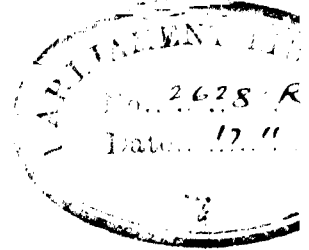


PUBLIC ACCOUNTS COMMITTEE
1952—53

FIFTH REPORT



[Appropriation Accounts (Railways)
and
(Posts & Telegraphs) 1949—50]

VOL. I—Report



PCO-0(60)

PARLIAMENT SECRETARIAT
NEW DELHI
February, 1953

CORRIGENDA II

Fifth Report of the Public Accounts Committee on the Appropriation Accounts (Railways) and (Posts & Telegraphs), 1949-50—

Vol. I—Report.

Page 1, Para 4, line 3: *for '1.158' read '11.58'*

Page 3, Para 6, line 5: *for 'shonw' read 'shown'*

Page 7, Para 13, sub-para 6, line 22: *for 'msut' read 'must'*

Page 19, Para 35, line 1: *for 'Fawhar' read 'Jawhar'.*

CORRIGENDA

Fifth Report of the Public Accounts Committee on the Appropriation Accounts (Railways) and (Posts & Telegraphs), 1948-50

- Page 6, Para. 13, line 1: for "meta" read "metal".
- Page 7, Para. 13 (sub-para. 6), line 14: for "ahould" read "should".
- Page 10, Para. 16, line 1: for "ou" read "out".
- Page 10, Para. 17, penultimate line: for "actu" read "actual".
- Page 24, Para. 48, line 1: for "Account" read "Accounts".
- Page 31, Para. 61 (sub-para. 2), line 3: for "office s a d" read "officers and".
- Page 51, Heading: for "APPENDIX" read "APPENDIX I".
- Page 55, column 1, Para. 19 of the Report: Insert the figure "6" in the blank space.
- Page 59, Item 12, column 2: for "1948-94" read "1948-49".
- Page 59, Item 14, column 1: for "11" read "14".
- Page 68, Item 42, column 5, line 1: delete "ni".
- Page 70, Item 48, columns 2 and 3: Insert the following under columns
- | | |
|------------------|------|
| 2 | 3 |
| _____ and _____: | |
| "1948-49(I) | 128" |
- Page 73, Item 61, columns 1 and 2: Insert "61" under column 1 and for "948-49" under column 2 read "1948-49".
- Page 78, Item 69, column 5, sub-para. (ii): for "amoun " read "amount".
- Page 79, Item 75, column 6, line 4: for "All-" read "Allo-".
- Page 87, Item 98, column 6, line 1: for "organ-" read "organi-".
- Page 118, Appendix XIV—In the last line: for "ing" read "ling".
- Page 122, Appendix XVII, line 5: for "rnified" read "unified".
- Page 124, Appendix XVIII, line 1: for "ach,i" read "each".
- Page 124, Part (a) of the Statement: for "xbelow" read "below".
- Page 124, Part (b) of the Statement: for "Ecess" read "Excess".
- Page 127, under the column 'Total': for "12,43" read "12,47" and for "1,21,04*" read "10,21,04*".
- Page 142, Appendix XXII—In the last line: for "1 e" read "1948. In the".
- Page 149, Appendix XXVII, Para. 2(ii): for "quarter" read "quarters".
- Page 161, Appendix XXXIV, Para. 8, line 8: for "poistion" read "position".
- Page 165, Appendix XXXVII, Subject Heading—line 1: for "qin" read "in".
- Page 165, Appendix XXXVII, Subject Heading—line 2: for "due elinnt" read "delinquent".
- Page 179, Appendix XLI, Para. 3, last line: for "ollowing" read "following".
- Page 175, Appendix XLII, Para. 4, line 14: for "cofirmed" read "confirmed".
- Page 178, Appendix XLIV, Para. 5, line 3: for "irrecoverabl" read "irrecoverable".
- Page 197, Appendix LVII, Subject Heading—line 2: for "Report—1951" read "Report, 1951—".
- Page 207, Appendix LX—Item 26, column 4, line 5: for "plannin" read "planning".
- Page 207, Appendix LX—Item 26, column 4, line 6: for "prog-" read "pro-".
- Page 208, Appendix LX—Item 30, column 4, line 1: for "ar" read "are".

Composition of the Public Accounts Committee, 1952-53

Shri B. Das—*Chairman*

MEMBERS

2. Pandit Munishwar Dutt Upadhyay
3. Shri M. L. Dwivedi
4. Shri Shree Narayan Das
5. Shri Tribhuan Narayan Singh
- *6. Shri H. V. Pataskar
7. Shri Ranbir Singh Chaudhuri
8. Acharya Shriman Narayan Agarwal
9. Dr. Mono Mohon Das
10. Pandit Krishna Chandra Sharma
11. Shri Uma Charan Patnaik
12. Shri V. P. Nayar
13. Shri B. Ramachandra Reddi
14. Shri G. D. Somani
15. Shri K. M. Vallatharas.

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

Shri S. L. Shakti—*Deputy Secretary*.

*Elected on the 11th December, 1952 *vice* Shri Balwant Nagesh Datar resigned.

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I

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to submit the report on their behalf, present this Fifth Report on the Appropriation Accounts (Railways) and (Posts and Telegraphs) of 1949-50 and Audit Reports thereon.

2. The Appropriation Accounts and Audit Reports thereon relating to the Posts and Telegraphs and Railways were laid on the Table of the House on the 30th May, 1952 and the 14th July, 1952 respectively. The Committee examined these Accounts during their meetings held in September and November, 1952.

The Committee appointed a sub-Committee to examine the various notes/memoranda furnished by the Ministry of Railways and the Posts and Telegraphs Department on the points arising out of the examination of the above Accounts ~~for want of time~~. The minutes of the First, Second and Third meetings of the sub-Committee containing a brief record of their deliberations are appended to this Report.

3. A brief record of the proceedings of each meeting of the Committee has been maintained and forms part of this Report. A statement showing the summary of the principal recommendations of the Committee is also appended to the Report.

The Committee place on record their appreciation of the great assistance given to them in their examination of the Accounts by the Comptroller and Auditor-General of India and his Officers.

II RAILWAYS

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

(In lakhs of rupees)

	Budget · Estimates	Revised Estimates	Actuals
Traffic Receipts (less refunds)	2,10,00	2,25,15	2,36,35
Miscellaneous Receipts	3,16	3,71	3,89
Working Expenses (including depreciation and payments to worked lines)	1,72,12	1,86,60	1,94,91
Miscellaneous Expenditure (including rebate paid to worked lines)	8,72	8,09	7,56
Interest Charges	22,88	23,15	23,18
Surplus	9,44	11,02	14,59
Contribution to General Revenues	4,72	7,00	7,00

The Accounts for 1949-50 are the second Accounts of the Railways in India for a complete year since the attainment of Independence and the partition of the country. In the year under review, the gross traffic receipts reached a new high level of Rs. 2,36 crores with a surplus of Rs. 14·59 crores. From this surplus, Rs. 7·59 crores was credited to the Depreciation Reserve Fund, after allocating Rs. 7 crores to the General Revenues.

Railway Reserve Fund.—The Railway Reserve Fund opened with a balance of Rs. 6·82 crores. Though at the time of budget, no transactions affecting this fund were expected, there was actually a small accretion of Rs. 9,391 during the year. This was made up of a credit of Rs. 675 and a *minus* debit of Rs. 8,716. The former represented the profit realised on the cancellation of investment made out of this fund in the Panchora Jamner Railway which was purchased on the 1st April, 1949. The *minus* debit was on account of the write-back of the amount which was debited to this fund in excess in the previous year to meet arrears of depreciation in respect of rolling stock replaced after 1942-43. At the end of the year, the balance in the fund stood at Rs. 6·82 crores of which an amount of Rs. 15·56 lakhs was invested in shares of branch lines and Rs. 10·23 lakhs in loans to branch line companies.

Depreciation Reserve Fund.—The total contribution to the Depreciation Reserve Fund during the year under review amounted to Rs. 19·17 crores. This was made up of a contribution of Rs. 1,158 crores from the ordinary working expenses and the balance of Rs. 7·59 crores represented the amount transferred from the surplus of the year. The withdrawal from the fund amounted to Rs. 11·73 crores. The net accretion to the fund during the year thus amounted to Rs. 7·44 crores. The closing balance on the 31st March, 1950 stood at Rs. 109 crores as against 101·58 crores on the 31st March, 1949.

Railway Betterment Fund.—No appropriation from the surplus of the year was made to the Railway Betterment Fund during the year. An amount of Rs. 1·7 crores was withdrawn from the fund to meet expenditure on passen-

ger amenities. This was, however, offset by a credit adjustment of Rs. 1·75 crores representing the write-back of the expenditure incurred during 1948-49 on staff amenities and on unremunerative operating improvements costing not more than Rs. 3 lakhs on works which were in progress on the 1st April, 1949. This is as the result of a decision taken at the time of budget that the expenditure from the betterment fund should be restricted only to passenger amenities and that expenditure on works other than passenger amenities, which were still in progress on the 1st April, 1949 should not be charged to this fund. This resulted in a net accretion of Rs. 5·22 lakhs to the fund. Besides, an amount of Rs. 42·45 lakhs representing interest was also credited to the fund. The closing balance in the fund thus stood at Rs. 13·80 crores.

5. *Excess over voted grants.*—In the year under review, there were excesses in five voted grants, *viz.*, Nos. 4, 5, 8, 11 and 16 as against seven during the year 1948-49. The excesses are shown below:—

Item No.	Name of the Grant	Final Grant	Actual Expenditure	Excess
		Rs.	Rs.	Rs.
1	4.—Revenue—Working Expenses—Administration	22,21,38,000	22,45,82,451	24,44,451
2	5.—Revenue—Working Expenses—Repairs and Maintenance	66,43,01,000	67,88,38,193	1,45,37,193
3	8.—Revenue—Working Expenses—Operation other than Staff and Fuel	11,46,63,000	12,69,72,641	1,23,09,641
4	11.—Revenue—Working Expenses—Appropriation to Depreciation Fund	16,19,33,000	19,17,61,557	2,98,28,557
5	16.—Open Line Works—Additions	17,65,35,000	25,65,25,114	7,99,90,114

The reasons for the excess in each case have been explained in detail under the sub-head of the Grant concerned in the Appropriation Accounts of the Railways in India—Part II.

There was also an excess over the final appropriation in the case of interest on capital which is treated as 'charged expenditure'. The excess is indicated below:—

Final Appropriation	Actual Expenditure	Excess
Rs.	Rs.	Rs.
23,15,01,000	23,17,23,044	2,22,044

The Committee observe that for the reasons recorded in para. 2 of the Report of the Public Accounts Committee, 1950-51, the above excesses need not be regularised by the Parliament. They would, however, reiterate the recommendations made by them in paras. 18 and 12 of the First and Second Reports on the Accounts for 1948-49 respectively.

