi
8. Shri Raghubar Dayal Misra
9. Shri T. Sanganna
10. Shri Vinayak Rao K. Koratkar
11. Shri Jaipal Singh
12. Shri Yadav Narayan Jadhav
13. Shri Shraddhakar Supakar
14. Shri Amolakh Chand
15. Rajkumari Amrit Kaur
16. Shri Rohit Manushankar Dave
17. Shri T. R. Deogirikar
18. Shri Surendra Mohan Ghose
19. Shri Jaswant Singh
20. Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller and Auditor-General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller & Auditor-General.*

Shri O. K. Ghosh, *Accountant General, Posts and Telegraphs.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

Ministry of Transport and Communications (Depts. of Communications and Civil Aviation).

Shri M. M. Philip—*Secretary.*

Directorate General, Posts & Telegraphs

Shri V. Shankar—*Director General, Posts and Telegraphs.*

Shri C. V. Cunningham—*Senior Deputy Director General, P. & T.*

Shri S. C. Jain—*Deputy Director General, P. & T. (Savings Bank).*

Shri R. C. Vaish—*Chief Engineer-I (P. & T.).*

Shri P. M. Agerwala—*Chief Engineer-II (P. & T.).*

Ministry of Finance

Shri S. S. Shiralkar—*Financial Adviser (Communications).*

Shri Shiv Naubh Singh—*Joint Secretary (Department of Economic Affairs).*

Shri R. Saran—*Deputy Secretary (Deptt. of E.A.).*

Alleged frauds in the Savings Bank Branch—Para 22(i) of Audit Report, 1958, page 37

105. During the period from 22-5-1950 to 20-9-1952, a sub-postmaster was reported to have misappropriated Rs. 19,843 (including Rs. 2,647 temporarily misappropriated) from several savings bank accounts and absconded on 20-9-52. The *modus operandi* adopted was that the amounts tendered for deposit were duly entered in the pass books but not incorporated in the accounts of the post office. The case was reported to the police on 23-9-1952. The sub-postmaster was reported to have escaped to a neighbouring Foreign Country. The sub-postmaster remained in charge of that post office for over 4½ years though the normal period was 3 years and a substantial part of the mis-appropriation amounting to Rs. 16,057 (including temporary misappropriation of Rs. 2,647) occurred after the normal period of 3 years. Departmental action against the officials responsible for contributory negligence had not been completed even though the case was detected nearly 5 years ago. Departmental action against six officials responsible for contributory negligence could not be taken as they had already retired. Four of these officials retired during the period from 1-8-53 to 14-9-54 after the detection of fraud in September, 1952.

The representative of the P&T Department informed the Committee that the pension of the four officials who retired during the period from 1st August, 1953 to 14th September, 1954 had been reduced.

When asked what were the reasons for retaining the sub-postmaster in charge of the post office for over 4½ years instead of the normal period of 3 years, the Committee were informed that the rule regarding rotational transfers was held in abeyance upto May, 1954, due to financial stringency and accommodation difficulties.

Explaining the reasons for delay in taking departmental action against the officials responsible for contributory negligence, the representative of the P. & T. Department stated that in those days the question of departmental action for contributory negligence was generally taken up only after the case was decided by the court. Although the court disposed of this case in October, 1953, the records from the court were received late. By that time the officials responsible for contributory negligence had retired. He further stated, that generally in such cases even though the departmental action was still pending the officials were allowed to retire and deductions, if any, from their pensions were ordered later on if such deductions were found justifiable after the examination of cases, rather than retaining the officials in service and thereby continuing to incur expenditure on their salaries etc. He, however, admitted that there had been some delay in taking departmental action in this case.

When asked why pass books had not been called for by the Head Post Office for entry of interest as required under the rules, the representative of the P & T Department stated that entries of interest in the pass books were generally made after the entries in the ledgers were completed. As the entries in the concerned ledgers were heavily in arrears, the pass books were not called for making the entry of interest. It was, however, stated that now the pass books were called for simultaneously when the entries in the ledgers were made rather than to wait till all the entries in the ledgers were completed. The representative of the P & T Department, however, admitted that the sub-post office failed to send the pass books to the head office for checking while allowing fresh deposits after the annual accounts had been closed.

In reply to a suggestion to send the six-monthly statement of accounts to the depositors to avoid such frauds, the representative of the P & T Department pleaded that results achieved would not be commensurate with the labour and expenditure involved thereby. Further having regard to the number of accounts and the volume of business, the percentage of losses due to frauds etc. to the total transactions was stated to be very insignificant. It was only .0052 in case of savings bank, 0.0080 in case of post office certificates and .0022 in the case of money orders.

Alleged frauds in the Savings Bank Branch—Para 15(i) of Audit Report, 1959, pp. 35-36

106. During the period from October, 1956 to July, 1957, a Savings Bank clerk in a sub-post office is alleged to have permanently misappropriated a sum of Rs. 7,677 (excluding Rs. 400 temporarily misappropriated) from seven Savings Bank accounts by omitting to account for sums tendered for deposit in the Post Office savings bank account though entered in the relevant Pass Books and in some cases where pass books had been retained for entry of interest, by means of fraudulent withdrawals after forging the signatures of the depositors. The loss came to light in August, 1957 in the course of the comparison of transactions of the pass book of one of these accounts with the

Savings Bank ledger in the Head Office. The official was stated to have confessed his guilt in one case and voluntarily refunded a sum of Rs. 1,675 misappropriated from the Savings Bank account involved. He had been dismissed from service with effect from 8-5-1958.

The official was arrested by the Police on 10-8-57 and was subsequently enlarged on bail. The cases had been challaned on 1-8-58 in the court. Departmental action against officials responsible for contributory negligence was reported to have been kept pending on the advice of the Special Police Establishment. The verification of other monetary transactions conducted by the official was stated to be under way.

The representative of the P. & T. Department stated that the verification of other money transactions conducted by the official concerned had been completed and no more frauds detected. The case was at present pending in the court.

As regards the departmental action against the officials responsible for contributory negligence, the representative of the P. & T. Department stated that as a result of enquiry held in this case certain facts had been established. But the disciplinary action had to be kept pending till the court case was over on the advice of the Special Police Establishment as it was stated by them that their proceedings were likely to be prejudiced if disciplinary action was taken against these officials who would appear as prosecution witnesses.

The Committee then drew attention to the orders issued by the Ministry of Home Affairs in June, 1955 laying down the procedure that should normally be adopted in cases of alleged misconduct of Government servants. According to this as soon as sufficient evidence was available for the purpose in the course of investigation in the case of misconduct, whether such investigation was conducted departmentally or through the Police including the Special Police Establishment, action should be taken under the Civil Services (Classification, Control and Appeal) Rules or other appropriate disciplinary rules, and disciplinary proceedings should be initiated forthwith. Such departmental proceedings need not interfere with the police investigation which might be continued. The representative of the P. & T. Department stated that though they were trying to implement those orders and departmental proceedings were generally initiated as soon as possible after the detection of fraud, the Department had experienced some difficulties in this respect and in some cases the departmental proceedings had to be kept pending either on the advice of the Special Police Establishment or under the orders of the Court. In such cases, the Home Ministry also agreed to modify the orders.

In reply to a question, the Committee were informed that even in cases where the accused had been acquitted by the Court, departmental action could be taken against him. As desired by the Committee, the representative of the P. & T. Department promised to furnish the number of cases in which such departmental action had been taken.

*Avoidable expenditure due to delay in completion of departmental action—
Para 18 of Audit Report, 1959, p. 38*

107. A sub-postmaster of an one-man sub-office absconded from duty some time between 8-11-1951 and 12-11-1951 after misappropriating a

sum of Rs. 12,496 tendered at the counter of the post office by the public on different dates between April, 1950 and November, 1951, in connection with the Savings Bank Post Office Certificates, Radio Licenses etc. The court declared him an absconder on 17th September, 1952. The sub-postmaster, however, gave himself up before the Court on 22nd October 1953 and was ultimately convicted on 13th December, 1956 and sentenced to undergo rigorous imprisonment for four years and pay a fine of Rs. 3,000 or in default to undergo further rigorous imprisonment for six months.

The sub-postmaster was placed under suspension with effect from 8th November, 1951. The order of the court declaring the sub-postmaster an absconder was received by the departmental authorities on 2-2-53 only and action was taken on 3-2-53 to fill up the vacancy. However, the formal order of dismissal was issued on 28-12-53 after the accused had requested on 2-12-53 for a copy of his dismissal order. This order, which was issued without holding a departmental enquiry and without giving the official any opportunity to show cause against the punishment, was held to be unconstitutional by the Director General, Posts and Telegraphs, in November, 1954 as a result of which the official was reinstated and continued to be under suspension till the date of his conviction, i.e. 13th December, 1956, when he was dismissed from service and a sum of Rs. 300 recovered from his sureties.

As a result of departmental action against ten officials found responsible for contributory negligence, one official was censured and a sum of Rs. 2,107.58 had been ordered to be recovered from six of them. One official who had held supervisory charge for 2 days only (in casual leave arrangement) was permitted to retire. Action against the remaining two officials was pending till January, 1959.

When asked why the dismissal order of the sub-postmaster had not been issued soon after 2-2-53, the representative of the P. & T. Department stated that in 1951 when the fraud took place, the rule in this regard was that the official should be treated as a deserter and struck off the rolls. The rule regarding taking up of disciplinary proceedings was only framed as a result of a Judgment of the High Court in 1954. In the light of the rules then existing the action of the Superintendent in striking off his name and filling up the vacancy was considered to be quite in order, after the case had been examined by the D. G. P. & T.

On being pointed out by the Committee that the rule in the P. & T. Department Manual which permitted the head of the office to strike off the name of a person from the strength of the establishment when he had absconded, was not in accordance with the Central Services (Classification Control and Appeal) Rules which provided for the dismissal of the person concerned in such a case, the representative of the P. & T. Department stated that they had since amended the rule in this regard. As regards the delay for taking disciplinary action against the two officials responsible for the contributory negligence P. & T. Department promised to furnish a note.

(ii) *Loss due to alleged Money Order frauds—Para 23 of Audit Report, 1958*

108. During the period from 1-2-52 to 13-3-53, a dismissed postal clerk was alleged to have fraudulently taken payment of 72 spurious Money

Orders, amounting to Rs. 20,127/4/- from 3 post offices in 3 circles with the help of an accomplice. The cases were reported to the police on different dates by the three post offices when the fraud was detected. As a result of police investigations in one case the clerk was arrested and was sentenced in September, 1955 to undergo rigorous imprisonment for 10 years and a fine of Rs. 2000/- or in default to further rigorous imprisonment for another year. The accused was reported to have appealed against his conviction in this case. Court proceedings in the other two cases were reported to be pending.