6. *Accuracy of budgeting and control over expenditure.*—The Accounts under review show a net excess (over the total grant) of about Rs. 35 lakhs or 0·15 per cent. under Revenue Expenditure. Under Capital, Depreciation

Reserve Fund and Betterment Fund, there was a saving of about Rs. 16·42 lakhs or 26·27 per cent. The details of excesses and savings are shown below:—

(In lakhs of rupees)

	Total grant and appropria- tion	Saving (—) or Excess (+)	Percentage of Col. 3 to 2
1	2	3	4
Expenditure charged to Revenue	2,32,88	+35	0·15
Expenditure charged to Capital, Depreci- ation Reserve and Betterment Funds	62,50	— 16,42	26·27

Savings on voted grants.—Savings occurred in thirteen out of twenty voted grants.

7. *Budgeting and Control over expenditure.*—From a reference to the Memorandum showing the financial results of the working of the Railways for 1951-52 placed before the Committee (Cf. Appendix III), they note that the improvement in estimating under the various heads taken as a whole which was noticed for the year 1950-51 has been maintained during the year 1951-52 and further that the tendency to over-estimate expenditure has become less marked. The Committee also note that the Accounts under report afford several instances in which there have been excesses over estimates.

On the B.B. & C.I. Railway, an excess of Rs. 26·47 lakhs which was explained by the Ministry as due to increase in the cost of stores and to greater consumption of stores occurred over the final appropriation. The Committee find that the excess was caused by the negligence on the part of the Railway Administration in not having properly watched the progress of expenditure at the time of framing the final estimates. The Committee consider that the Railway Administration should aim at closer estimating.

Another excess of Rs. 11·84 lakhs on the E.I. Railway was explained as due to short provision of freight on Railway material at public tariff rates. The Committee are not satisfied with the explanations given by the representatives of the Railway Board and note that the Railway Administration did not exercise proper vigilance at the time of the preparation of the final estimates. The Committee feel that it is essential that assumptions should approximate to facts as far as possible.

The Committee also note that E.I. Railway failed to make any provision in the budget for special expenditure in connection with the *Kumbh Mela*. The provision of Rs. 5·70 lakhs in this behalf made in the final estimates proved entirely inadequate as the actuals exceeded this provision by Rs. 6·36 lakhs. The Committee regard it as a lapse on the part of the Railway Administration even in routine anticipations of important seasonal traffic in connection with such well-known fairs as the *Kumbh Mela*. The Committee hope for improvement in this respect in future years.

The Committee further note from the 50 cases showing the defects in budgeting enumerated in Annexure B to the Appropriation Accounts of the Railways in India, Part I and Chapter I of the Railway Audit Report, 1951 that there have been omissions on the part of the various Railway Administrations in over-estimating or under-estimating their requirements

which subsequently led to surrenders or supplementary grants or excesses over the voted grants. The Committee also find that in certain cases referred to in the Audit Report, the expenditure bore no relation with the revised estimates indicating inadequate review of the trend of expenditure towards the closing months of the year. The Committee attach great importance to the high standards of budgeting being attained by the Railway Administrations and the necessity of obtaining grants sufficient to cover expenditure which may be incurred within a year.

The Committee urge that the Railway Board should once again draw the attention of the Railway Administrations to the observance of financial checks and safeguards and the application of rigid financial control, as the immediate responsibility for seeing that the budget is properly planned and expenditure is kept within sanctioned grants rests on the Railway Board.

The Committee observe that the Memorandum referred to in the commencement of this para. had not been verified by the Audit authorities before its submission to the Committee. The Committee desire that in pursuance of standing instructions contained in the Office Memorandum from the late Finance Department, No. D. 6368-F, dated the 17th August, 1934 and as reiterated *vide* the Office Memorandum from the Ministry of Finance No. F. 10 (10)-B/52, dated the 31st October, 1952, all notes/memoranda containing facts and figures which are susceptible of verification by Audit authorities should, in the first instance be referred to audit authorities before being submitted to the Committee. The Committee desire that these instructions should invariably be followed by the Railway Board in future.

8. *Delay in the submission of the Appropriation Accounts of the Railways for 1949-50.*—The Committee note that these Accounts were due for submission to the Comptroller and Auditor-General of India on the 15th March, 1951, but were not submitted by the Railway Board until more than a year later. The Committee would like to invite the attention of the Railway Board to the recommendations contained in para. 5 of their First Report and urge that the Railway Board should in future adhere to the prescribed programme for the compilation and submission of the Accounts to the Comptroller and Auditor-General of India.

9. *Changes in the financial and accounting structure of the Railways.*—The Ministry of Railways submitted for information of the Committee a Memorandum setting forth the various changes which the Railway Board had introduced in the financial and accounting structure of the Railways with effect from the Accounts of 1952-53 as a result of the integration of the Indian Railways into a unified undertaking, owned and worked by a single Central Authority (Appendix XVII). The Committee were informed that the Railway Board had not consulted the Comptroller and Auditor-General of India in the matter of introduction of the contemplated changes. In this connection, the Committee would like to draw the attention of the Railway Board to the provisions of Article 150 of the Constitution which lays down that 'the accounts of the Union * * * shall be kept in such form as the Comptroller and Auditor-General of India may, with the approval of the President, prescribe'.

The Committee regret that the Ministry should have failed to consult the Comptroller and Auditor-General in introducing any changes in the Accounting structure and trust that such lapses will not occur in future.

10. *Vizagapatam Port.*—The Committee find that a sum of about Rs. 8 lakhs is outstanding from the Ministry of Defence on account of the rent for the land leased to the late Defence Department. The Committee were informed

that the matter was still under correspondence between the Ministries of Railways and Defence. As the non-recovery of this amount is likely to increase the loss in the working of the Vizagapatam port, the Committee suggest that a high-level conference should be arranged between the two Ministries in order to arrive at an agreement for the final adjustment of this long outstanding amount. The Committee desire to be furnished in due course, with a report stating the action taken in the matter.

Losses, nugatory expenditure, financial irregularities, etc.

11. *Abandonment of Locomotive Building Works Project, Kancharapara.*—The Committee regret to observe that the various irregularities disclosed in Para. 19 of the Audit Report in regard to the payment of compensation claims to the contractors on the basis of arbitration and loss of cement, steel and furniture valued at several lakhs of rupees that followed in the aftermath of the abandonment of the project at Kancharapara as a result of the partition of the country are marked by wastage, neglect and incompetence of the Railway Officers who had handled the case. The Committee also find that in two cases even claims relating to items in respect of which the contractors had signed "No Claim" certificates previously were allowed to be referred to arbitration. The Committee observe that the Railway Administration should have insisted on the exclusion of these cases from the claims before agreeing to arbitration. They feel that it was a mistake on the part of the Railway Administration and can be cited as an example of 'careless stewardship' of the financial interests of the State.

The Committee also observe that the Officers especially the senior Officer of the rank of Deputy Controller of Stores through whose negligence the pilferage of stores was facilitated especially at a time when commodities like cement and steel were in great demand in the market in view of controls then prevailing have not been properly dealt with as the act of conveying mere displeasure of the Railway Board to him does not, in the opinion of the Committee, constitute an adequate punishment.

12. *Assam Rail Link Project.*—The Committee, while appreciating the national importance, and urgency which necessitated the expeditious execution of the Assam Rail Link Project, observe that paragraph 20 of the Audit Report has brought to notice that in a number of cases, the open tender system was not adopted in regard to contracts.

The Committee are cognisant of the difficulties that had to be encountered by the Engineering authorities in the earlier stages of the project and are not unmindful of their achievement in completing the work even in advance of the target date fixed for the completion of the project. Nevertheless they are not entirely satisfied that there was sufficient justification for dispensing with the tender system, particularly after the first working season. The Audit Report shows that out of 371 contracts amounting to Rs. 2.09 crores, 300 works of the approximate value of Rs. 1.7 crores were given out at negotiated rates and without inviting open tenders. The Audit Report has also brought out that it is not possible for Audit to say categorically that the negotiated rates have resulted in higher rates being paid than would have been paid had open tenders been called for. In order to assess to what extent, if any, the system of negotiated rates has led to any extra cost to Government, they requested the Railway Board to appoint a team of three officers consisting of an Engineer, an Accounts Officer and an Audit Officer, to investigate into a number of typical cases where open tenders were not called for. This team of Officers

submitted a report* which however, was found by the Committee to be vague and ambiguous and it was not possible to arrive at any definite conclusions on the basis of the report. The Committee, therefore, suggested that the investigating team should continue their work on the following lines:—

- (i) Select a few complete sections of the Rail Link involving higher rates and examine by a scrutiny of all the work orders relating to these sections and the relevant measurement books, whether the payments made were for work in excess of that involved in these Sections.
- (ii) In respect of (i) above, how much of the payments were at basic rates and how much at higher rates and in the latter case, to what extent were these higher rates justified?
- (iii) As regards the works executed in other sections of the Rail Link, an analysis should be prepared showing the number of works in respect of which payments were made in excess of the basic rate and the total quantity and amount involved therein.

As regards the personnel of the team, the Committee agree with the suggestion made by the Comptroller and Auditor-General that the existing Members may continue with the exception of the Engineer Member who should be replaced by a retired Engineer of the status of a Chief Engineer, Indian Railways.

The Committee reserve their judgement in these cases till the further report of the investigating team is available to them.

The Committee, however, suggest that in future in all cases where works are required to be carried out in any emergency, special procedure should be prescribed by the competent authority taking into account all the circumstances of the emergency. It is undesirable that a general permission to the authorities executing the work "to take all necessary measures to ensure that the project is fulfilled" should be given (as was stated to have been done in this case) and the extent to which the normal Code rules are to be relaxed should be precisely stated. Further, the authorities exercising such extended powers should be directed to leave sufficient contemporary record of facts to enable the investigating authorities in future to judge whether such powers have been judiciously exercised.

13. *Agreement with Swiss firm 'Schlieren' for the manufacture of all-metal light-weight coaching stock in India.*—The Railway Board entered into a twelve year agreement with the Swiss firm Messrs. Schlieren in May 1949 for the following purposes—

- (1) To give every assistance in establishing a factory for the manufacture of all-metal light-weight coaching stock in India.
- (2) To supply technical assistance by receiving in its factory and instructing technicians and engineers deputed by Government.

As a part of this agreement, it was also provided that Government shall place orders on 'Schlieren' for fabrication at their Works to Government's approved design, for not less than 50 coaches per year for the first four years of the agreement.

*The report of the Investigating Team submitted by the Railway Board being a voluminous document has not been printed as an Appendix to this Report.