The Committee were informed that all the court cases against the accused had been decided and he had been sentenced to various terms of imprisonment and fines. A sum of Rs. 1,600 seized by the Police from the accused had been credited to the Department. As regard departmental action against certain postal officials held responsible for contributory negligence, the Committee were informed that a sum of Rs. 5,695/12/- had been ordered to be recovered from the officials responsible in this case.

Alleged fraudulent transactions in regard to discharge of Post Office Certificates—Para 24 (i) of Audit Report, 1958

109. Departmental investigations of a complaint sent by the holder of certain post office certificates on 26-5-54 revealed on 31-8-54 that a person other than the holder of these postal certificates had encashed them during the period from 10-4-54 to 29-4-54 for Rs. 32,400 (face value Rs. 29,000 and bonus thereon Rs. 3,400) from a Head Post Office by impersonating the holder of these certificates after obtaining possession of the certificate along with the respective identity slips.

The case was reported to the Police on 17-1-55 and proceedings against a postal clerk and two outsiders were stated to be pending in a Court of Law.

The Committee were informed that the case was still pending in the court of the Sub-Divisional Officer and action was being taken to transfer the case to a special court.

As regards departmental action, the Committee were informed that four officials were found responsible for contributory negligence in this case against two of whom departmental action had been completed and two sums of Rs. 2,640 and Rs. 2,400 were ordered to be recovered from them. A sum of Rs. 72/4/- only could be recovered from the first as he had retired and his pension has been reduced by Rs. 10/- per month. In the other cases, action was still pending.

To a suggestion that in order to avoid such frauds in future, the identity slips given to the owner of the certificates should be maintained in the post office and the depositor asked to attach a photograph to that slip, the representative of the P. & T. Department stated that imposition of such conditions should be considered in the context of the public reaction to them as otherwise this would affect the popularity of these certificates.

Loss due to alleged money order frauds—Para 16 (ii) of Audit Report, 1959

110. In February 1958, it was pointed out by Audit to the postal authorities that credits in respect of several money orders, purporting to

have been issued from a Post Office in December, 1957 were not shown in the accounts. Investigations revealed in March, 1958 that someone styling himself to be the representative of a certain firm had taken payment, on production of a fictitious identity card, in December, 1957 and January, 1958 of 23 spurious money orders amounting to Rs. 5,350, some of the money orders, having been redirected while in transit to the paying post office. Another similar case, which involved payment made between 9-5-1957 and 20-5-1957 to the extent of Rs. 3,100 in respect of 11 spurious money orders, purporting to have been issued from another post office in the same circle in May, 1957 was reported by Audit in July-August, 1957 to the postal authorities.

It was stated to Audit in October, 1958 that the same persons were involved in all these cases and that the alleged culprit and his accomplice (who were Sorters in the Railway Mail Service) had been arrested by the Police in September, 1958.

The Committee were informed that in these cases the *modus operandi* adopted was that spurious money orders were prepared by the alleged culprit by using impressions similar to those of the seal impressions of the post offices and these were put in R M S bags while in transit and subsequently their payment was obtained through various post offices on production of identity cards. The cases were under investigation. The department was taking all precautionary measures to prevent recurrence of such cases.

Alleged loss or substitution of insured and other articles—Para 25 (i) of Audit Report, 1958, pp. 41-42

111. A mail bag containing a registered bag, besides a large number of unregistered articles, was found missing on 16th September, 1956. The total value of the insured articles in the registered bag was Rs. 30,632·81. It was reported that the total number of bags received in the relevant section of the Railway Mail Service was tallied with the accompanying mail lists, and thereafter loaded in a motor mail van and passed on to a mail agent. Later, when the mails were checked the mail bag was found missing and instead a packet bag was found without an entry in the accompanying mail list. The bag could not be traced and the matter was reported to the Police on 17th September, 1956. Police and departmental investigations were stated to be in progress. The Committee were informed that the departmental action against all the nine officials involved in this case had been completed and suitable punishment awarded to them. The Police had not been able to detect the culprit.

(ii) Alleged loss of substitution of insured and other articles—Para 25(ii) of Audit Report, 1958, p. 42

112. A Sub-postmaster of a delivery post office reported to higher authorities on 11th January, 1955 that three insured letters of the aggregate value of Rs. 15,000 were received by him in a damaged condition on the 10th January, 1955 and were found, when opened on the 11th January, 1955 to contain blank cards.

Police investigations in this case proved abortive. It was reported that the sub-postmaster of the office of delivery did not weigh the bundle containing the 'insured letters' before opening, as required under the rules. He had also failed to bring certain irregularities immediately to the notice

of the office of posting or to higher executive authorities for investigation. Departmental action against officials held responsible for contributory negligence including the sub-postmaster of the delivery post office was reported to be in progress. A sum of Rs. 15,000 had been paid to the sender of the insured letter as compensation.

The Committee were informed that the sub-postmaster of the sub-post office was reduced by two stages in his scale of pay for one year and Rs. 1,356 had been ordered for recovery from the Registration Clerk of the issuing post office. To a question whether in this and all other similar cases, the penalties were sufficiently deterrent to prevent such kinds of frauds, the representative of the P. & T. Department stated that in cases of proved contributory negligence, the punishment was limited to the recovery of twelve months' pay of the delinquent official.

Alleged theft of cash from a sub-post office—Para 26 of Audit Report, 1958, pp. 42-43

113. The cash balance of Rs. 15,682-5-6 kept in the iron safe in a sub-post office on the night of 31st January, 1957 was reported to be missing the next morning. The case was immediately reported to the police for investigation. The sub-postmaster and the treasurer of the sub-office were placed under suspension with effect from 20th February, 1957. The investigation was still in progress.

According to the prescribed arrangements, the cash balance at the close of the day is required to be lodged overnight in the iron safe embedded in the police station. Contrary to this procedure, the cash balance of the 31st January, 1957 was said to have been kept in the iron safe in the Post Office premises, without making any arrangement for guarding it, the Chowkidar of the sub-office having been granted casual leave for two days from 30th January, 1957.

The Committee were informed that the police had not been able to trace the culprit. The final report of the police was received in January, 1958. The sub-postmaster had been acquitted on 8th September, 1958 by the court.

As regards the departmental action, the representative of the P. & T. Department stated that the earlier memo of charges against the two officials responsible in this case had to be cancelled under the orders of the P.M.G. and fresh charge sheets had to be served as the earlier ones did not detail the major offences. The disciplinary proceedings had not yet been completed. The representative of the P. & T. Department, however, admitted that there had been avoidable delay in initiating disciplinary proceedings against these officials.

To a suggestion that the punishment in such cases should be effective and awarded expeditiously, the representative of the P. & T. Department stated that they had set up a Vigilance Organisation last year not only to scrutinise such cases carefully but also to dispose them of expeditiously.

Loss due to non-revision of standard rent of residential quarters owned by the Department—Para 27 of the Audit Report, 1958, p. 43

114. According to the existing rules, rent of residential buildings owned by the Department is recoverable on the basis of the standard rent

thereof or 10 per cent of the emoluments of the occupant, whichever is less. Under the rules the standard rent of a residence has to be recalculated on the expiry of five years from the date of last calculation and the responsibility for periodical reassessment devolves on the Head of the Circle. In one circle, the standard rent fixed sometime before partition continued without any revision up to 31st March, 1957, despite specific orders issued by the Posts and Telegraphs Directorate in July 1953 for completing the revision of standard rent within 3 months. Ultimately, the Department had to issue orders for the provisional enhancement of the standard rent of every residential building in that circle by Rs. 15 p.m. with effect from 1st April, 1957 pending finalisation of revised standard rent.

Explaining the reasons for non-revision of standard rent, the representative of the P. & T. Department stated that the District Manager could not make much headway in fixing the pooled standard rent for various reasons. Firstly, no up-to-date record of the buildings in New Delhi and Delhi was available in the office of the D.A.G. P. & T., Delhi. Secondly, additional assistance asked for clerical work was not sanctioned. The other reasons for the delay were (i) need of some clarifications regarding pooling of the standard rent, (ii) non-availability of prescribed forms connected with the work of reassessment and (iii) need of getting the data statement verified. An *ad hoc* rent was, therefore, fixed w.e.f. 1st April, 1957 and the final revised rates were also enforced from that date. The representative of the P. & T. Department agreed that the *ad hoc* rent could have been fixed even in 1954 and the loss avoided. He, however, added that if the standard rent had been fixed on 1-4-55, it would have been Rs. 4.47 per unit of 100 sq. ft. as compared to Rs. 5.87 per unit as fixed on 1-4-1957.

Unsatisfactory maintenance of records in post offices of a certain erstwhile state postal system taken over by the Posts and Telegraphs Department on Federal Financial Integration—Para 29 of Audit Report, 1958, page 44.

115. Audit Inspection of certain post offices of an erstwhile Princely State Postal System, taken over by the Posts and Telegraphs Department brought to light in 1954-55 several serious irregularities and defects in the maintenance of initial accounts, which were such as to cast doubts on the accuracy, completeness or authenticity of the accounts and records. Audit inspections of these offices during 1955-56 and 1956-57 revealed little or no improvement. Even Audit Inspection Reports were not replied to in time by these offices.

Explaining the reasons for the unsatisfactory state of affairs, the representative of the P. & T. Department stated that a large number of staff in these post offices had the knowledge of Urdu only and the main problem which the Department had to face was to make them acquire sufficient knowledge of English in order to be able to dispose of their work with a reasonable standard of efficiency. Despite the inducement given to them for passing English tests, the response had been very poor. In reply to a question why some staff having knowledge of English could not be transferred from the neighbouring circles, the representative of the P. & T. Department stated that the Director, P. & T., Andhra Circle, had been permitted to obtain qualified officers from the neighbouring circles with a special pay of Rs. 50/- but the officers were not willing to go there. The Committee were further informed that many audit objections had been settled as a result of personal contacts with the Audit.

Loss due to surplus obsolete stock of post office certificates—Para 19 of Audit Report, 1959, pages 38-39.

116. In order to intensify the Small Savings Campaign and to provide further incentive to the investors, the Central Government decided in May, 1957 to discontinue the issue of 7 year and 12 year National Savings certificates and 10 year National Plan Certificates with effect from 1st June, 1957 and to introduce in lieu thereof from the same date a new series of 12 year National Plan Savings Certificates, carrying higher rate of interest, to be sold through Post Offices, conducting Savings Bank work.

The number of such defunct certificates held in stock on 1st June, 1957 by the post offices, Postal stock depots and the Central Stamp Store was of the order of 318 lakhs. The cost of printing these postal certificates, which was over Rs. 5 lakhs, had thus become infructuous.