As for payment of these coaches, it was provided that for the 2 prototype coaches, payment will be made on cost plus 10 per cent. basis. For bulk orders, the cost per coach will be calculated on the cost of fabricating the first 25 coaches audited by an auditor to be appointed by the Government of India with a 10 per cent. addition as profit margin. On the basis of the cost so established, a firm price will be determined which will hold for the first 4 years subject to the condition that if the prime cost fluctuates more than 5 per cent. either way consequential adjustments in price will be made. For subsequent orders, firm prices will be determined on the then prevailing costs.

For the technical aid part of the agreement the firm have been paid 8,80,000 Swiss Francs up to the date of the Audit Report, that is, in respect of the years 1949, 1950 and 1951. The only technical aid so far received has been that the design of the coaches had been finalised and that six members of the Firm's technical staff spent a period of about 13 months in this country at the expense of Government which later amounted to another 2 lakhs. They have also trained 3 draftsmen in their factory. The Committee agree with the view expressed in the Audit Report that the agreement should not have been executed even before the site of the factory was settled and financial arrangements completed for setting up the factory. The representative of the Ministry of Railways, however, explained that it was necessary to enter into an agreement with this firm before technical advice of any kind could be got from them.

If the main purpose of the agreement was to get advice and assistance for manufacturing this type of coaches, it was not necessary, in the opinion of the Committee, to bind Government to purchase a certain number of coaches from this firm over a period of years. It was explained that the placing of orders with the firm for manufacture of coaches was also a condition on which the firm insisted, before they would agree to give any assistance.

In respect of the supply of coaches, certain unusual conditions were incorporated in the agreement, namely, that 50 per cent. of the estimated cost of the coaches on order should be paid "with the placing of the orders". The story of these payments is interesting. Clause 6 of the agreement provided that the design of these coaches should be prepared by a team of Officers of the firm in consultation with the Government. They were then to manufacture in their firm 2 prototype coaches of this design. When these prototype coaches had been tested, Schlieren were to arrange for the production of the coaches. It transpired during the examination of the witnesses from the Ministry of Railways that there was considerable delay in finalising the design which was completed only in September 1950. It is not known when the manufacture of the prototype coaches was completed, when they arrived in India and when their tests were completed. In any case, it was extraordinary that an order should have been placed in January, 1950, that is even before the design was finalised, and an advance payment of Rs. 26 lakhs made on that account. It was explained that the placing of this order in January, 1950 was essential under the agreement. It would appear from the provisions made in clause 6 of the agreement that it was known that coaches of the design already manufactured by this firm would not be suitable for the conditions prevailing in this country, and that a separate design would have to be developed and tested. With this knowledge, it was certainly injudicious to have agreed to a condition that orders must be placed during the first four years of the agreement. The Committee take strong exception to the provision for advance payment. The payment becomes even more objectionable in view of the fact that it was made before the firm could possibly commence manufacture. The represent-

ative of the Ministry claimed that this payment was of the nature of an 'on account' payment. The Comptroller and Auditor-General characterised the payment as an advance pure and simple for the purpose of financing this firm and that it was not an 'on account' payment. The Financial Commissioner admitted that this was so. Even 'on account' payments are made on the security of the assets of the Company or by obtaining a bank guarantee. The Committee note with regret that the Ministry could offer no explanation for not taking either of these precautions in this case.

Clause 10 of the agreement provides that deliveries for the annual orders will be completed within the year. The Committee were informed that up-to-date (*i.e.*, November, 1952) only about 26 coaches had been received. This means that the firm had produced only 26 coaches over a period of two years after finalising the design. In the opinion of the Committee, clause 10 of the agreement has been infringed, and Government had cause for action under clause 15 of the agreement which provides that if the firm commits breach of any of the terms, provisions and agreements contained therein, Government shall, without prejudice to its other rights and remedies, be entitled to terminate the contract by giving six months' notice.

In spite of the defective performance on the part of Schlieren, a second order for 50 coaches was placed in 1951 and a payment of 28,75,000 Swiss Francs made in March, 1951 although not a single coach against the first order placed in January, 1950 had been received in this country on that date. The Committee record their disapproval of the action of the Ministry in having placed the second order and having given the firm further financial assistance.

As will be seen from the foregoing, the total payments made in respect of the coaches on order up to the end of July, 1952, were about Rs. 55 lakhs. Further payments appear to have been made since then, and the Financial Commissioner, when he appeared before this Committee on 3rd November 1952, informed them that the payments made up to that date totalled Rs. 96 lakhs. Against this, 26 fully furnished coaches costing about Rs. 52 lakhs had been delivered, and the Financial Commissioner stated that further coaches would be arriving at the rate of six per month. He assured the Committee that there would be no loss as a result of these advance payments.

The Committee has always held the view that 'cost-plus' contracts should be avoided except when they are inevitable. While there might have been at least some justification during an emergency, such as war, when firms had to enter new lines of business or even during ordinary times in case where an indigenous industry has to be developed, the Committee is emphatically of the view that such contracts should not be placed in other cases. In particular, it is wrong to enter into 'cost-plus' contracts, with foreign firms over which Government can have little control in respect of costs, and when even precise ascertainment of costs is likely to be difficult. In the preamble to the agreement with this firm, it has been stated that Schlieren have long and varied experience of manifold character in the manufacture of light-weight coaching stock. If that was so, this firm with considerable experience should have been in a position to quote a firm price once the design was finalised. The 'cost-plus' contract should not have been entered into with such a firm, as it has been the experience in the past that there is no incentive to economy in such contracts, and that Government has always to pay unnecessarily high prices. As was to be expected, the estimate of the cost in this case has been going up from time to time. In March, 1949, the estimated cost of an unfurnished coach was 1,10,000 Swiss Francs; in September 1951 it was 1,38,113 Swiss Francs. In November

1950, the estimated cost for a fully furnished 3rd class coach was given as 1,50,000 Swiss Francs, whereas in August, 1952, it was 2,15,800 Swiss Francs. This shows that the liability of Government is indefinite and increasing constantly. The Committee view this with great concern.

On the other hand, the cost of the fully furnished 3rd class coach of the conventional type, namely, under-carriage with a body built on it manufactured in the Hindustan Aircraft Factory is about Rs. 1,30,000/-. The representatives of the Railway Board assured the Committee that when the new design coaches are manufactured in the factory, which is being set up at Perambur, the cost of these coaches would be 'comparable' with the cost of the Hindustan Aircraft Factory coaches.

In conclusion, the Committee consider that the main defects in this contract and its working are the following:—

- (1) Entering into an agreement even before the site of the factory was decided upon.
- (2) Entering into a commitment binding Government to purchase a certain number of coaches from the firm over a period of years.
- (3) Making of payments which amounted to financial assistance to the concern without security or bankers' guarantee not only in the first year but also in the second year even though the first orders had not been complied with.
- (4) Undertaking of a financial liability of an undefined nature, without time-limit, based on a 'cost plus' contract.

The Committee strongly feel that such defects should be avoided in any future contracts to be entered into with suppliers. The Committee understand that the agreement with Schlieren is under revision. They, therefore, recommend that these comments should be immediately taken into account in carrying out such revision. The Committee further desire that they should be supplied with a copy of the new agreement as soon as it has been entered into.

14. *Eastern Punjab Railway—Loss by the Railway due to non-supply of bricks by the Contractors within the stipulated time.*—After considering the comments contained in Para. 27 of the Audit Report and further information furnished to them by the Railway Board (Cf. Appendices XXII and XXXIII) the Committee feel satisfied that the Divisional Superintendent concerned did not record specifically the certificate of 'no loss on account of late delivery of the material' as required under the rules at the time of ordering re-purchase of bricks at an additional cost of about Rs. 24,439 when the contractor failed to supply the bricks within the stipulated period and there could be no escape from the conclusion that the Railway Administration committed an error of judgement in this case. Further, there was no justification for not invoking the Risk Purchase clause in the contract, and effecting recovery of the loss from the contractors. The Committee note that in order to remedy such situations which place the Railway Administrations in an embarrassing position, the Railway Board have issued instructions to them that in all cases of extension of delivery dates as provided for in the contracts, such certificates should be specifically recorded by the competent authorities.

15. *Chittaranjan Locomotive Works—Review of Stores Accounts.*—The Committee view with concern the lack of care displayed in the maintenance of Stores Accounts of the project as disclosed in Para. 28 of the Audit Report which

inter alia refers to the 'serious defects' and 'confusion' in the upkeep of priced ledgers. The Committee pursued the matter with the Railway Board and wanted to know the latest position. The Committee considered the Memorandum furnished by the Railway Board in this respect (Appendix XXIII) and observed that the position as stated by them presented a general statement of the situation that led to the chaotic state of affairs in the Chittaranjan Locomotive Works and did not indicate the value of the stores which had not been checked so far. As desired by the Committee, the Railway Board submitted to them a further Memorandum stating the precise position of the Stores Account at the Workshops (Appendix XXXIV). As the figures relating to the adjustments made under the various Stores Suspense Heads of Account mentioned in that Memorandum had not been verified by the Director of Railway Audit, the Committee decided to defer further consideration thereof. They desire that a Memorandum setting forth the progress made in the maintenance of the Store Accounts at the Workshops should be submitted to them, in due course, after getting it scrutinized by the Director of Railway Audit.

16. *Recovery of heavy station outstandings.*—The Committee note that out of a sum of over Rs. 18 lakhs shown in para. 40 of the Audit Report as outstanding against the station staff on account of admitted traffic debits on the 31st March, 1950, about Rs. 6 lakhs have already been recovered and the latest position of such debits is about Rs. 12 lakhs. The Committee express concern over such a huge amount being outstanding for recovery from the station staff. The Railway Board have contended that in view of the limitations of the total amount that can be realised monthly from the salaries of individual staff imposed under the Payment of Wages Act, 1936, there is bound to be some delay in the realisation of the full amount. The Committee apprehend that in a great number of cases, the amount of outstandings might be very large and may even exceed the pay of the Railway Servants and as such the chances of full recovery may be very remote. The Committee desire that the Railway Board should impress upon the various Railway Administrations to effect recoveries of the outstanding debits from the station staff expeditiously and no consideration should be shown to them in the matter of postponement or write off of such recoveries. The Committee also suggest that the Government should explore the possibilities of recovering these outstandings, if necessary, by amending the Payment of Wages Act, 1936. The Committee desire that the Railway Board should take all steps considered necessary to safeguard the interests of the Public Exchequer.

17. *Agreement with TELCO for the manufacture of Locomotive Boilers.*—An agreement dated 20th August 1947, was entered into by the Railway Board with TELCO for the manufacture and sale of locomotive boilers and locomotives required by the Government. The agreement is to run for 16 years from the 1st June, 1945. In terms of the agreement, the production of boilers during different periods of the contract was programmed in the manner indicated below:—

- (i) A minimum of 50 boilers during period 'A' covering twelve months from 1st June, 1945.
- (ii) During period 'B', that is one year from the end of period 'A', the production was to be "stepped up consistently so that by the end of this period the Singhbhum Shops are capable of manufacturing at a rate of 100 boilers a year".

During periods 'A' and 'B' the price of boilers was to be the actual cost of production.

- (iii) Period 'C' was to commence with the end of period 'B' and continue for the rest of the period of the contract. During this period, the price was to be a fixed one.

The working of this agreement was commented upon in para. 22 of the Railway Audit Report for the year 1947-48 (post-partition). It was discussed by the Committee in their sessions during January, 1951 (*vide* paras. 61-63 of their Report for 1950-51) and September, 1951 (*vide* para 20 of their Second Report, 1951-52).

The agreement was designed evidently to encourage the production of boilers in India, but, there are some extraordinary features in the agreement. At the outset, the Committee do not question the justification for paying to this firm a price higher than what it would cost to import similar boilers from abroad. Payment of subsidy is unavoidable when a new industry is being established, but the provisions made for payment to TELCO are so complicated that they defeat the very purpose of the subsidy. Although, TELCO were entitled to the actual cost of production during periods 'A' and 'B' the provisions for payment to them stipulated that during these periods they were to be paid only the landed cost of similar boilers. The difference between the actual audited cost of boilers and this landed cost was to be transferred to a Boiler Development Account, that is, although it costs TELCO more to manufacture these boilers, they were re-imbursed by Government only a part of their cost. As TELCO did not get full payment of the cost of manufacturing those boilers, they had to find the finance to meet this difference and this could be done only by increasing their capital. In short, they had to capitalise their losses. It is clear that this was the intention as the amount standing to the credit of the Boiler Development Account is shown as item (viii) of Annexure II to the First Schedule to the Agreement which deals with the computation of capital. The increase of capital to the extent of the amount transferred to the Boiler Development Account can only be found by raising new capital. As the balance in the Account is a liability of Government to be cleared over a period of years, *vide* para. 3 of the First Schedule, it would have been far simpler for Government to pay the actual audited cost of production from time to time instead of withholding a part of it. The only effect of the complicated arrangement of having a Boiler Development Account which itself is a liability of Government, has been to blur the true nature and magnitude of the transactions without any obvious advantage either to Government or to TELCO. In fact, Government appear to have realised the defect in this arrangement and they, therefore, decided in September, 1949, to make payments on the basis of cost claimed by TELCO and to do away with the Boiler Development Account by paying to TELCO the balance in the Account up to that date. To finance the subsequent transactions of the firm, preference shares were issued by the firm to the extent of Rs. 2 crores and were purchased entirely by Government.

The agreement has been in operation for seven years and although the basis of Government's ultimate liability for periods 'A' and 'B' is the actual audited cost, nothing has so far been done to determine the costs finally in respect of the actual cost period. The Committee recommended in paragraph 20 of their Second Report for 1951-52 that the provisional payments made in respect of periods 'A' and 'B' should be finalised urgently and that the question of fixation of price for period 'C' should be expedited. The Committee also called for a note outlining the arrangements agreed upon with TELCO. The Railway Board furnished in September, 1952, a note on the pricing of boilers under order with TELCO (Appendix XXXII).

According to this note, the very basis of the commencement of period 'C' has been changed. Under clause (5) of the agreement, periods 'A' and 'B' are periods of 12 months each and period 'C' was to begin at the end of 2 years from the commencement of the agreement, i.e., from 1st June, 1947. According to the new arrangement described in the above note, period 'C' is to commence only when full production is attained. Even to-day, that is more than seven years after the commencement of the agreement, provisional payments are being made. These are not based on even an approximate check of bills presented, but are *ad hoc* payments. An *ad hoc* payment of Rs. 20 lakhs was thus made in January, 1951, Rs. 16 lakhs in July, 1951 and Rs. 11 lakhs in March, 1952.

It has been claimed that the fixed price period has not yet commenced although it should have commenced from 1st June 1947, under the original agreement, and this period was further extended up to January, 1949. In the note of the Railway Board, referred to above, it has been stated that the period 'B' is to continue until full production has been established. If so, there can be no question of TELCO getting any profits during this extended period 'B' as all payments during this period should be limited to cost without profit. Nevertheless, TELCO have assessed for themselves a profit of Rs. 7 lakhs and included it in their accounts for the years 1949-50 and 1950-51, and the Government of India have agreed that they may retain this profit. Details of this calculation of Rs. 7 lakhs are not known. It is presumably 7 per cent. per annum on the capital, which is admissible only in period 'C'. This would mean that while for the purpose of earning profit, period 'C' is supposed to have already started from 1949-50, the Government is still paying to the firm on the basis of actual cost and not on fixed price. The profit element can accrue under the terms of the agreement only when the fixed price period commences.

All these complications have arisen because there has been undue delay in finalising costs for periods 'A' and 'B' and in coming to a business-like decision with regard to the commencement of period 'C'. The representative of the Railway Board admitted that the agreement entered into with TELCO was a complicated one and that their own expectations regarding the execution of the contract did not materialise, and that moreover, they did not see any likelihood of the firm attaining the full production of boilers by December, 1952, as per undertaking given by them. The Committee repeat that it is most unsatisfactory that payments over this period of 7 years are still treated as provisional and that actual cost has not yet been worked out and accepted by Government. If there are difficulties in reaching agreement on cost, the matter must be referred for arbitration.

TELCO manufacture also road rollers, underframes, etc. and the need for efficient and accurate cost accounting and their check on behalf of Government is all the more necessary so that the costs are properly allocated among the several contracts.

The Committee regret to observe that while under the terms of the agreement the periods 'A' and 'B' are each for one year only, the Railway Board have since agreed to link these periods with the production plan also. This is mainly responsible for the extension of period 'B' from time to time and has clearly worked to the advantage of TELCO.

While on this subject, without pronouncing any opinion on the subject of nationalisation of industries as such, it appears to the Committee that in the case of an industry which caters entirely for Government purposes, such as the

Locomotives or the Ammunition Factory, there is obviously a strong case for the State-ownership and management of such industry. The arguments may be different in the case of an industry which caters only partially to the needs of Government. But in the case of an industry catering wholly to the Government requirements, the assessment and payment of profits has hardly any meaning. The Committee trust that Government will give due consideration to this view and come to an early decision on the advisability of their taking over from TELCO the manufacture of boilers and locomotives, and running it as a State-owned Industry. If necessary, the Government can invite participation of private capital in such State-owned concerns in the shape of Debentures.

18. *Write-off of demurrage and wharfage etc.*—The Committee do not regard with favour, in view of the present conditions of shortage of rolling stock, the practice of indiscriminate waiving of wharfage and demurrage charges by the Railway Officers. They desire that the Railway Board should issue instructions on the subject to the Railway Administrations asking them to take every possible care that while sanctioning the waiving of such charges, the interests of the Exchequer are duly safeguarded.

19. *Unwieldy growth of Suspense Balances.*—The Committee find that despite the note of warning against the danger of allowing suspense balances to grow unwieldy sounded by them last year, in para. 16 of their Second Report (1951-52), much appreciable progress has not been made by the various Railway Administrations in the clearance of the suspense balances. The Committee hope that it will be possible at an early date to clear the debits and credits allocated to the various Suspense Heads, but they would, nevertheless warn all the Financial Advisers and Chief Accounts Officers on the Railways that the danger of growth in suspense balances is one which should be jealously guarded against.

20. *Stock position on the Railways.*—The Committee considered the Memorandum on the rationalised distribution of stocks on the Railways undertaken by the Railway Board in the light of the recommendations made by the Shroff Committee (Appendix XV). They note that a net reduction of Rs. 3.56 crores in the value of surplus stores has been effected by the Railway Administrations. The progress made in effecting further reduction in the stores balances on the Railways will be watched through the next Audit Report.

21. *Separation of the Financial and Accounts Functions on the Railways.*—The Committee considered at some length the Memorandum furnished by the Railway Board on the question of separating the Financial and Accounts functions on the Railways (Appendix XVI). They decided to take up the matter at the time of examination of the next year's Accounts.

22. *Petty frauds and misappropriation of funds.*—The last Committee desired to know the instructions issued by the Railway Board to the Railway Administrations in regard to the handling of Government money by the Railway Staff and fixing of responsibility in the event of losses. From a perusal of the copy of letter dated the 13th January, 1952 issued by the Railway Board to the General Manager, O.T. Railway (Appendix XIV), the Committee note that the Railway Board instead of issuing specific instructions to the Railway Administrations on this important point have merely drawn the attention of the late O. & T. Railway to the recommendations contained in para. 22 of the Report of the Committee which examined the Accounts of 1946-47, and requested the Railway Administration to issue the instructions. They desire that the Railway Board should reconsider the matter and issue specific instructions in this behalf as early as possible.

variations are to be deprecated as showing a certain degree of indefiniteness in estimating. Similarly, there have been instances of excessive supplementary grants being obtained and reappropriations sanctioned unnecessarily or in excess of requirements. There were eleven cases of injudicious re-appropriations causing excesses over allotments.

The Committee note that in pursuance of the recommendations made by them last year *vide* Para. 64 of the First Report, 1951-52 towards the raising of the standard of budgeting in the Posts and Telegraphs Department, which is a Commercial Department, certain measures have been devised by them in consultation with the Ministry of Finance (Communications) whereby the Department keeps itself constantly in touch with the figures of progressive expenditure with a view to ensuring that no expenditure is incurred in excess of the sum voted (Appendix XLI). They, however, feel that persistent over-budgeting which still exists under a number of items which have been brought to their notice indicate that severe pruning is required.

25. *Stores Balances.*—The Committee note that the value of stores in stock including the value of works in progress on the 31st March, 1951 was Rs. 4.35 crores against the revised limit of Rs. 3.5 crores. They were informed that the Department had commissioned a Swiss firm of experts to advise them about the method of provisions, planning and control of stores etc. The Committee desire that the Department should arrive at an early decision to fix a limit of the balances under the various categories of stores which are at present fixed on an *ad hoc* basis. The Committee observe that the maintenance of excessive stocks involves the tax-payer in a two-fold loss. There is the loss of interest on capital unnecessarily locked up, and loss arising from the danger of the stores becoming obsolete which may become unsaleable or which may have to be disposed of at a rate lower than the cost price. The Committee commend to the Posts and Telegraphs Department to consider the desirability of adopting the Stores system existing on the Railways with necessary modifications to suit their set-up.

26. *Renewals Reserve Fund.*—As recommended by the Public Accounts Committee in 1950-51 that a scientific method should be adopted to fix the annual contribution to the fund, the Posts and Telegraphs Department have set up a Committee to determine the average lives of assets. The Committee desire that they should be apprised of the action taken by the Department in the matter as a result of the recommendations of the Special Committee.

27. *Loss in a Head Post Office by substitution of bogus cheques in lieu of cash remittances to the Treasury.*—The Committee desire that in cases where the agency of contractors is employed for the handling of treasury work in the Post-Offices, adequate measures should be taken to ensure that in the event of misappropriation or loss of money which might exceed the amount of the security held by the Government, the entire amount could be recovered from them through a decree granted by a Civil Court.