Explaining the reasons for keeping such a large stock of the certificates, the representative of the P & T Department stated that there were about 10,000 post offices in the country dealing with these certificates and the certificates were of seven denominations. Some basic stock of the certificates of each denomination had to be kept in each post office. The Department had been receiving in the past complaints from the National Savings Organisation for the non-supply of certificates at the time of National Savings drive. The surplus certificates had been withdrawn from the post offices and orders issued for their destruction.

117. *The Committee then adjourned till 10-00 hours on Wednesday, the 15th July, 1959.*

PROCEEDINGS OF THE FIFTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 15TH
JULY, 1959

118. The Committee sat from 10-00 to 12-00 hours.

PRESENT

Dr. P. Subbarayan—*Chairman.*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri T. R. Neswi
8. Shri Raghubar Dayal Misra
9. Shri T. Sanganna
10. Shri Vinayak Rao K. Koratkar
11. Shri Jaipal Singh
12. Shri Aurobindo Ghosal
13. Shri Yadav Narayan Jadhav
14. Shri Shraddhakar Supakar
15. Shri Amolakh Chand
16. Rajkumari Amrit Kaur
17. Shri Rohit Manushankar Dave
18. Shri T. R. Deogirikar
19. Shri Surendra Mohan Ghose
20. Shri Jaswant Singh
21. Shri S. Venkataraman.

Shri A. K. Chanda, *Comptroller and Auditor General of India.*

Shri A. Kalyanaraman, *Deputy Comptroller and Auditor General.*

Shri O. K. Ghosh, *Accountant General, Posts and Telegraphs.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

*Ministry of Transport and Communications (Departments of Communications
and Civil Aviation)*

Shri M. M. Philip, *Secretary.*

Shri D. C. Das, *Joint Secretary.*

Directorate General, Posts and Telegraphs

- Shri V. Shankar, *Director General, Posts and Telegraphs*.
 Shri C. V. Cunningham, *Senior Deputy Director General, P. and T.*
 Shri S. C. Jain, *Deputy Director General (Savings Bank)*.
 Shri R. C. Vaish, *Chief Engineer-I (P and T)*.
 Shri P. M. Aggarwala, *Chief Engineer-II (P and T)*.
 Shri B. D. Sud, *General Manager, P and T Workshops*.

Ministry of Finance

- Shri S. S. Shiralkar, *Financial Adviser (Communications)* §
 Shri A. G. Krishnan, *Under Secretary (Department of Economic Affairs)*.

Outstanding Telephone Revenue

Audit Report, 1959—para 23, pages 41-42

119. The total amount of telephone revenue outstanding on 1st July, 1958, in respect of bills issued upto 31st March, 1958, amounted to over Rs. 127 lakhs, out of which about 81 lakhs related to the bills issued during 1957-58. A major portion of these outstandings related to Government subscribers.

A test audit of telephone revenue accounts revealed instances of short recoveries and failure to issue bills to the extent of Rs. 5.6 lakhs. Some of the typical irregularities detected during the test-check were as follows :—

- (a) Delay in the issue of disconnection and proscription lists to defaulting subscribers.
- (b) Want of hiring contracts.
- (c) Delay in the issue of advice notes intimating installations, etc. of telephones.
- (d) Delay in the issue of trunk call bills.
- (e) Failure to exercise the prescribed checks for ensuring recovery from all telephone subscribers shown in the Telephone Directories.
- (f) Arrears in the pairing work of inward and outward trunk call tickets.

Dealing with the delay in the issue of trunk call bills, the representative of the P. & T. Department stated that as a result of some measures recently taken, the position had considerably improved. Trunk billing in the Delhi Telephone District had become up-to-date, and in other Telephone Districts the delay had been brought down from about 2—4 months to about 1—1½ months. In order to improve the position still further, he added, some organisational changes were proposed to be made. According to one of these, in all large areas, instead of issuing a number of bills at different times to a subscriber, a single monthly consolidated bill would be issued for all the services rendered by the Telephone Branch including extensions, PBXs., phonograms, etc. The Comptroller and Auditor General pointed out that

the inclusion of phonogram charges in the consolidated telephone bill would create difficulties in accounting inasmuch as phonogram charges fell in the category of telegraph revenue. The representative of the P & T Department, however, undertook to examine the matter further.

Referring to the progress made in the recovery of outstanding telephone revenue, the representative of the P & T Department stated that there had been considerable improvement. The amount of outstanding telephone revenue, in respect of bills issued upto 31st March, 1958, had been brought down from Rs. 127 lakhs on 1-7-1958 to Rs. 73.58 lakhs on 1-2-1959. A major portion of this related to Government subscribers, the chief defaulter being the Ministry of Defence. Regarding recovery of outstandings from them, he stated that, in spite of repeated reminders, there had not been any tangible improvement and the Department had been compelled as a last resort to issue strict instructions that even Government telephones would be disconnected in case of default in payment of dues. Dealing with the recovery of outstandings from private subscribers, he stated that as a result of various measures adopted by the Department (such as disconnection of defaulter's telephones, taking of court proceedings, etc.) significant improvement was expected in about a year's time. When asked in this connection as to why the issue of proscription lists, as a method of recovery, had not been resorted to in the near past, he stated that the system of issuing proscription lists was not in consonance with the present conditions and had been recently abolished in all exchanges of 300 lines and above.

In reply to a question regarding the write-off of irrecoverable dues, it was stated that since 1946-47, not more than 0.02 per cent of the total amount of revenue had been written off as irrecoverable.

The Committee then referred to the irregularities pointed out by Audit at items (b), (c), (e) and (f) above, and desired to know the reasons therefor. In regard to (b), the representative of the P & T Department stated that there would henceforth be no hiring contracts for the establishment, maintenance, working, etc. of any tele-communication line, appliance or apparatus.

As to the delays in the issue of advice notes [item (c) above], he stated that to a certain extent such delays were unavoidable. With the modification of the system of recovery of dues and billing of expenditure, he added, the position was expected to improve considerably.

In regard to the use of Telephone Directory for ensuring recovery from all telephone subscribers [*vide* item (e)] it was stated that the Directory was not always up-to-date, and as such, it could not be treated as a basic document for verification of the total number of subscribers. The Comptroller and Auditor-General referred in this connection to the case of a New Delhi Hotel in respect of which neither any folios had been opened in the telephone rent ledger nor any bills issued. The case was later on detected by Audit in the course of a check with reference to the telephone directory, and a bill amounting to over Rs. 50,000 for the period from 29-10-1957 to 27-10-1958 issued. He expressed the view that the Telephone Directory could not be lightly dismissed as it is a relevant document in connection with the billing of telephone rentals. To probe into the matter further, the Committee desired to be furnished with a note explaining as to (i) why no folio in respect of the said Hotel was opened in the telephone rent ledger, and (ii) who was responsible for this lapse ?

Dealing with the arrears in the pairing work of inward and outward trunk call tickets [item at (f) above], the representative of the Department stated that it was due to the shortage of staff and heavy arrears. The Committee were, however, not satisfied with this explanation.

Accumulation of arrears of rent for telegraph and teleprinter circuits—Audit Report 1959—para 24, page 42.

120. One of the conditions subject to which the P & T Department provides telegraph and teleprinter circuits for the exclusive use of Government Departments, newspapers and news agencies, private parties, etc. is that the rent would be payable in advance annually, quarterly or monthly at the option of the subscriber. Due to frequent cases of default in the payment of rentals of such circuits, however, the outstandings on this account as on 1st June, 1958 (in respect of bills issued upto 31st March, 1958) amounted to Rs. 14.06 lakhs. Of this, Rs. 9.85 lakhs was payable by Government Departments, Rs. 3.06 lakhs by newspapers and news agencies and Rs. 1.15 lakhs by other parties.

The Committee enquired the reasons for these heavy outstandings when the rent was payable in advance. Explaining the position, the representative of the Department stated that in the beginning, payments from the lessees were received in advance, and later on, there were defaults. The problem before the Department was whether to continue or disconnect the service. Normally disconnection was ordered by the Department only as a last resort when all attempts to recover were of no avail. He informed the Committee that the amount of outstandings had come down to Rs. 2 lakhs on 1-4-1959.

Referring to the heavy outstandings against the Ministry of Defence (amount outstanding was Rs. 4.98 lakhs on 1-6-1958), he stated that these pertained to the War and the post-War periods, and there were points of dispute as to why the bills were not submitted to the Ministry in time and whether the dues really related to them.

Outstandings from a News Agency—Audit Report, 1959—para 26, pages 42-43

121. The agreements of the P & T Department with private users of teleprinter circuits stipulate that they should pay the rentals quarterly in advance, but in the case of telegraph messages, news agencies are allowed the privilege of settling their dues with the Department in arrears.

In 1948, a News Agency started defaulting payment of bearing messages issued by it. The same agency defaulted in 1950-51 on payments on account of teleprinter circuits leased to it since 1949. Such defaults by the Agency continued, in some measure or the other, right upto September, 1958 when it was ultimately decided to withdraw all telegraph and teleprinter facilities from the Agency, with effect from 1st October, 1958. The total amount due from the Agency on 1st October, 1958 was assessed at Rs. 3.44 lakhs.

The Committee were informed that the Agency had gone into liquidation. When asked whether there were any prospects of recovering the dues from it, the representative of the Department replied in the negative.

Delay in finalisation of departmental action against Government servants responsible for losses and defalcations of public money—Audit Report, 1959—para 29, pages 44-45.

122. According to Audit, a review of the more important cases of losses or defalcations of public money, involving Rs., 1,000 or more, disclosed the following position:

- (a) Out of 69 cases involving a loss of Rs. 1,000 or more in each case detected during the period from 1st January, 1957 to 30th September, 1957, departmental action was not finalised in 41 cases upto the end of March, 1959.
- (b) Among the cases detected prior to 1st January, 1957, departmental action was not finalised upto 31st March, 1958, in 62 cases although the connected legal proceedings had concluded before 31st December, 1956.

Referring to the cases detected prior to 1st January, 1957, the representative of the P & T Department stated that only 32 cases were pending. The main reasons for delay in the disposal of these cases were : difficulties in obtaining documents and ascertaining the exact loss sustained, transfer of officers to other areas, differences of opinion with Audit, negligence of disciplinary authorities, etc. Regarding the cases detected after 1st January, 1957, he stated that 33 such cases were pending for more or less the same reasons.

Disposal of Outstanding Audit Objections—Audit Report, 1959—para 30, Page 45

123. The total number of objections outstanding in the books of branch postal audit offices at the end of August, 1958, and the money value thereof were 77,369 and Rs. 21·91 crores respectively, out of which the number and amount of objections raised during 1957-58 were 52,620 and Rs. 13·50 crores respectively.

The Committee were informed by the Comptroller and Auditor General that the number of objections had since been brought down from 77,000 to 31,000 and the amount involved from Rs. 21·91 crores to Rs. 8·35 crores.

Grain Shops

Audit Report, 1959—Para 33, Page 46

124. The Fair Price Shops which were opened for the supply of food stuffs etc. to Government servants at controlled rates were closed down during 1954-55. The net loss, viz., Rs. 2·16 lakhs, sustained by the Department in the running of the Shops in all the Circles during the post-partition period from the 15th August, 1947 to their final date of closure was reported to the Department in February, 1956 for obtaining orders of the Government for writing it off.

The Committee were informed that the necessary order was issued finally on the 8th July, 1959.

In regard to the nature of loss sustained in the running of the Shops it was stated that it was a trading loss, and not due to pilferage or damage.

Postal Life Insurance Organisation

Appropriation Accounts (P & T), 1957-58, pp. 146-61

125. In the Civil Wing of the Post Office Insurance Fund, the total number of policies issued during 1957-58 was 7,843 as against 10,360 issued during the previous year and the sum assured was Rs. 1,52,37,600 as against Rs. 1,82,51,100 of the last year. Thus, there was a fall of about 24·3 per cent. in the number of new policies issued and 16·51 per cent in the total sum assured as compared to the corresponding figures of the previous year.

The declining trend of insurance business in the Civil Wing was ascribed, *inter alia*, to the failure on the part of the Postal Life Insurance Organisation to declare any bonus for the periods after 1952. The Committee were informed that the last time the bonus was declared by the Organisation was in 1955, and it pertained to the period 1947-52. It was, however, added that with a view to declaring bonus, revaluation was under way, and the bonus was expected to be declared by the end of the current year.

The Committee drew attention to the difficulty experienced by the policy-holders in getting payments on the maturity of their policies and felt that it was one of the reasons for the unpopularity of this scheme. According to D.G. P. & T., such cases were due to the arrears in postings in ledger cards and missing credits of premia realised. He stated that to rectify such cases, annual statements were being prepared, and some other steps were also proposed to be taken in this behalf.

When asked whether he was satisfied with the working of the P.L.I. the D.G. P. & T. replied that from a commercial point of view he was not so.

Financial Results of the Working of the Radio Branch

Financial Review by the D.G. P. & T., 1956-57, page 1 (Second Table).

Financial Review by the D.G. P. & T. 1957-58, page 1 (Second Table)

126. The deficit in the case of the Radio Branch in 1955-56 was Rs. 1·69 lakhs. It increased to Rs. 8·50 lakhs in 1956-57 and to Rs. 9·41 lakhs in 1957-58.

The Committee desired to know the reasons for a continuous rise in the losses sustained by the Radio Branch. The representative of the P. & T. Department stated that the services rendered by the Radio Branch fell in two categories, *viz.*, commercial and non-commercial. The former category comprised of services rendered by the Radio Branch on behalf of the Telegraph and Telephone Branches. In this case, there was no question of any loss, as the bills were debited to the Branches on whose behalf the services were rendered. The latter (non-commercial) category included services rendered by the Radio Branch for assisting shipping, carrying out monitoring functions and providing communications during floods, etc. Such services were unremunerative. According to him, rise in the losses sustained by the Radio Branch was due to a large increase in non-commercial services during the last two years.

P. & T. Workshops

127. The Committee then took up consideration of certain points arising from their on the spot study-visit to the P. & T. Workshops, Alipore (Calcutta

in June last. They had, *inter alia*, found during the said study-visit that some of the machines installed at the Workshop were not working to their full capacity and that quite a number of machines were old and out-moded. They enquired as to what steps were being or proposed to be taken to work the existing machines at the P. & T. Workshops to their full capacity and to replace the old and out-moded machines by modern ones. The representative of the P. & T. Department stated that the question of utilisation of the installed capacity was dependent on the demand for Workshop products. The demand for these articles had hitherto been solely from the P. & T. Department. With a view to getting orders from other Departments, a sales organisation had been established last year and orders worth Rs. 4.91 lakhs secured from Railways, Ordnance Factories/Depots, etc. He added that there was scope for utilising the installed capacity to a greater extent.

Dealing with the question of the modernisation of the P. & T. Workshops, he admitted that on account of old and out-moded machinery at the Workshops, production was at a low level. To remedy this, he stated a project for the modernisation of the Bombay Workshop had already been sanctioned. He hoped that a similar project for the modernisation of the Alipore Workshop would also be approved in the near future.

The Committee desired to know whether production at the Workshops was affected by difficulties in the timely procurement of raw materials. They were informed that due to delay in the receipt of raw materials, production was held up some times. As to the steps taken to meet this difficulty, it was stated that in the case of materials like steel, etc. they were in constant touch with the Chief Controller of Iron and Steel and the Ministry of Transport and Communications. In regard to the imported raw materials—which constituted about 20% of the Workshops' requirements—there were, however, some difficulties; the chief among them being the difficulty of getting foreign exchange.

As regards the measures taken by the Workshops to reduce the cost of production, the Committee were informed that cost accounting system had been introduced in all the P. & T. Workshops.

In view of the increasing demand for telephones in the country, the Committee enquired whether the I.T.I. and the P. & T. Workshops were in a position to meet the entire demand of the country in telephone equipment in the near future. The representative of the Department replied that they could, provided sufficient funds for this purpose were made available to them.

Express Letters

128. The Committee then discussed in passing about Express Letters. The Director General, Posts and Telegraphs, admitted that these were generally delivered later than ordinary letters. He further admitted that the Express Letter service had been unsatisfactory since its very inception. Explaining the reasons, he stated that Express Letters were not dealt with extra expedition at the originating station, and at the station of delivery, though delivered by Telegraph Messengers instead of by ordinary postmen, the number of such letters to be delivered was so large in relation to the number of Telegraph Messengers that delay was unavoidable.

As to the measures proposed to be taken to improve the service, he stated that a reorganisation scheme was under examination in the Department according to which Express letters would be handled separately from other post right from the stage of posting till the stage of delivery, and would be delivered like telegrams outside the regular delivery hours, and on Sundays and holidays as well.

129. *The Committee then adjourned till 10.00 hours on Thursday, the 16th July, 1959.*

PROCEEDINGS OF THE SIXTH SITTING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON THURSDAY, THE
16TH JULY, 1959

130. The Committee sat from 10·00 hrs. to 11·15 hours.

PRESENT

Dr. P. Subbarayan—*Chairman*

MEMBERS

2. Shri T. Manaen
 3. Shri Maneklal Maganlal Gandhi
 4. Pandit Jwala Prasad Jyotishi
 5. Shri Shamrao Vishnu Parulekar
 6. Shri Rameshwar Sahu
 7. Shri T. R. Neswi
 8. Shri Raghubar Dayal Misra
 9. Shri T. Sanganna
 10. Shri Vinayak Rao K. Koratkar
 11. Shri Jaipal Singh
 12. Shri Yadav Narayan Jadhav
 13. Shri Shraddhakar Supakar
 14. Shri Amolakh Chand
 15. Rajkumari Amrit Kaur
 16. Shri Surendra Mohan Ghose
 17. Shri Jaswant Singh
 18. Shri S. Venkataraman.
- Shri. A. K. Chanda, *Comptroller & Auditor General of India.*
Shri A. Kalyanaraman, *Deputy Comptroller & Auditor General.*
Shri O. K. Ghosh, *Accountant General, Posts & Telegraphs.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri M. C. Chawla—*Under Secretary.*

WITNESSES

Ministry of Transport and Communications
(Departments of Communications and Civil Aviation).

Shri M. M. Phillip, *Secretary*

Shri D. C. Dass, *Joint Secretary*

Directorate General, Posts & Telegraphs.

Shri V. Shankar, *Director General, Posts & Telegraphs.*

Shri C. V. Cunningham, *Senior Deputy Director, General, P. & T.*

Shri R. C. Vaish, *Chief Engineer, I. (P. & T.)*

Shri P. M. Agarwala, *Chief Engineer, II (P. & T.)*

Ministry of Works, Housing & Supply.

Shri M. R. Sachdev, *Secretary*

Shri S. Vohra, *Joint Financial Adviser*

Shri V. N. Rajan, *D.G.S. & D.*

Shri P. N. Krishnaswamy, *Chief Pay & Accounts Officer.*

Ministry of Finance

Shri S. S. Shiralkar, *Financial Adviser (Communications)*

Shri A. G. Krishnan, *Under Secretary (Deptt. of Economic Affairs).*

Infructuous expenditure in the purchase of weighing scales—Para 20 of Audit Report, 1958, p. 36.

131. Orders for the purchase of ten special type self-indicating weighing scales, @Rs. 627 each, were placed on a firm through the Director General, Supplies and Disposals in November, 1947, after the samples inspected at the firm's premises had been reported as suitable by a representative of the P. & T. Department. Before supplies had commenced, the department placed further orders through the Director General, Supplies and Disposals, on the same firm in October, 1948, for 89 scales at the same rate

In April, 1949, when only 15 scales had been supplied, the Head of a Circle reported to the Posts and Telegraphs Directorate that the scales supplied were not found suitable for the Post Offices and R.M.S. Sections, and as the suppliers had no local branch or agents at that place, it was not possible to unpack and erect them at site and maintain them. In October, 1949, the Head of the Circle brought to the notice of the Director General, Supplies and Disposals the failure of a representative of the supplier to put the scales in working order and reiterated that the scales supplied were unsuitable for Post Office work. In reply, the Director General, Supplies and Disposals, informed the Head of the Circle in November, 1949, "The machines were forwarded to the consignee concerned after due inspection by the Inspecting Officer. This office is, therefore, not concerned at this stage regarding the unsuitability of the scales."

Between July, 1949 and December, 1949 further supplies of 58 scales had been made and the outstanding quota of 26 scales was cancelled in March, 1950 on receipt of a complaint from another Head of a Circle intimating that most of the offices had complained of the unsuitability of the machines, and also experienced difficulty in removing the mechanical packing and installing the same. Of the 73 scales supplied at a total cost of Rs. 46,500, only 11 scales could be installed but most of these went out of order soon after installation. It was reported in March, 1957 that only 3 scales were then in working order

The National Physical Laboratory in November, 1957 furnished their technical opinion that the materials used in the scales were of inferior quality and their construction was defective and flimsy. It had been reported by the Director General, Posts and Telegraphs in April, 1958 that no decision had yet been taken regarding the disposal of the scales through Director General, Supplies and Disposals or otherwise.