In the present case, steps should be taken to recover the balance of the loss amounting to Rs. 73,500/- from the contractor after the judgement has been delivered by the court.

28. *Infructuous expenditure in connection with the issue of National Savings Certificates to Industrial Workers in the Bombay State.*—The Committee note that a nugatory expenditure of Rs. 3 1/2 lakhs was incurred in this case both in the Executive and Audit Offices for the issue and discharge of nearly 15 lakhs of National Savings Certificates. During the evidence rendered before the Committee, it was stated that in the matter of Small Savings

and National Savings Certificates, the Posts and Telegraphs Department merely acted as an agent on behalf of the Government of India in the Ministry of Finance who decided the policy regarding the issue of these certificates. In this particular case, it was decided at the highest level that the bonus due to the Industrial Workers should be payable in the form of certificates in which there was a lock-up period of about 18 months. But subsequently due to heavy pressure from the Labour Unions, the Government agreed to pay it in the form of 5-year and 7-year series of Certificates in which case there was no lock-up period and which thus permitted of their immediate discharge. It was hoped that by issuing such Certificates at least half of the money would remain in the hands of Government thus counteracting inflationary tendencies. The Committee find that it proved to be a hope against hope and the bulk of the Certificates were encashed soon after their issue. The Committee regret to observe that this case displays a lack of foresight and imagination on the part of Government in the formulation of policy which proved to be an utter failure and did not yield any tangible result in any way beneficial to the Government. On the contrary, they had to incur an expenditure of about Rs. 3 1/2 lakhs, in the vain pursuit of a policy which failed to take into account the psychology of the workers and after the policy decision had been taken, in yielding to the pressure brought upon Government by the Labour Unions. The very fact that Government had to amend the Ordinance to enable the certificates being cashed at any moment showed that Government were aware that the Certificates would not be held by the workers for long.

29. *Loss due to failure to observe the stipulated terms and conditions in the contract for supply of mustard oil.*—The Committee regret to observe that the whole transaction was managed in a most unbusinesslike manner as despite the stipulations in the agreement, the grainshop authorities failed to exercise the ordinary prudence of seeing that the price of the entire quantity of 300 maunds of mustard oil was not paid to the firm until the full quantity of oil of the approved quality had been taken delivery of. This failure on the part of the Officer-in-Charge of the Grainshop resulted in a loss of Rs. 8,900 being the price of 200 maunds of oil not supplied at all. The Committee desired to know the disciplinary action taken against the Officer. In the first instance the Posts and Telegraphs Department informed them as follows (Appendix XLIX):

“ No action has been taken against the Officer as it was felt that the Officer was not to blame. The Officer is at present holding the post of a Director of Telegraphs.

* * * * *

The cheque was handed over by the sub-Stores Clerk and he died on 19th August, 1949. The question as to why no action was taken against him is being pursued”.

The Committee being not satisfied with the above reply furnished by the Department, pursued the matter and persuaded them to reconsider the case for taking appropriate action against the Officer concerned. The Department have now stated as below (Appendix LVI):

“ The case is being reviewed and the Committee will be informed of the final action in due course ”.

The Committee deprecate the tendency on the part of the Posts and Telegraphs Department to have shielded a delinquent Officer through whose culpable negligence and laxity of supervision Government had to

suffer a loss of Rs. 8,900/-. The Committee do not find any extenuating circumstances for absolving the Officer of all responsibility in the signing of the cheque. They doubt whether the Officer had not in any way acted in collusion with the contractors. In their opinion, he definitely failed to discharge his duties properly and display any degree of ordinary prudence in not having satisfied himself that the commodity had actually been delivered by the contractors and accounted for and that it conformed to the specifications. The Committee, however, find that instead of taking any action against the Officer, he has been given further promotion as Director of Telegraphs. The Committee urge that as the matter has already been considerably delayed, the Department should, without any loss of further time, take suitable disciplinary action against the Officer.

30. *Irregularities in connection with the expenditure incurred by a Telegraph Engineering Division on account of jungle-cutting.*—The Committee were anxious to know the departmental action taken against the Engineer responsible for the irregularities disclosed in Para. 27 of the Audit Report. The Committee were informed that the case had been referred to the Union Public Service Commission about the punishment to be imposed on the Officer concerned. They were further informed that the delay was mainly due to the original documents being detained in the High Court of Assam where the contractors had filed an appeal against the judgement of the lower court. The Committee desire that the findings of the Union Public Service Commission should be reported to them.

On the basis of the evidence placed before them, the Committee are of the view that from the very beginning the Department have dealt with this case light-heartedly. Although, Government came to the conclusion in August, 1948 that the Officer concerned was guilty of gross error of judgement in not keeping his superior officers informed of the expenditure which he was incurring without proper authority yet disciplinary proceedings against the Officer were initiated only on conclusion of the Court case on receipt of the Court's judgement in October, 1950. The Committee regret that departmental action should have been delayed because all the original documents relating to the case had been filed in the High Court, and the matter was allowed to drag on for two to three years. The Committee also understand that the Officer was in the meantime promoted to a higher and responsible post while his case for disciplinary action was pending with the U. P. S. C. The Department was very well aware that the proceedings in the Civil Courts and High Courts generally take a long time and they should have arranged to keep photostat copies of the original documents before parting with them. The Committee cannot escape the conclusion that the Department has to be blamed for the dilatory procedure followed by them in this case. To countenance such a state of affairs and to eliminate any element of delay in instituting disciplinary action against an Officer, the Committee desire that, whenever original documents are required to be filed with a Court, the Department concerned should invariably keep photostat copies of such documents as have got an important bearing on the disposal of the case.

The Committee also deprecate the tendency of the department to promote officers to higher posts during the pendency of the disciplinary cases against them.

31. *Loss of Copper wire consigned by one Engineering Division to another.*—This case disclosed a loss of copper wire weighing 47,394 lbs. and valued at about Rs. 30,000/-. From the evidence given before them, the Committee

find that it is not possible for the Department at this stage to take any action to locate the stores as, in one case, the Store Lineman who took delivery of stores has since been discharged from service for certain other reason and, in the other case, the whereabouts of the contractor who received the stores are not traceable. The Committee desire that in order to prevent the recurrence of such thefts of telegraph wires which have of late become frequent, the Department should investigate into the existing procedure for receipt, issue and custody of stores by the Telegraph Linemen and ensure that there is no loophole which facilitates theft, pilferage, misappropriation, and fraud etc.

32. *Purchase of Underground Cables.*—In May, 1949, orders for 687 miles of paper-insulated armoured underground telephone cables of foreign origin were placed by the Purchase Organisation with the approval of the Posts and Telegraphs Department on a certain firm in India at a cost of Rs. 82 lakhs. The Committee were informed by the representative of the Ministry of Communications that on receipt of the first complaint that the jute coverings of the Japanese cable were peeling off, the Posts and Telegraphs Department made an expert investigation which revealed that "there was nothing seriously wrong with the cables as such but only the outer covering of jute had not been upto the standard". The Committee are anxious to know what steps have been taken by the Department to safeguard against losses due to shorter life of the cables. The Committee, however, understand that the Government of India have appointed a Committee to investigate into the matter. In the meantime, the Committee reserve their judgment about the merits of this transaction till the Report of that Committee is available.

33. *Cost accounting system in the Telegraphs and Telephone Workshops.*—The Committee observe that the cost accounting system followed in the Workshops is not based on scientific methods as no authorised schedules of materials and labour were maintained even for standard products. They were informed that the matter had been recently considered by the Department and they had decided to request the Chief Cost Accounts Officer of the Ministry of Finance to look into it and advise them as to how best the system should be worked out. The Committee desire that as a first step towards improving of the state of affairs in this direction, suitable machinery should be devised for the training of the subordinate staff in the methods of workshop and store-accounting systems. The Committee find that no attention has been paid to this important aspect of training on which depends largely the efficient working of any system.

34. *Calcutta Telephone Automatisation Project.*—The Committee find that the execution of this project which was estimated to cost about Rs. 13·4 crores was embarked upon by the Department without the preparation and sanction of the detailed estimates. The Committee observe that the Department clearly deviated from following the fundamental principle that no work should be commenced or liability incurred in connection with it until a properly detailed estimate had been sanctioned. Further, they find that there was no proper planning of the execution of the various stages of the Project. The machinery and stores began to arrive long before they could be used and no proper storage arrangements had been made for them. The Committee note that the cost of the Project as estimated in March, 1947 at Rs. 7·9 crores was raised to Rs. 13·4 crores in February, 1951. The Committee desire that greater care should be shown in framing detailed estimates for schemes. The Chief Engineer assured the Committee that the expenditure on the Project was not likely to exceed by more than 10 per cent. of the latest estimate. The Committee look forward to the next Audit Reports for a further picture being placed before them in this respect.

The Committee also observe that in this case the implications of the scheme, the magnitude thereof and the details of the amount of expenditure to be incurred thereon were not furnished to the Audit. The Committee take a strong exception to this lapse on the part of the Department and recommend that in future, in all cases of major works, the Audit authorities should be apprised of the financial and other aspects thereof so as to enable that Department to organise its own accounting and audit arrangements in time.

Justifying the maintenance of a large establishment consisting of 32 Gazetted Officers and 313 non-Gazetted Officers for dealing with the affairs of this Project, the representative of the Department stated that this staff apart from training the subordinate staff in the automatic system of telephone exchanges had to do a lot of planning etc. The Committee observe that when most of the work has so far been executed by outside agencies, they do not find adequate justification for the maintenance of such a large establishment. They desire that the Department should without further delay chalk out a definite plan for the training of the staff in the automatised work and also assess the magnitude of the work connected with planning and, thereafter, retrench the unnecessary staff to effect economy in expenditure. The progress of the Project should be reported to the Committee in the next Audit Report.

35. *Opening of a Public Call Office in Jawhar State now merged in the Bombay State.*—The Department submitted to the Committee a Memorandum explaining the circumstances that led to an infructuous expenditure amounting to Rs. 42,148 (Appendix XLIV). As this Memorandum contained some conflicting statements, the Committee desired that the Department should submit it through the Accountant-General, Posts and Telegraphs.

36. *Uneconomical expenditure on leasing rented accommodation for the location of Offices in Calcutta, Delhi, Madras and other big stations in India.*—The Committee note that the annual rental paid by the Department for their Offices situated in different big cities runs into several lakhs of rupees. Moreover, the accommodation provided at certain places is of very poor quality and even the Offices are scattered over a number of places which considerably hampers their efficient working as an integral unit. The Committee suggest that a Commercial Department like the Posts and Telegraphs should formulate a more rational and integrated policy in the matter of construction of buildings for accommodating Executive, Administrative and Audit Offices and gradually as the funds permit, embark upon the construction of essential buildings. Such a course, in the opinion of the Committee, would prove more economical in the long run.

37. *Demand for a separate Press for the Posts and Telegraphs Department.*—The last Committee recommended in para. 70 of their First Report, 1951-52 that in view of the grave shortage of the postal forms, the Posts and Telegraphs Department should either be provided with a separate Press which should solely cater to their needs or the control over the existing Press, which undertakes their printing work, should be vested entirely in that Department. The Committee understand that the matter is at present being dealt with at ministerial level in the Ministries of Works, Housing and Supply and Communications. They desire to know in due course the decision taken in the matter.

38. *Action taken on the recommendations of the Public Accounts Committee.*—The Committee noticed that in most of the cases copies of the memoranda/notes stating action taken by the Posts and Telegraphs Department pursuant to the recommendations made by the last Committee were furnished to them only a day or two before the date on which they were to examine the

Accounts relating to that Department. The Committee express their displeasure over the belated action taken by the Department. They would urge that the Department should, in future, initiate early action soon after the Report of the Committee is made available to them and all notes/memoranda should be submitted to the Committee after getting them verified by Audit well in advance of the date on which the examination of the next year's Accounts relating to the Department is put down.

NEW DELHI ;
Dated the 17th February 1933.

B. DAS,
CHAIRMAN,
PUBLIC ACCOUNTS COMMITTEE

IV

(1)

Proceedings of the Second * Meeting of the Public Accounts Committee held on Tuesday, the 2nd September, 1952.

The Committee met from 10 A. M. to 1-15 P. M.

Present

Shri B. Das—*Chairman.*

Pandit Munishwar Dutt Upadhyay
Shri M. L. Dwivedi
Shri Shree Narayan Das
Shri Tribhuan Narayan Singh
Shri Ranbir Singh Chaudhuri
Acharya Shriman Narayan Agarwal
Dr. Mono Mohon Das
Pandit Krishna Chandra Sharma
Shri Uma Charan Patnaik
Shri V. P. Nayar
Shri B. Ramachandra Reddi
Shri K. M. Vallatharas

} *Members*

Shri V. Narahari Rao, Comptroller and Auditor-General of India.

Shri P. H. S. Rao, Director of Railway Audit.

SECRETARIAT

Shri N. C. Nandi—*Deputy Secretary.*

WITNESSES

Shri F. C. Badhwar, Chairman, Railway Board, Ministry of Railways.

Shri S. S. Vasist, Member (Traffic), Railway Board, Ministry of Railways.

Shri N. C. Deb, Director, Finance (Budget), Railway Board, Ministry of Railways.

Shri K. Sadagopan, Director, Finance (Expenditure), Railway Board, Ministry of Railways.

Shri V. Subramanian, Under Secretary, Ministry of Finance (E. A. Department).

*First meeting relates to the Civil Accounts.

39. The Committee at the outset made a mention of the "Memorandum regarding the changes in the financial and accounting structure of the Railways with effect from the Accounts 1952-53" (Appendix XVII) which had been furnished by the Ministry of Railways and discussed at some length the constitutional propriety for its direct submission without being vetted by the Comptroller and Auditor-General. The Comptroller and Auditor-General contended that under Article 150 of the Constitution the order involving change in the form of accounting and structure of Audit should have been issued with his prior concurrence and he proposed to take up the matter with the Government direct.

The Committee expressed their dissatisfaction with the manner in which the Ministry had acted in this case.

40. The Committee then referred to the Memorandum forwarded by the Railway Ministry showing the financial results of the working of the Railways (Appendix III) and desired to know whether the figures enumerated therein had been accepted by Audit. The Comptroller and Auditor-General thereupon stated that the Ministry had not followed the procedure prescribed by the Government of India in August 1934 which stipulated that when a Memorandum was required to be sent to the Public Accounts Committee involving financial statements or figures, these statements ought to be sent beforehand to be vetted by Audit so that the facts and figures might not be questioned and be acceptable to both sides. The representative of the Ministry of Railways agreed to follow this procedure in future.

41. The Committee then took up consideration of the Appropriation Accounts of Railways for 1949-50 and the Audit Report thereon.

It was pointed out by the Committee that the Appropriation Accounts for 1949-50 were due for submission to the Comptroller and Auditor-General on the 15th March, 1951 but were not submitted until more than a year later. The Committee desired to be apprised of the reasons for the delay. The representative of the Ministry explained that the delay in the compilation of the Appropriation Accounts was due to dislocation in the accounting machinery as a result of partition and informed the Committee that many new innovations had since been introduced in the compilation of accounts so as to overtake these arrears. He assured the Committee that there would be some improvements in the accounts for the subsequent years and that all possible steps would be taken to expedite the closing of the annual accounts, and the compilation of the Appropriation Accounts.

42. *Page 372—of the Appropriation Accounts for 1949-50—Part II—Financial Review of the Vizagapatam Port.—Para. 2.*—The Committee desired to know whether the Terminal charges which formed the main source of Revenue of the Vizagapatam Port had since been revised and with what result. The representative of the Ministry informed the Committee that the recommendations in this respect were still under examination and that the delay was due to consultations with other Ministries. The Ministry, however, promised to apprise the Committee of up-to-date position on the following day.

Para 4.—The Committee wanted to know the present position about the recovery of outstanding dues amounting to about Rs. 8 lakhs from the Defence Department. The representative of the Ministry promised to furnish the information on the following day.

43. *Para 9 (i) of the Audit Report.*—The Audit Report revealed that out of the total excess of Rs. 31·43 lakhs under the heads *viz.*, ‘maintenance of locomotives’, ‘maintenance of carriage and wagon stock’ and ‘other expenses’, the excess of Rs. 26·47 lakhs was due to increase in the cost of stores and to greater consumption of stores. The Committee thought that it revealed negligence in watching the progress of expenditure. The representative of the Ministry explained that the main cause of the excess was due to increased output from the B.B. & C. I. Railway workshops which involved use of more stores. He informed the Committee that the necessary instructions were being issued to the Railways to be more vigilant in watching the progress of expenditure hereafter.

44. *Para 9 (vi) of the Audit Report.*—The Committee desired to know the reasons for the variations between the final estimates and actual expenditure under the head ‘Other Expenses’ particularly when the Tariff rates for carriage of Railway materials had been fixed by the Railway Board well in advance of the time of framing the Budget estimates. There had been an excess of Rs. 11·84 lakhs on the E. I. Railway which revealed negligence in the preparation of the final estimates.

The representative of the Ministry while explaining the position stated that originally the Railway materials were carried at the Railway material concession rate which was a fixed figure, and uniform for all classes of Railway materials irrespective of the nature of the material. But with the introduction of the Tariff rates different rates were announced for different classes of materials. As the new rates had been introduced a month or two back, it had not been possible to calculate the freight charges according to the new rates. In the absence of any data, the estimates were framed on the basis of the actuals of the previous financial year. The Committee were not satisfied with this explanation.

45. *Para 11 (viii) of the Audit Report.*—The Committee desired the Railway Board to explain as to why the Railway Administration failed so conspicuously to make any provision at all for the special expenditure in connection with the *Kumbh Mela* at Hardwar, and for the failure to provide adequately in the final estimates. The representatives of the Ministry admitted their failure to make any provision in this regard in the original estimates.

46. *Para 19 of the Audit Report.*—In regard to the Locomotive Building Works Project abandoned at Kancharapara the Committee pointed out that a number of irregularities had been committed by the officials which resulted in serious losses to Government and desired to know why lenient action had been taken against the officials who were responsible for gross negligence. The representative of the Ministry admitted that in this case there had been certain losses to Government and attributed them to abnormal conditions that prevailed in Calcutta due to the great Calcutta Killing when people lived under conditions when their thoughts were concentrated on their own families. He explained in some detail how the officers at fault who were still in service of Government had been dealt with. He also informed the Committee that whatever action the Government took was based on the recommendations of the Commission of Inquiry consisting of two General Managers and a Financial Adviser and Chief Accounts Officer.

47. The Committee then adjourned to meet again on the 3rd September, 1952, to resume further discussion on the Appropriation Accounts of the Railways.

(11)

**Proceedings of the Third Meeting of the Public Accounts Committee
held on Wednesday, the 3rd September, 1952.**

The Committee met from 10 A.M. to 1-10 P. M.

Present

Shri B. Das—*Chairman*

Pandit Munishwar Dutt Upadhyay

Shri M. L. Dwivedi

Shri Shree Narayan Das

Shri Tribhuan Narayan Singh

Shri Ranbir Singh Chaudhuri

Acharya Shriman Narayan Agarwal

Dr. Mono Mohon Das

Pandit Krishna Chandra Sharma

Shri Uma Charan Patnaik

Shri V. P. Nayar

Shri B. Ramachandra Reddi

Shri K. M. Vallatharas

} *Members.*

Shri V. Narahari Rao—Comptroller and Auditor-General of India.

Shri P. H. S. Rao—Director of Railway Audit.

SECRETARIAT

Shri N. C. Nandi—*Deputy Secretary.*

WITNESSES

Shri F. C. Badhwar . . . Chairman, Railway Board.

Shri S. S. Vasist . . . Member (Traffic), Railway Board,
Ministry of Railways.

Shri V. Nilakantan . . . Member (Staff), Railway Board,
Ministry of Railways.

Shri K. Sadagopan . . . Director, Finance (Expenditure),
Railway Board.

Shri N. C. Deb . . . Director of Finance (Budget), Rail-
way Board, Ministry of Railways.

Ministry of Railways

48. The Committee resumed discussion of the Appropriation Account of Railways for 1949-50 and the Audit Report, 1951.

Para 372.—Audit Comments on the Financial Review of the Vizagapatam Port for the year 1949-50

Para (2).—In regard to the revision of Terminal Charges at the Vizagapatam Port the representative of the Ministry explained briefly the history of the case and informed the Committee that under an old agreement between the Port and the Railway Administration, the Railway Administration were to pay to the Port certain terminal charges for terminal services rendered by the Port to the Railways. At first, the share of the Port was fixed at 4 pias but in 1950 the B. N. Railway approached the Railway Board for crediting the Port the full terminal charges as against the previous low rate and this was finally agreed to from the 1st April, 1951. This was a question of mere departmental adjustment as instead of crediting the earnings of the Railway they were now to be credited to the Port as both these were administered by the same Department. There was thus no loss involved in this case.

Para 4.—About the recovery of Rs. 8 lakhs from the Ministry of Defence, the representative of the Ministry informed the Committee that in 1943 the late War Transport Department, who were in control of the Vizagapatam Port decided to charge as rent for the land leased to the Defence Department an amount equivalent to the annual valuation of the land, worked out at the Government borrowing rate of interest, on the capital value of the land, which was subject to an upper limit of $1\frac{3}{4}$ times the acquisition cost. In 1946, when the Port came under the management of the Railways, a question was raised whether in accordance with the standard practice obtaining on Railways the rent should be charged at 6 per cent. on the market value of the land. This matter had been under prolonged correspondence with the Ministry of Defence who wanted to pay only about $3\frac{1}{4}$ per cent. or $3\frac{1}{2}$ per cent. according to the Government borrowing rate. Eventually the Ministry of Defence agreed to the enhanced rental at the rate of 6 per cent. on the market value. Certain details in this regard were yet to be settled and this accounted for the delay in the settlement of the dues.