When asked why these scales were not properly inspected by the D.G.S. & D. to find out whether they were upto sample and would serve the intended purpose the representative of the Ministry of Works, Housing and Supply stated that the only specification in the indent was that the scales should conform to the Bombay Weights and Measures Act, 1932. At the time of despatch these scales were covered by the inspection notes which were passed on examination by the officers of the Inspection Wing of the D.G.S. & D. as conforming to the Bombay Weights and Measures Act, 1932. He added that this order was for a developmental item *i.e.*, an item which had so far been imported and which was now being manufactured for the first time in the country. To promote indigenous production, the same standard of inspection was not maintained as was done in the case of imported articles. The main difficulty in this case, it was stated, arose due to the inability of the P. & T. Department to remove the mechanical packing in these scales and to erect the same at site. The contractor could not be bound down to this service in the absence of a provision to that effect in the contract. In reply to a question why the D.G.S. & D. did not provide a clause in the contract for the erection of the scales by the suppliers and obtained guarantee for their proper performance, the representative of the Ministry of Works, Housing & Supply stated that a clause to this effect was always provided in the contract for purchase of complicated machinery. But in this particular case, it was considered that the machines were not so complicated and the P. & T. Department would be able to erect them. But even in such cases, where the machines were not erected by the suppliers, it was admitted that a provision was made for supervision, warranties, guarantees and performance bonds etc. by the suppliers

In reply to question whether it would not have been more prudent to place a trial order and then place a bulk order after the P. & T. Department were satisfied that the indigenous machines would serve the purpose for which they were intended, the representative of the Ministry of Works, Housing and Supply stated that in this case the first order was placed on the firm for 10 machines only after these had been reported as suitable on an inspection carried out by a representative of the P. & T. Department. The second order was also placed on the firm at the instance of the indenter.

Explaining the background of the case from the P. & T. side, the representative of the P. & T. Department stated that the P. & T. Department had asked the D.G.S. & D. if a suitable indigenous substitute could be found to suit the Department's (P. & T.) requirements of weighing scales as alternative to Avery scales which were expensive. The D.G.S. & D. then suggested the auto self-indicating visible weighing scales manufactured in India by this particular firm. He admitted that a Superintendent of Post offices went and saw these machines and submitted a report. A copy thereof was also sent to D.G.S. & D. According to the D.G. P. & T. the Superintendent of Post Offices had studied the matter only from a functional point of view to see whether the scales were suitable for Post Office requirements. He contended that the Superintendent of the Post Offices was not expected to assess the reliability of the various components including the capacity of these scales to

withstand normal use in a Post Office and it was the duty of the Inspectorate of the D.G.S.&D. to carry out technical examination, as provided in para 392 of the Manual of Office Procedure for Supplies and Inspection and Disposals.

The representative of the P. & T. Department, however, admitted that his Department should have intimated to the D.G.S. & D. in time the complaints from the Head of a circle regarding the unsuitability of these scales so that further orders were not placed on the firm. (Although in December, 1949, the Circles were informed about it, the D.G.S. & D. was not informed till February, 1950 that the further indents should be cancelled.)

In reply to a question as to what steps were taken by the D.G.S. & D. to set right the scales when the complaints were received by them from the P. & T. Department, the representative of the Ministry of Works, Housing and Supply stated that the firm was approached to put the scales in working order and the firm did send a mechanic but the defects could not be remedied. He added that the firm had since been black-listed

In reply to a question as to why payment was made to the firm when it did not set right the scale, it was stated that according to the terms of payment 90% of the amount was paid to the firm on proof of despatch of the scales and 10% on receipt of the machines by the consignee.

When asked as to what decision had been taken regarding the disposal of these scales, the representative of the Ministry of Works, Housing and Supply stated that the scales had not yet been received by them from the D.G. P. & T. disposal.

In reply to a question the Committee were informed that at present every developmental item was very carefully processed by a trial order based on careful inspection to determine the capacity of the firm in the context of labour, machinery, etc., available and thereafter inspection was undertaken right from the stage of collection of the raw material till the report of the consignee regarding the suitability of the finished product. In this case, however, it was admitted, that these aspects were not very carefully considered in the initial stages. As regards the allowing of price preference in such cases, it was stated, that generally speaking, it might be up to the extent of 25% only in the case of articles which were in continuous demand.

Loss due to supply of defective cables—Para 21 of Audit Report 159, page 40

132. An order for the supply of 9,000 yards of Cables valued at Rs. 12,420 was placed by the Director General, Supplies and Disposals on a firm in December, 1951 after receipt of an indent from the Posts and Telegraphs Department in May, 1951. The order (modified slightly in June, 1952) provided for inspection by an Inspector of the Supplies and Disposals Directorate. Accordingly, 8,947 yards of cables were inspected by the Supplies and Disposals Directorate on 16-10-52 and despatched to the consignees. Out of these, 5,747 yards despatched to one Posts and Telegraphs Stores Depot on 20-10-52 were accepted in full and the firm was paid for this quantity. Departmental test reports received on 27-4-1953 revealed that 900 yards out of this consignment were defective. The balance of 3,200 yards despatched on the same day to another Depot was rejected as not upto standard, as per test reports issued on 10-11-52 and 25-11-52, but the rejection was intimated to the suppliers on 11-12-52, who were not paid for this consignment. The latter referred

the matter for arbitration and the Arbitrators awarded a sum of Rs. 4,684·50 to the firm representing the value of 3,200 yards of rejected cables (inclusive of some interest charges), on the ground that the consignee did not exercise the right of rejection within a reasonable time and that the procedure adopted by the Ministry could not be upheld. This sum was paid to the suppliers on 29-12-53. The 4,100 yards of defective cable was sold as scrap by the Department, resulting in a net loss of Rs. 5,296.

The Director General, Posts and Telegraphs had stated to Audit that the loss to Government in this case resulted from the issue of inspection notes by the Inspection Directorate of the Supply Department, certifying the goods as satisfactory, on the basis of the manufacturer's test reports, without actually testing them.

When asked why the stores were not actually tested by the D.G. S. & D. Inspectorate as specifically provided for in the order, the Secretary, Ministry of Works, Housing and Supply stated that as regards the inspection of the cables, the practice was that in the case of indigenous production the cables were inspected by their Inspectorate while under production. As regards cables imported from abroad, in the case of large orders *viz.*, for the value of more than Rs. 40,000 or so inspection was undertaken at the manufacturer's premises abroad by the inspection officers of the India Store Department, London. But in the case of small orders, as in this case, they relied on the manufacturers' certificates. However, he added, that in view of a recommendation made by the P.A.C. some time ago suggesting that the acceptance of the manufacturer's certificate might not always be in the best interest, the Ministry were now trying to get the supplies inspected wherever possible even in the case of small orders. He also added that in the case of imported cables, the Government Test House had not got efficient arrangements for testing them. A proposal was, therefore, under consideration in consultation with the P & T Department that the inspection of the cables should be undertaken by the P & T Department themselves who had got satisfactory arrangements for testing them. The representative of the P & T Department intervened to say that after the occurrence of this case his Department suggested to the D. G. S. & D. in 1954 that inspection of the cables intended for his Department would be carried out by his own Department.

When asked why the inspection report could be received only on 27-2-53 when the cables had been despatched on 20-10-52, the representative of the Ministry of Works, Housing and Supply stated that as a detailed inspection had to be carried out, in his view, the delay was not much. The representative of the Ministry of Works, Housing and Supply contended that so far as he was aware, there had never been a case in recent years, where the loss in the purchase of stores had occurred. This was the only case, he said, where the loss of the order of Rs. 5,000/- had occurred in an order worth Rs. 50 lakhs of imported stores.

Unnecessary purchase of stores—Para 22, pages 40-41 of Audit Report, 1959-

133. An indent for the supply of 15,120 lbs. (135 cwts.) of seamless copper tubes was placed on 6th June, 1956 by a Telegraph Workshop on the Director General of Supplies and Disposals. An advance order was placed accordingly by the latter on a firm on 23rd August, 1956. The accepted rate was Rs. 567 per cwt.

Meanwhile an error in calculating the requirements having been detected, the indenter revised the order on 24th August, 1956 to 650 lbs. only. The supplier who was approached made a provisional offer to supply either the revised quantity of 650 lbs. of copper tubes at an enhanced rate of Rs. 648 per cwt. or the entire quantity of 15,120 lbs. at the contractual rate of Rs. 567 per cwt. The Department decided to purchase the full quantity of 15,120 lbs. at the original rate of Rs. 567 per cwt. although this raw material was not much in demand. The actual consumption of copper tubes in the particular workshop during the last three years was about 2,058 lbs.

When asked why the stores were purchased in excess of the requirements the representative of the Ministry of Transport and Communications (Department of Communications) admitted that there was no justification for the purchase of such a large stock.

In reply to a question whether the surplus stores had been disposed of, the representative of the P&T Department stated that according to the present consumption rate of 12 cwt. per year the stock would last for nearly 10 years. But he added that due to shortage of foreign exchange, it was thought worthwhile to retain these stores.

Uneconomical working of a Departmental Printing Press—Para 27, page 43 of Audit Report, 1959

134. At the time of Federal Financial Integration, the Posts and Telegraphs Department took over (on 1st April, 1950) from an ex-State Postal System 5 hand-driven and 1 electrically operated litho presses, the present operating cost of which (including maintenance) was Rs. 34,319 per annum. In 1951, a proposal to modernise the litho press was considered but this was rejected in 1953 by the Controller of Printing and Stationery. Though the presses were intended to be utilised for printing Posts and Telegraphs forms, which were not adequately supplied by the Central Government Presses, it had been noticed that about 50 per cent of the needs were being printed by private presses at a more economical price. Thereafter, the final disposal of this uneconomical press was linked up with the general question of providing job-presses for circle offices. This proposal was, however, not encouraged by the Chief Controller of Printing and Stationery who advised in 1956 that it might be held over till the expansion scheme of the Printing and Stationery Department materialised.

In the meanwhile, the Posts & Telegraphs Department continued to incur a recurring loss of about Rs. 29,000 per annum on these uneconomical presses.

The representative of the P & T Department stated that the report of the Forms Committee set up by the Ministry of Works, Housing and Supply was submitted in March, 1959 and was under the consideration of

Government. That Committee had recommended that these presses should be disposed of and the necessary orders had also been issued in the matter. But there was the problem of absorbing the staff etc., he added.

**Non-payment of cost of stores purchased through the Supply Department due to paucity of funds—para 28 of Audit Report, 1959*

135. When asked what would be the effect on the estimates of the Ministry of W.H. & S. due to the refusal by the P & T Department to accept the debit for the stores purchased by them, the representative of the Ministry stated that in such cases the amount remained in suspense account during the year in which the expenditure was incurred till the payment was made by the indenter.

136. *The Committee then adjourned till 10.00 hours on Monday the 20th July, 1959.*

**This case was earlier discussed at the 3rd Sitting of the Public Accounts Committee held on 13-7-59 (See para 96 of the Report.)*

PROCEEDINGS OF THE FIFTY-FIRST SITTING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON WEDNESDAY THE 10TH FEBRUARY, 1960

The Committee sat from 15.00 to 16.45 hours.

PRESENT

Shri Upendranath Barman—*Chairman*

MEMBERS

2. Shri T. Manaen
3. Shri Maneklal Maganlal Gandhi
4. Pandit Jwala Prasad Jyotishi
5. Shri Shamrao Vishnu Parulekar
6. Shri Radha Raman
7. Shri Rameshwar Sahu
8. Shri T. Sanganna
9. Shri Jaipal Singh
10. Shri Yadav Narayan Jadhav
11. Shri Amolakh Chand
12. Rajkumari Amrit Kaur
13. Shri Rohit Manuskhankar Dave
14. Shri T. R. Deogirikar
15. Shri Surendra Mohan Ghose
16. Shri Jaswant Singh.

Shri G. S. Rau, *Add. Dy. Comptroller and Auditor General (Report)*
Shri S. Venkataramanan, *Accountant General, Central Revenues.*

SECRETARIAT

Shri V. Subramanian—*Deputy Secretary.*

Shri Y. P. Passi—*Under Secretary.*

The Committee considered and approved the following draft Reports subject to certain minor modifications here and there.

- (i) Twenty-second Report on the Appropriation Accounts (Posts & Telegraphs) 1956-57 and 1957-58 and Audit Reports thereon.
- (ii) Twenty-third Report on the Excesses over Voted Grants and Charged Appropriations disclosed in the Appropriation Accounts (Civil), 1957-58.

The Committee authorised the Chairman to sign these Reports and to present them to the Lok Sabha.

The Committee also authorised Shri Surendra Mohan Ghose to present the Reports to the Rajya Sabha.

The Committee then adjourned till 15.00 hours on Thursday, the 11th February, 1960.

APPENDICES

APPENDIX I

Statement showing action taken or proposed to be taken on the outstanding recommendations of the Public Accounts Committee relating to P & T Accounts

Serial No.	Para No. of Report	Ministry/Deptt. concerned	Particulars of item	Remarks of Ministry	Comments
1	2	3	4	5	6
TWENTY-SECOND REPORT (1ST LOK SABHA)					
1	5 (ii)	D.G.P. & T.	The Committee desire that a report on the disposal of the pending cases should be submitted to them at the time they take up next year's Accounts.	A note has been submitted (Appendix XI)	See para 82 of the Report.
2	27	Ministry of Communications <u>Indian Telephone Industries (P) Ltd.</u>	The Committee would like to be apprised in due course of the result of (a) the review of provisional pricing of equipment supplied by I.T.I. to the P&T Department stated to have been under-		

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taken by the Costing Unit of the Indian Telephone Industries and (b) the application of the Rate List issued by the I.T.I. for the new items of equipment to be supplied to the P & T Department.

[Further comments of P.A.C. 1958-59].

The Committee may be apprised of the latest position as regards the review of provisional pricing and issue of supplementary schedules of rates

A note has been submitted (Appendix XVI).

No comments.

3 47 (ii) D.G., P. & T.

The three cases commented upon in para 9 of Audit Report (P & T) 1956, Part I indicate that besides procedural defects there has obviously been a lack of proper supervision and inspection on the part of the immediately higher authorities. The Committee, therefore, suggest that supervision over the handling of cash transactions in Post Offices should be strengthened

54 (ii)

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and the frequency of inspection be increased.

The Committee would further like the P & T Department to examine the existing procedure for handling of cash and postage stamps, etc. in the Head and Branch Post Offices and tighten the checks and counter-checks to be exercised by the local officers and the Inspecting Staff. A note stating the action taken in this respect may be furnished to the Committee.

See serial No. 30

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The Committee would like to be apprised of the developments to be effected in the matter of adequate supply of forms to the P & T Department as a result of the Report by the Committee set up by the Ministry of Works, Housing and Supply to examine the supply, printing and distribution of forms and stationery.

[Further comments of P.A.C. 1958-59]

A further report on the method of installations of Rota print machines in the various Postal Circles may be furnished.

A note has been submitted. (Appendix XVII).

The Committee would like to watch further developments.

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FIRST REPORT (SECOND LOK SABHA)

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Transport and
Communications/
D.G.,P. & T.

The Committee deplore the purchase of material in the case referred to in para 3 of Audit Report P. & T. 1957 Part I without reference to stock in hand. The Committee desire that the Department should take prompt steps to guard against such lapses. They would also like to know the action taken by the P & T Department against the persons responsible for over-indenting of cloth.

A note has been submitted. (Appendix XII).

See para 85 of the Report.

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D.G.,P. & T.

(i) The Committee observed that in the case referred to in para 5 of Audit Report, 1957 Part I, even though it was known that the refugees had occupied the sheds and outhouses by September, 1949, adequate security measures were not taken to protect the remainder of the property at the time of vacating it in June, 1951.

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(ii) While the Committee appreciate the legal complication in the case, they cannot but express their

concern at the large infructuous expenditure which still continues to be incurred in the rental of these buildings. They would once again stress the urgency of finding a solution to save the Exchequer from this recurring liability and the Government of West Bengal should be strongly urged to help in a final solution of this tangle.

[Further comments of the P.A.C. (1958-59)].

The Committee may be apprised of the latest position in the matter.

A note has been submitted. (Appendix XVIII).

The Committee may be informed of the final outcome of the case.

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12 D.G., P. & T. . (i) The Committee reserve their comments in the case referred to in para 7 of Audit Report, 1957, Part I till the information desired by them is made available by the D.G.,P. & T.

13 (ii) The Committee desire that the D. G.,P. & T. should keep a strict watch on all works under taken without prior financial sanction.

1	2	3	4	5	6
			[Further comments of P.A.C. (1958-59)].		
			Further information as promised in the concluding portion of the Memo. by the Ministry (Appendix XXXVIII of 11th Report) may be furnished.	A note will be submitted to the Committee.	The Committee regret to note that the P. & T. Department should have taken such a long time in furnishing them the requisite information. They emphasise that the matter should be expedited.
8	14	D. G., P. & T.	The Committee would like to be apprised of the final outcome of the proceedings against the Manager of the Depot and the contractor involved in the case referred to in para 8 of Audit Report, 1957, Part I.	A memo. has been submitted to the Committee. (Appendix XIII)	See para 88 of the Report.
9	15	Do.	The Committee wish to reiterate the importance of expeditious departmental action against the delinquent officials involved in frauds in Post Offices and trust that the P. & T. Department will	A note has been submitted. (Appendix XIX).	The Committee may be informed of the final position in the remaining two cases.

take steps to achieve this end. They would like to be apprised of the final outcome of the case referred to in para 10 of Audit Report, 1957—Part I.

- 15 16 D. G., P. & T., Home Affairs. The Committee suggest that it will be conducive to better discipline if departmental proceedings are started against delinquents simultaneously with the police enquiry.
- 11 17 and (ii) D. G., P. & T. The Committee were informed that the existing system of payments in Saving Banks Accounts was inherently defective. They desire that the P. & T. Department in consultation with Audit should urgently consider the revision of the procedure with a view to obviate the possibility of recurrence of such frauds. They would also watch further development in the particular case.

A note was submitted to the Committee (1958-59). (Appendix L of 11th Report).

See para 60 of the Report.

The Committee are led to the view that the entire Savings Bank procedure in Post Offices needs a thorough examination with a view to better safeguarding of the interests of the State while at the same time effecting simplifications in the procedure in interests of the depositors.

[Further comments of P.A.G.(1958-59)]

			The Committee should be informed about the final decision taken to evolve a suitable procedure to eliminate frauds in Saving Bank Branches of Post Offices.	A note has been submitted. (Appendix VII).	See para 48 of the Report.
12	18 (i)	D. G., P. & T.	The Committee would like to know the outcome of the court case in due course.	Notes have been submitted. (Appendices XX & XXI).	No comments.
13	19	Do.	The Committee would await the results of the Departmental investigations in the case referred to in para 13 of Audit Report, 1957, Part I. At this stage, the only comment which the Committee would like to make is that although more than three years have elapsed very little progress appears to have been made.	A note has been sent to Audit for vetting on 15-6-1959.	Note awaited*.
14	20	Do.	The Committee see no reason why the outstandings of the Telephone Revenues could not be brought down considerably.		

[Further comments of P.A.G. (1958-59)].

			The Committee may be apprised of the progress so far made by the department to speed up recoveries of outstanding telephone revenues.	The total amount of telephone revenue outstanding in respect of bills issued upto 31-3-56 which stood at Rs. 75 lakhs on 1-9-56 came down to Rs. 29 lakhs on 1-7-58.	See para 68 of the Report.
15	22	Do.	In view of the magnitude of losses of copper wire, the Committee suggest that the P. & T. Department should study this problem in the light of measures adopted by other countries.		
			[Further comments of P.A.C. (1958-59)].		
			The result of the experiments conducted for replacing the copper wire by aluminium wire should be intimated to the Committee.	A note has been submitted. (Appendix XXII).	See para 21 of the Report.
16	26	Transport and Communications.	The Committee would like to be informed of the progress in the reconstruction of the accounts of the Telephone Expansion Project in the Bombay Telephone District.		

*Note since received (Appendix XXXIII) but could not be considered by the Committee because of its late receipt.

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[Further comments of P.A.C. (1958-59)].

Further progress made in the closure of accounts of various estimates forming part of this project may be intimated to the Committee.

A Note has been submitted. (App. XXIII).

The Committee would like to watch the progress made in the completion of the works and the submission of Completion Reports in respect of this Project through the next Audit Report.

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Transport & Communications & D. G., P. & T.

The Committee would like to be informed of the action taken against the Officers concerned in this case. (cf. Paras 14 and 15 of the 22nd Report 1956-57).

[Further comments of P.A.C. (1958-59)]

Disciplinary action taken against the Officers who are stated to be still in service may be intimated to the Committee.

A Note has been submitted (Appendix XIV).

See para 90 of the Report.

ELEVENTH REPORT (SECOND LOK SABHA)

18	3 (Introduction)	<u>D. G. P. & T.</u> All Ministries	<p>The Committee have in the past commented upon the delay on the part of Government in taking disciplinary action against delinquent officials. Despite this, a number of cases have again come to their notice where considerable delays have occurred in finalising departmental action against the delinquent officials; in certain cases such officials have retired from services before disciplinary proceedings were launched against them and in others disciplinary proceedings were initiated only after the Committee had suggested such action. The Committee deplore this state of affairs. The Departments are expected to investigate the irregularities as soon as they come to their notice and take suitable action against delinquent officials.</p>	<p>Suitable instructions have been issued to all concerned. (Appendix XXIV)</p>	<p>See paras 6 (Introduction) and of 60 Report.</p>
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Long delays in taking departmental action in such cases is not in the financial interests of the State as it involves payment of avoidable substantial subsistence allowance. The Committee trust the Posts and Telegraphs Department

would look into the matter and impress upon their subordinate offices the necessity of prompt and adequate disciplinary action.