The Committee decided to take up the matter with the Ministry of Defence.

49. Paragraph 20 of the Audit Report.—The Committee while appreciating the national importance and urgency for executing the Assam Rail Link Project observed that there had been the following cases of departure from the recognised and accepted procedure:

- (i) the open tender system in regard to contracts was not adopted ;
and
- (ii) the Stores Tender Committee was not consulted while effecting purchases of stores which could not be wholly justified, as pointed out in the Audit Report.

They desired clarification on these points.

The representative of the Ministry informed the Committee that the normal procedure of inviting open tenders in respect of certain contracts for a big project of this kind which evidently involved considerable time could not be followed, as time was the essence of this particular work.

He further stated that in that part of India local resources and facilities were very limited and for this reason the authorities in charge of the Project had to earmark certain firms or certain contractors who were potential workers in that area and concentrated on negotiations with them. They could not, therefore, resort to the open tender system.

The Comptroller and Auditor-General, however, contended that though there were certain difficulties in the earlier stages of the project, there was no justification for continuing those methods in regard to works undertaken later on. But the representative of the Ministry stated that the conditions in Assam even at present were not very different, and, if at all there had been slight improvement, it was due to this railway.

50. *Para 26 of the Audit Report.*—In regard to the agreement executed by the Railway Administration with a foreign firm *viz.*, Messrs.—‘Schlieren’ of Switzerland for getting technical assistance in the setting up of a factory in India for the manufacture of all-metal light-weight coaching stock, the Committee asked the Chairman of the Railway Board to make a statement of the facts *vis-a-vis* the comments embodied in paragraph 26 of the Audit Report. The Chairman, Railway Board while giving a background of this deal stated that the passenger traffic on Indian Railways had doubled during the war and since then continued to increase at a rate with which the Railway Administration was quite unable to keep pace with the existing carriages. The Administration thus decided to take some special steps to provide more passenger trains. They started their planning in this direction in 1946 and before taking a decision in the matter studied all the leading designs in the world. Eventually the Railway Administration approved of a Swiss design of coaches and entered into an agreement with Messrs. ‘Schlieren’ of Switzerland which was really in two parts *viz.*,

- (1) Technical Aid—which contemplated the supply of specialists to help in evolving designs for coaches suitable for Indian conditions; and
- (2) setting up of a Factory in India to manufacture these coaches.

The representative of the Ministry admitted that there had been some delay in the implementation of this Agreement due to certain factors.

The Comptroller and Auditor-General took a serious view of the stipulation in the Agreement that the price of a coach was to be determined on the cost plus profit (on percentage basis), as it provided every kind of inducement for the cost being put up which could not be controlled.

Before proceeding further with the examination of this contract, the Committee desired that a copy of the Agreement executed with the Swiss firm might be circulated to Members for their detailed study.

51. The Committee then adjourned to resume discussion on this subject on the 11th September, 1952.

(III)

Proceedings of the Fourth Meeting of the Public Accounts Committee held on Thursday, the 4th September, 1952.

The Committee met from *10 A. M. to 1-15 P. M. and from 4 P. M. to 6-15 P. M.

Present

Shri B. Das—*Chairman.*

Shri M. L. Dwivedi

Pandit Munishwar Dutt Upadhyay

Shri Shree Narayan Das

Shri Tribhuan Narayan Singh

Shri Ranbir Singh Chaudhuri

Acharya Shriman Narayan Agarwal

Dr. Mono Mohon Das

Pandit Krishna Chandra Sharma

Shri Uma Charan Patnaik

Shri V. P. Nayar

Shri B. Ramachandra Reddi

Shri K. M. Vallatharas

} *Members.*

Shri V. Narahari Rao, Comptroller and Auditor-General of India.

Shri P. C. Padhi, Accountant-General, Central Revenues.

Shri K. S. Malhotra, Accountant-General, Posts and Telegraphs.

Shri V. D. Dantyagi, Deputy Comptroller and Auditor-General of India.

SECRETARIAT

Shri N. C. Nandi—*Deputy Secretary.*

WITNESSES

Shri A. V. Pai, I. C. S., Secretary, Ministry of Communications.

Shri Krishna Prasada, I. C. S., Director-General, Posts and Telegraphs.

Shri B. R. Batra, Chief Engineer, Posts and Telegraphs.

Shri R. Narayanaswami, Joint Secretary, Ministry of Finance.

*The Committee first took up consideration of the Appropriation Accounts (Civil), 1949-50 relating to the Ministry of Communications.

POSTS AND TELEGRAPHS DEPARTMENT

APPROPRIATION ACCOUNTS (POSTS AND TELEGRAPHS) 1949-50 AND AUDIT REPORT, 1951.

52. *Director General's Financial Review—Page 4, Para. 6, Stores Balances.*—The Committee pointed out that the value of stores in stock including the value of works in progress on the 31st March, 1951 was Rs. 4.35 crores against the revised limit of Rs. 3.5 crores and desired to know why was the stock in excess of the revised limit retained. The Chief Engineer, Posts and Telegraphs informed the Committee that in regard to stores procured in England the debits raised by the High Commissioner towards the end of the year were more than anticipated, as it could not be foreseen with any accuracy whether any particular stores would be delivered in time or not. Similarly, in regard to purchases made in India, the large stock of recovered copper wire valuing about Rs. 60 lakhs was returned from the works to the stock. These factors were, to a great extent, responsible for the increased stock.

The Director-General, Posts and Telegraphs stated that in order to ensure proper stocking of stores, a firm of experts had been commissioned to advise the Department about the method of provision, planning and control of stores, about the redundant stock position and about the requirements of stores layout etc. Their report was expected to be received within a month or two.

The Chief Engineer, Posts and Telegraphs, informed the Committee that at present stores balances had been fixed on an *ad hoc* basis, but the Department proposed to fix the maximum and minimum limits and then arrive at the exact figure on a scientific basis.

Director-General's Financial Review—Page 6, Para. 8, Renewals Reserve Fund.—The Committee desired to know whether the lives of the assets had been determined by the Special Committee set up for this purpose. The Director-General of Posts and Telegraphs stated that the Committee had prepared a report which would shortly be submitted to Government.

53. *Para. 18 of the Audit Report.*—In regard to the loss amounting to Rs. 1,03,500 in a Head Post Office caused by substituting of bogus cheques in lieu of cash remittances to the Treasury, the Committee desired to know on whom the responsibility was fixed *i.e.*, on the Treasury contractor or his Agent. The Director-General, Posts and Telegraphs stated that the responsibility in this case was fixed on the Contractor, as the Agent was only his employee. He also informed the Committee that the Agent had been prosecuted; the civil responsibility had been fixed on the Contractor and the criminal one on the Agent. Apart from this, the Head Treasurer, Accountant and Supervisor of the Post Office had also been prosecuted for non-observance on their part of certain departmental rules relating to the receipt and clearance of cheques and their remittance to the Bank.

54. *Para. 20 of the Audit Report.*—The Committee pointed out that the Department had incurred the nugatory expenditure of Rs. 3 1/2 lakhs both in the Executive and Audit Offices on the issue and discharge of nearly 15 lakhs of National Savings Certificates belonging to the Industrial Workers in the Bombay State and desired to have an explanation for this.

While explaining the position the representative of the Ministry of Finance stated that in the matter of small savings and National Savings Certificates, the Posts and Telegraphs Department merely acted as an Agent on behalf of the Government in the Ministry of Finance as the policy regarding

these certificates was decided by that Ministry. In this particular case, it was decided at the highest level that the bonus due to the Industrial workers should be payable in the form of certificates in which there was a lock-up period of about 18 months thereby assuring that the money would remain with Government for at least a year and a half. But subsequently due to heavy pressure from the Labour Unions, the Government agreed to pay it in the form of five and seven year certificates in which case there was no lock-up period. It was hoped that at least half of the money thereby paid would still remain in the hands of Government, thus counteracting inflationary tendencies. The facts, however, proved to the contrary as the bulk of the amount was encashed very soon after it was paid in the form of certificates.

55. *Para. 22 of the Audit Report.*—In regard to the loss of Rs. 8,900 which the Department had to incur due to failure to observe the stipulated terms and conditions in a contract for supply of mustard oil the Committee desired to know why no action was taken against the Officer-in-Charge, who authorised payment without satisfying himself about the quality of the articles received and before delivery of the full quantities of the articles paid for. The Director-General, Posts and Telegraphs explained that the firm which supplied mustard oil was on the approved list of the Controller of Civil Supplies, Bengal and the contract was entered into by him. It provided for payment against delivery *ex-godown*. This incident happened during the War years 1942-43, when supplies, especially of foodstuffs and mustard oil, were very hard to procure in Bengal. He further stated that the condition of payment on delivery *ex-godown* was fixed by the Controller as he could not obtain things on better terms.

The Director-General, Posts and Telegraphs further pointed out that the contractor who was responsible for the supply of bad quality of mustard oil was prosecuted and convicted.

The Committee were anxious to know whether the Department had satisfied itself that the Officer-in-Charge was not in collusion with the Contractor and desired to be furnished with detailed information about this case through a self-contained note.

56. *Para. 23 of the Audit Report.*—In regard to the loss of copper wire weighing 47,394 lbs. and valued at Rs. 30,220 consigned by one Engineering Division to another where it was actually not received the Committee desired to know what disciplinary action had been taken against the officials at fault and whether suitable instructions had been issued for the avoidance of such irregularities in future.

The Chief Engineer, Posts and Telegraphs, stated that the copper wire weighing about 47,000 lbs. was required for a particular work at Belgaum—Poona. The work was of a high priority and the stores were drawn from Secunderabad to execute the work expeditiously. After conclusion of the work, these stores were returned to Secunderabad instead of being sent to Bombay Stores Depot. The particular Officer at Poona had gone away to Pakistan and the official who received it at Secunderabad had also gone away to Pakistan. This consignment was sent in two portions. The first one was received by the store lineman who had been discharged from service sometime ago for some other reason. The second one was received by a contractor and soon after that there was Police Action in Hyderabad and it had not been possible to trace that contractor. The Chief Engineer informed the Committee that steps were being taken to trace the whereabouts of the lineman and the contractor to find out as to what had happened to these stores.

The Comptroller and Auditor-General pointed out certain defects in the existing procedure of receiving and issuing of stores at godowns and suggested its revision with a view to avoiding the recurrence of such thefts in future. The Director-General, Posts and Telegraphs, stated that necessary instructions in this regard had been issued.