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Ministry of Transport & Communications (Deptt. of Communications).

D. G. P. & T.

The Committee are not convinced of the reasons put forth in this case by the Ministry for taking up items of major work without prior financial sanction except in emergent cases. In their opinion the standards of accuracy in budgeting in the Department are below expectations. Maintenance of Liability Registers in the form laid down by the Ministry of Finance for other Civil Departments would prevent cases of expenditure without provision being made.

The Committee desire that a watch should be kept to see that instructions issued by the D. G. P. & T. are invariably followed by all Heads of Circles and Controlling Units and there is no laxity in such matters.

Suitable instructions have been issued to all concerned. (Appendix XXV)

See para 14 of the Report.

20	6	Do.	The Committee would like to be informed when they next take up examination of the Posts and Telegraphs Accounts, the number of cases in which action has been taken by the D. G. P. & T. against the Engineering officers concerned who were responsible for violating the instructions issued by him in September, 1952. to the effect that no work should be undertaken without prior financial sanction except in emergent cases.	A note will be submitted to the Committee.	Note awaited.
21	9	Do.	The Committee are surprised why the departmental witness appearing before the Committee should be oblivious of the decisions of the Ministry of Home Affairs in the matter of instituting disciplinary proceedings against the delinquent officials.	The observations of the Committee have been taken note of.	No comments.
22	10	Do.	The Committee would like to watch the results of the working of the revised procedure regarding Savings Bank which is being introduced by the Posts and Telegraphs Department.	See remarks against Serial No. 11.	
23	11	Do.	The Committee are not happy at the complacency of the Ministry regarding the percentage of cases	See remarks against Serial No. 30.	

of defalcations, losses, etc. where departmental officials were involved and they feel that the existing procedure requires to be tightened up to bring down the percentage of losses due to departmental lapses.

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Ministry of Transport & Communications (Department of Communications)

D. G. P. & T.

Ministry of Finance (Communications).

The Committee do not see any justification for the delay in writing off the net loss sustained by the Department in this case. They desire that the matter should be settled speedily as otherwise it would be difficult for Government to take necessary action with regard to losses. Further before sanctioning the write-off of the loss of Rs. 2.16 lakhs sustained by the Posts and Telegraphs Department on the running of grain shops, the Ministry of Finance should satisfy themselves about the causes leading thereto and also whether responsibility for acts of commission and omission on the part of the staff concerned has been fixed and disciplinary action taken against them.

A note will be submitted to the Committee.

See para 124 of the Report.
No comments.

The Committee would like to be informed in due course about the further developments in this case.

25	17 — 67	Ministry of Transport & Communications (Deptt. of Communications). <hr style="width: 100%;"/> D. G. P. & T.	The Committee would like to watch the results of the steps taken to clear the arrears in respect of : (i) posting of unadjusted items to the ledger accounts of the Post Office Insurance Fund, and (ii) Classification of accounts and consequent arrears in the maintenance of Broad-sheet and other records of Civil Wing of the Post Office Insurance Fund through the next year's Audit Report.	A note has been submitted. (Appendix XXVI).	See para 79 of the Report.
26	19	D. G. P. & T. <hr style="width: 100%;"/> All Ministries	The Committee deplore the manner in which matters which were to be dealt with by the senior officers at their level are being allowed to take their usual course. They stress that senior officers should take quick and prompt decisions especially in cases involving financial implications.	The recommendations of the Committee have been taken note of.	No comments.

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27	21	<p>Ministry of Transport & Communications</p> <hr/> <p>D. G. P. & T. .</p> <hr/> <p>Ministry of Finance (Department of Revenue)</p>	<p>The Committee desire that periodical Reports about the practical working of the procedure since evolved in respect of cases of non-payment of money orders sent to the Central Excise and Customs Authorities by the licensees should be called for by the Posts and Telegraphs Department from the Central Excise and Land Customs Collectrates.</p>	<p>The suggestion has been taken note of and action taken accordingly.</p>	<p>No comments.</p>
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28	23	<p>Ministry of Transport & Communications</p> <hr/> <p>D. G. P. & T. .</p>	<p>The case discloses want of careful planning on the part of the persons in the Posts and Telegraphs Department responsible for the formulation of the Jabalpur Foundry Project.</p>	<p>A Memorandum has been submitted. (Appendix XV).</p>	<p>See para 92 of the Report.</p>
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The Committee have noted that the same officer who had put forth proposals for the starting of the Foundry at Jabalpur advised within a year that the scheme might be abandoned.

The Committee would like to be informed of the final outcome of

the disposal of surplus materials and of the plant and machinery as well as the ultimate loss to Government on the abandonment of this ill-conceived Project and the action taken against the concerned officers.

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| 29 | 25 | Do. . . | The Committee are concerned at the delay in taking action in regard to disciplinary proceedings against guilty officials. In certain cases it had taken 6 to 9 years to arrive at a final decision, while in some other cases sterner action would have been more appropriate considering the gravity of the charges. By such delays, the guilty official are enabled or allowed to retire from service by the time the responsibility is fixed. | Suitable instructions have been issued to all concerned. | No comments. |
| 30 | 27 | Do. . . | The Committee should be apprised of the progress made in respect of the suggestions which were stated to be under consideration of the D. G. P. & T. for tightening the procedure for handling cash and stamps in the Head and Branch Post Offices. | A Note has been submitted. (Appendix VI). | See para 47 of the Report. |
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31	30	Ministry of Transport & Communications. <hr/> D.G.P. & T.	The Committee regret to note that the target dates fixed for the clearance of arrears in store accounts were not being adhered to in spite of the fact that this matter had been pending for the last few years and the Committee had expressed concern over this. They trust that by the time they take up examination of the next year's Accounts, the arrears would be wiped off.	The arrears relating to the year 1957-58 referred to in para 29 of the Report have since been cleared.	No comments.
32	33	D. G. P. & T. <hr/> All Ministries	The Committee trust in all cases the results of disciplinary action such as censure, warning etc. are entered in the confidential Reports of the officers concerned.	A note has been submitted to the Committee. (Appendix XXVII).	The Committee may be informed of the decision of the Ministry of Home Affairs in the matter.
33	35	Ministry of Transport & Communications. <hr/> D. G. P. & T.	The Committee would like to watch the working of the Surplus Stores Committee set up by the Posts and Telegraphs Department through the next Audit Report.	The observation has been taken note of.	See para 24 of Report.
34 37&38		Do.	The Committee note that even after the lapse of about 10 months, the	A note has been submitted. (Appendix XXVIII).	No comments.

case relating to excess payment of labour wages in certain Engineering Divisions of the U.P. Circle remained in its preliminary enquiry stage although it involved an excess payment of Rs. 1,51,000/-.

The Committee view with strong disfavour the manner in which this case had been dealt with by the Posts and Telegraphs Department. They desire that the case should be processed more expeditiously and a report submitted to them by the end of January next.

35	40	Ministry of Transport & Communications. <hr/> D. G. P. & T.	The Committee would like to watch the results of the financial working of the Calcutta Telephone Automatisation Project through the successive Audit Reports.	The observation has been taken note of.	No comments.
36	42	Do.	(i) The Committee are of the opinion that the progress made in the matter of introduction of an effective Cost Accounting system in the Posts and Telegraphs Workshops has been rather slow considering the results achieved during the period of two years since the appointment of the Cost	A note has been submitted. (Appendix XXIX).	The Committee would like to watch further developments.

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Accounts Officer. They hope that by the time they take up examination of the next year's Accounts all the items would have been reviewed completely and the labour and material schedules drawn up.

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(ii) As regards the overheads, the Committee feel that they are rather high. The Committee would emphasize the need for gradual reduction of the overheads to a regulated figure and thus reduce the cost of production.

A note has been submitted. (Appendix XXX).

The Committee may be apprised of the outcome of the various measures introduced by the P. & T. Workshops with a view to reducing the cost of production per unit of Workshop Products.

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Ministry of Transport & Communications.

I.T.I.

(i) The Committee are unable to understand why there are such heavy outstandings against the P. & T. Department for stores supplied by the I.T.I. (P) Ltd.,

Notes have been submitted. (Appendices XXXI & XXXII)

No comments.

Bangalore. They desire that the Posts and Telegraphs Department should issue instructions to all the units indenting stores from the I.T.I. that they should settle the bills from the I.T.I. expeditiously.

(ii) In any case, payment of bills of the I.T.I. by the Posts and Telegraphs Inspection Units situated at the I.T.I. should be settled on a cash and carry basis.

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Do.

The I.T.I. should frame realistic estimates of their replacement of such materials as varnish to be kept in stock as these are subject to deterioration quicker.

The observations have been noted by the I.T.I. for future guidance and compliance. No comments.

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APPENDIX II

Summary of main conclusions/recommendations contained in the Twenty-second Report (Second Lok Sabha) of the Public Accounts Committee on the Appropriation Accounts (Posts & Telegraphs), 1956-57 and 1957-58 and Audit Reports thereon.

Sl. No.	Para No.	Ministries/Departments concerned	Conclusions/recommendations
1	2	3	4
1	5 (intro.)	Transport & Communications <hr style="width: 50%; margin: 0 auto;"/> D.G. P. & T.	The Committee feel that there is large scope for improvement in budgeting standards and the P. & T. Department should examine the adequacy of their arrangements for ensuring better forecast of expenditure.
2	6 do.	do.	(i) The Committee have found cases of regrettable delays on the part of the P. & T. Department.
3			(ii) The Committee have also found that in most of the disciplinary cases there had been considerable delay in finalisation of departmental action against delinquent officials though they have on previous occasions emphasised the necessity of prompt and adequate disciplinary action. The Committee trust that the constitution of the P. & T. Board will cut short the delays in the Department and improve its efficiency.
4	5	do. <hr style="width: 50%; margin: 0 auto;"/> All other Ministries.	The Committee are perturbed at the explanation that precision in estimating the supplementary Grant in the course of the year is so much a matter of chance. The Committee feel that with better planning and financial control and stricter watch over progress of expenditure the chances of recurrence of cases of this type can be minimised.

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| 5 8 | <u>Transport & Communications</u>
D.G. P. & T. | <p>(i) The Committee have not been convinced by the arguments put forth by the P. & T. Department regarding non-incurring of expenditure on works provided for in the Budget. They find it difficult to understand why expectations should have been falsified to such an extent. They trust that the P. & T. Department will examine the adequacy of their arrangements to ensure better forecast of expenditure.</p> <p>(ii) As a result of the recommendations of the P.A.C. in their Eighth Report (Second Lok Sabha) instructions have been issued by the Ministry of Finance in August, 1958 that provision should be made in the budget on sanctioned schemes only based on the actual requirements of the year. The Committee hope that such lapses of funds will not recur in future.</p> | |
| 6 11 | do. | <p>The Committee are concerned to see that expenditure on works not provided for in the Budget continued to be incurred in the years under report in spite of their adverse comments on such a practice on earlier occasions. Considering the magnitude of the expenditure incurred on such works, the Committee apprehend that the tendency to start in the year works not specifically provided for in the Budget is becoming chronic. The Committee urge that this tendency should be checked as it vitiates financial control by Parliament.</p> | |
| 7 14 | do. | <p>The Committee are convinced that commencement of works before detailed estimates had been prepared and got sanctioned by the proper authority will lead to lack of control over expenditure and consequently to avoidable waste. As one of the measures to improve matters, the Committee would suggest that the existing financial power of the authorities at the various levels to sanction the estimates should be reviewed with a view to examining the possibility of delegating further powers in this regard so as to avoid long delays in the sanctioning of the estimates and obviating violation of the codal provisions.</p> | |

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8	18	<u>Transport & Communications</u> D. G. P. & T.	<p>The Committee would like to draw attention to para 5 of their 11th Report (Second Lok Sabha) wherein they have suggested that Ministries should maintain 'Liability Registers' to keep track of their commitments. Had the P. & T. Department followed this procedure the liabilities in the present case would not have been overlooked. They trust that the instructions proposed to be issued by the Ministry of Finance will be strictly followed by all concerned to avoid recurrence of such cases in future.</p>
9	21	do.	<p>The Committee would like to watch the results of the measures adopted by the P. & T. Department to avoid losses of copper wire through subsequent Audit Reports.</p>
10	24	do.	<p>(i) The Committee trust that with th changes made in the procedure for the disposal of surplus stores it would be possible for the P. & T. Department to dispose of the surplus stores expeditiously. They would like to watch the results through future Audit Reports.</p> <p>(ii) The Committee feel that there is need for greater co-ordination between the production, indenting and stores wings to reduce the accumulation of stores surplus to requirements.</p>
11	27	<u>Transport & Communications</u> <u>D. G. P. & T.</u> <u>W. H. & S.</u>	<p>The Committee regret to observe that the Inspectorate of the D.G.S. & D. failed in its duty to carry out proper inspection of the scales. The Committee are also disturbed to note that the D.G. S. & D. failed to provide a clause in the contract regarding the guarantee for the performance of these scales and to pursue the matter with the firm to set right the defects in the scales when the complaints regarding their unsuitability were received by them from the P. & T. Department. The Committee would urge that all contracts entered into by the D.G. S. & D. should be drawn up in precise and unambiguous terms providing for all such safeguards.</p>

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12	28	<p>Transport & Communications</p> <hr/> <p>D. G. & P. T.</p> <hr/> <p>W. H. & S.</p>	<p>The Committee consider that the P. & T. Directorate was not also blameless in this matter. Although the Head of a Circle reported to the Directorate in April, 1949, regarding the unsuitability of these scales for the Post Offices and R.M.S. Section when only 15 scales had been supplied, the Directorate did not inform the D. G. S. & D. till February, 1950 that further indents should be cancelled or their supply withheld. The Committee could see no reason for this delay. They desire that this matter should be investigated further and responsibility fixed for this lapse which resulted in loss to Government.</p> <p>The Committee also note that no decision has yet been taken regarding the disposal of these scales either through the D.G. S. & D. or otherwise. They would suggest that an early decision should be taken to dispose of these scales, which has already been considerably delayed and a report submitted to them in due course.</p>
13	31	do.	<p>The Committee feel that inspection of all cables intended for the P. & T. Department could well be undertaken by the P.&T. Department itself especially where P. & T. workshops were stated to be equipped with satisfactory arrangements for testing purposes.</p>
14	32	do.	<p>The Committee note that this matter is under consideration of the D.G.S. & D. and the P. & T. Department and trust that an early decision will be reached after taking their views in para 31 into consideration.</p>
15	33	do.	<p>The Committee would also reiterate that stores should be inspected in all cases, as acceptance of manufacturer's test reports without actually testing the stores is always fraught with risk.</p>
16	36	<p>Transport & Communications</p> <hr/> <p>D. G. P. & T.</p>	<p>The Committee trust that the P. & T. Department will ensure that cases of such unnecessary purchase of stores do not recur in future.</p>

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17	39	Transport & Communications <hr/> D. G. P. & T.	The Committee trust that early and effective steps will be taken for the modernisation of the workshops to increase their output with a view to bring down the high overheads. In the meantime, efforts should also be made to utilise all the machines in the workshops to their optimum capacity.
18	41	do.	The Committee view with disfavour the tendency to exceed the prescribed monetary limit in respect of works undertaken by the various P. & T. Workshops. They desire that this tendency be stopped.
19	44	do.	The Committee would like to watch through future Audit Reports the position regarding the working of the time-limit laid down for the closure of work-orders.
20	46	do.	The Committee would point out that though the number of cases of frauds and the amount involved appears to be small in comparison with the total volume of business transacted, the proportion of cases in which employees of the Department were involved still preponderates and the cases where disciplinary action was not finalised, are numerous.
21	47	do.	The Committee would like to be informed of the final outcome of the proposals for increasing the number of Inspectors according to a phased programme with a view to reviving second inspection and how far these have proved effective.
22	48	do.	The Committee would like to watch the practical effect of the working of all the measures taken to eliminate frauds in savings bank branches through future Audit Reports.
23	54	do.	The Committee regret to observe that disregard of rules regarding the proper upkeep of the Savings Bank Accounts both by the Head Office and the sub-Post Office facilitated the fraud in this case. They trust that rules and regulations will be strictly observed in future and the

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Departmental Officers during the course of their local inspection of the Head and Branch Post Offices will invariably review the position to ensure that there had been no deviation.

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| 24 | 57 | Transport &
Communications
<hr style="width: 100%; border: 0.5px solid black; margin: 0;"/> D.G.P.&T. | The Committee would like to be informed in due course of the final outcome of the case mentioned in para 17 of Audit Report, 1959. |
| 25 | 60 | do. | The Committee need hardly emphasise the necessity of prompt and adequate disciplinary action being taken against the delinquent officials to safeguard not only the financial interest of the State but also the integrity of the Services. One of the reasons for delay in some cases was stated to be the long time taken by the Courts and Police in returning the documents. The Committee suggest that close liaison should be maintained by the Department with the Police in such cases. As suggested by the Committee on previous occasions while commenting upon such delays, whenever original documents were required to be filed with the Court, the Department concerned should invariably keep photostat copies of such documents as have got an important bearing on the disposal of the case involving disciplinary action against the delinquent officers. |
| 26 | 63 | do. | The Committee are concerned over the continuance of the existing arrangement for the conveyance of mails without any formal contract as it is fraught with risk and does not in any manner indemnify the Government against any possible losses etc. They trust that it will be possible for the P & T Department to finalise the contract with the contractors without any further delay. |
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27	64 Transport & Communications <hr/> D.G.P.&T.		The Committee suggest that the Government should give earnest consideration to the proposal put forth by the P&T Department to obviate the difficulties experienced in executing contracts with private operators for carriage of mails.
28	66 Do.		The Committee should be informed of the final outcome of the proposals to minimise the delay in the issue of trunk call bills and how far these have helped in improving the situation by the time they next take up this matter.
29	68 Do. <hr/> All other Ministries		The Committee regret to observe that despite their repeated comments made in their 13th and 22nd Reports (First Lok Sabha) and 1st Report (Second Lok Sabha), the position regarding the liquidation of the outstanding telephone revenue has not shown any substantial improvement. As a Commercial Department the P&T Department should be business like in its methods to bring down the outstandings. The Ministries and Departments of the Government of India should also pay off the telephone dues within the stipulated period and set an example to private customers.
30	71 Transport & Communications <hr/> D.G.P.&T.		The Committee suggest that to save time the question of recovery of the arrears of rent for telegraph and teleprinter circuits from other Government Departments may be dealt with at a high level inter-ministerial meet which should be attended by the representative of the associate Finance also. As regards the dues from Newspapers and 'Other Parties', the Department should take recourse to the relevant penalty clauses in the contract form and enforce recovery from all defaulters as early as possible.
31	74 Do.		The Committee feel that action should have been taken to withdraw telegraph and teleprinter facilities from the Agency in March, 1956 itself when the Agency

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			defaulted in payment of both the arrears and the current dues and thus the loss ultimately sustained by the P&T Department could have been minimised.
			The Committee would, however, like to be informed of the final outcome in this case after the liquidation proceeding was over
32	79	Transport & Communications ----- D.G. P. & T.	In the opinion of the Committee the arrears especially in regard to clearance of unposted items are still fairly heavy. With such a large number of unposted items, the accounts of the policy holders will not be accurate and up-to-date which will in turn lead to delay in the settlement of their claims. The Committee would, therefore, emphasise the imperative need to clear up these arrears and ensure that accumulation of unposted items does not recur.
33	82	Do.	The Committee desire that the P&T Department should consider the possibility of fixing a time-limit within which all the cases of disciplinary action, pending with the Department or Police should be got settled.
34	85	Do.	The Committee find it difficult to accept the plea put forth by the D.G. P&T in this case. In their opinion over-indenting of stores, be they susceptible to loss or not, should be avoided by the Department as it locks up funds unnecessarily. They trust the Department will take steps to prevent this in future.
35	88	Do.	(i) The Committee consider the plea of urgency hardly tenable in this case, as the contractor was allowed to delay supply of stitched garments upto December, 1954, although the work was required to be finished within two months according to the agreement signed on the 12th February, 1954. Evidently, the Manager of the Depot did not act with due caution despite the instructions of the Assistant Director, Postal Services not to issue materials exceeding the amount of security

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and earnest money paid until the Revenue Authorities' report was received. They understand that the Managar retired in January, 1955 and the Law Ministry had opened that he could not be proceeded against under Article 351-A of the Civil Service Regulations as the departmental action was not instituted within a year of the date the official was last on duty. The Committee would like to know the circumstances under which action was not taken in time and what action has been taken against the person responsible for the delay.

(ii) The Committee further understand that the decree against the contractor has been awarded by the high Court. They would like to be apprised of the progress made in the realisation of the decretal amount from the contractor.

36 90 Transport &
Communications
D.G.P.&T.

The Committee are not satisfied with the explanations furnished in this case. They do not agree with the contention of the D.G.P.&T. that the Directorate was mainly concerned with the writing off of the loss and not with the removal of the Branch Post-master. As such, the officers dealing with this case in the Directorate and the Circle did not look into the latter aspect. The Committee feel that the Directorate should have seen whether action on the case was complete in all respects and if not, pointed out the omissions to the appropriate authorities.

37 92 Do.

The Committee, consider that the disciplinary aspect of the case should be pursued.