57. *Para. 24 of the Audit Report.*—In regard to the purchase of Japanese underground cables, the Committee desired to have full details of the case regarding the durability and efficiency of the Japanese cables in the light of their actual behaviour. The Committee also desired to know what steps had been taken by the Department to safeguard against the Contingent losses due to shorter life of the cables. The Secretary, Ministry of Communications stated that on receipt of the first complaint that the jute covering of the Japanese cables was peeling off, the Posts and Telegraphs Department made expert investigations which revealed that there was nothing seriously wrong with the cables as such, but only the outer covering of jute had not been up to the standard.

Thereafter, the Ministry had another examination made by some experts who opined that there was no reason to believe that these Japanese cables would not last for 35 years. According to these experts the cables were intrinsically sound.

Since the matter was of great importance, the Government had decided to have an independent investigation made by a Committee to which one or two Members of Parliament with engineering experience and technical experts would be associated. The Committee agreed to postpone discussion on this point till the findings of the Technical Committee were made available to them.

58. *Para. 25 of the Audit Report.*—The Committee pointed out that the costing system followed in the Telegraph Workshops was not based on scientific methods. No authorised schedules of materials and labour were maintained for standard products. The estimates prepared for work orders were consequently defective and there were very often considerable discrepancies between the actuals and the estimates. The Committee desired to know whether the measures decided upon at the conference held in August, 1949, between the Audit and the Executive authorities were being followed.

The Chief Engineer, Posts and Telegraphs, stated that as far as the schedule of materials required for standard items was concerned, these lists had been compiled and were being used now. As far as labour was concerned, considerable difficulty was being experienced in coming to any conclusions, as it had not been possible to analyse the amount of labour required for any particular job.

The Chief Engineer further informed the Committee that the matter had been recently considered at the Workshop Board and it was decided to request the Chief Cost Accounts Officer of the Ministry of Finance to go into this matter and advise the Department as to how best this should be worked out.

The Committee was of the opinion that the subordinate staff should be properly trained in workshop accounts to improve the system of workshop accounting.

59. *Para. 27 of the Audit Report.*—The Committee desired to know what departmental action had been taken against the Officers concerned in regard to the irregularities in connection with the expenditure incurred by a Telegraph Engineering Division on account of Jungle-cutting. The irregularities

connected with this case were the subject matter of a police enquiry and the police completed their report in 1945 and suggested departmental action. The Committee were anxious to know the reason for postponing such action.

The Secretary, Ministry of Communications stated that the matter had been referred to the Union Public Service Commission about the punishment to be imposed on the Officer concerned. He further stated that the delay was mainly due to the original documents having not been received from the High Court of Assam.

60. *Para. 28 of the Audit Report.*—The Committee pointed out that the total infructuous expenditure on a work exceeded a lakh of rupees on account of employment of excess labour and freight charges for return of surplus stores indenting in excess of the actual requirements and desired to know what disciplinary action had been taken against the officials at fault. The Director-General, Posts and Telegraphs stated that the infructuous expenditure related to the construction of a carrier line between Allahabad and Agra. This line was put up as part of the War effort and assigned the highest priority. The work was sanctioned in February, 1944 and November, 1944 was fixed as the target date for its completion. Normally, all stores come from the stores depot and where work has to be stopped for any length of time labour is disbanded. In this case, the labour was not disbanded for the following reasons :—

- (i) the parties would have had to remain idle for the right type of stores which was in short supply ;
- (ii) if the coolies had been disbanded it would have been very difficult to recruit them at the scheduled rate during that period since the War-time Industries were offering much better prospects ;
- (iii) during rains the out-turn of the coolies was small ; and
- (iv) the first erection was done by inexperienced Military parties and the Department had to rectify it.

The Chief Engineer informed the Committee that a considerable portion of these lines was paid for by the Defence and later after the War was over the Department took over a considerable portion of these assets at a very small valuation say 20 per cent.

61. *Para. 30 of the Audit Report.*—In regard to the Calcutta Telephone Automatisation Project the Committee pointed out that a considerable expenditure had been incurred without any estimate and desired to know as to why it was done and which officer was responsible for it. The Chief Engineer stated that under the normal procedure no expenditure on account of any work could be incurred until the relevant estimates had been sanctioned by the competent authority, but sometimes when the urgency was great the works had to be sanctioned even without estimates. In this particular case there was some delay in the preparation of the project estimates which numbered about 250 because considerable amount of details had to be collected in regard to land, buildings, cables, the exchange, equipment, instruments and installation charges. Out of those, about 90 estimates had so far been prepared and it was not necessary to prepare all the 250 estimates at this stage. The Chief Engineer, however, assured the Committee that the expenditure on this Project was not likely to exceed by more than 10 per cent. of the latest estimate.

The Committee then desired to know that since most of the work had so far been executed by outside agencies, what justification there was for the maintenance of a large establishment of 32 gazetted offices and 313 non-

gazetted officers. The Chief Engineer stated that this staff was required to do a lot of forecasting work to find out as to how many telephones would be in a particular street or in any particular area during the next 10 or 20 years. The development plans had thus to be discussed with the Corporation, Improvement Trust and private bodies to arrive at these figures and on these bases the cables were to be laid. Apart from it, the lower staff had no idea of the automatic system and had to be trained.

62. *Para. 35 of the Audit Report.*—The Committee desired to know what action had been taken by the Government towards the construction of departmental buildings in big cities like Calcutta, Delhi, Madras etc. with a view to the saving of uneconomical expenditure in leasing rented accommodation by way of payment of huge rent.

The Director-General, Posts and Telegraphs stated that they fully agreed with the viewpoint of the Committee, but it was a matter of allotment of money and they had already approached the Planning Commission in the matter.

63. The Committee then took up consideration of the statement showing action taken on the outstanding recommendations.

Item 95.—The Committee was informed that the Hollerith System of mechanised accounting introduced two years ago in the office of the C. A. O. Stores and Workshop would now be retained.

Item 96.—The Committee was informed by the Department that the memorandum had been sent to the A. G., P. & T. for scrutiny and verification of the figures.

Item 97.—The Committee observed that the Memorandum on the causes of the fire in the Calcutta Telephone Exchange furnished by the Department would be examined by them and any further information desired on this case would be obtained by this Secretariat from the P. and T. Department.

Item 99.—The Committee was informed that the Department had been allotting work to private presses on a much larger scale, but even so the present position was not very satisfactory. The matter was being taken up with the Ministry of Works, Housing and Supply.

The Committee desired that the Ministry should be asked to furnish written replies to the various points which they could not cover for want of time.

(IV)

Proceedings of the Tenth Meeting of the Public Accounts Committee held on Thursday, the 11th September, 1952.

The Committee met from 10-25 A.M. to 1-15 P.M.

Present

Shri B. Das—*Chairman.*

Pandit Munishwar Dutt Upadhyay.

Shri M. L. Dwivedi.

Shri Shree Narayan Das.

Shri Tribhuan Narayan Singh.

Shri Ranbir Singh Chaudhuri.

Pandit Krishna Chandra Sharma.

Shri V. P. Nayar.

Shri B. Ramachandra Reddi.

} *Members.*

Shri V. Narahari Rao, Comptroller and Auditor-General of India.

Shri P. H. S. Rao, Director of Railway Audit.

SECRETARIAT

Shri N. C. Nandi—*Deputy Secretary.*

WITNESSES

Shri F. C. Badhwar, Chairman, Railway Board, Ministry of Railways.

Shri S. S. Vasist, Member (Traffic), Railway Board, Ministry of Railways.

Shri V. Nilakantan, Member (Staff), Railway Board, Ministry of Railways.

Shri N. C. Deb, Director of Finance (Budget), Railway Board, Ministry of Railways.

Shri K. Sadagopan, Director of Finance (Expenditure), Railway Board, Ministry of Railways.

64. The Committee resumed discussion of the Appropriation Accounts of Railways for 1949-50 and the Audit Report, 1951 and proceeded with the examination of the contract entered into with Messrs. 'Schlieren' of Switzerland for the manufacture of all-metal light-weight coaching stock. In this connection, the Chairman, Railway Board informed the Committee that the Financial Commissioner of Railways was at present having preliminary talks with this firm in Switzerland with a view to exploring ways and means of revising the agreement and that there would be no alteration in the *status quo* till the Government had approved of the proposals.

65. The Comptroller and Auditor-General then desired to know why it had not been possible for 'Schlieren' to deliver the goods according to the terms of the contract. The representative of the Ministry, however, admitted that there had been a very long delay on the part of the firm in

executing the order placed with them during the first year. The Committee was particularly critical of the absence of a penalty clause in the agreement for nonimplementation of any of its terms, as in the absence of any such stipulation no other action except the extreme one to terminate the contract under clause 15 of the agreement could be taken.

66. The Committee also vehemently criticised that part of the contract which provided for determination of the price of a coach on 'cost plus profit' basis particularly with a foreign firm, as there were no means whatsoever of controlling either the manufacture or the prices of commodities, raw materials etc. The representative of the Ministry assured the Committee that the 'cost plus profit' contract would apply only to the first 25 coaches manufactured and on that basis they would fix the firm price for the remaining coaches after auditing the cost.

67. The Committee also objected to the payment of nearly Rs. 30 lakhs to the firm six months before the design of the coaches was finalised as it appeared that the Government was financing a firm of doubtful standing. This sum was paid long before the stuff had arrived. The representative of the Railway Board stated that the advance money was paid because it was due according to the terms of the agreement and that the delay in fulfilment of the contract was partly due to delayed finalization and approval of design of the coaches by the Government of India. The representative of the Ministry of Railways added that the advance payment was made not to finance the firm but to enable it to collect the raw materials for coaches in advance. The Comptroller and Auditor-General criticised the above explanations pointing out that the payment had been made to the firm in contravention of the terms of the contract which stipulated placing of order for fabrication only after Government had approved the design of the coach.

68. The Committee observed that in consequence of the breach of the contract by the firm in this case due to their failure to supply coaches in time, Government could have invoked the provision of clause 15 of the Agreement and terminated the contract forthwith. The representative of the Ministry stated that it was not a breach such as could not be condoned.

69. The Committee then desired to know whether after the agreement had been entered into, any defects had been noticed in it either in actual wording or in the working of it. Explaining the attempt now being made by the Railway Board to revise the agreement with the firm it was stated that this was so not because any defect had been noted subsequently in the wordings of the contract but due to the change of circumstances.

70. The Committee further pointed out that full advantage had not been taken by the Railway Board of the training facilities offered under this Agreement, as the number of Officers trained was very small. The representative of the Ministry admitted it.

71. The Committee then desired to know whether any Officers were deputed by the Ministry of Railways to negotiate with the Swiss firm before the price of a coach was raised on each occasion. Explaining the position the representative of the Ministry stated that the prices were not negotiated but they were based on the estimates given by the firm from time to time.

*72. The Committee, however, desired to be furnished with a statement showing the particulars of the officers who were sent to Switzerland from time to time either for negotiations or for training in the manufacture of all-metal light-weight coaches.

* See Appendix XX.

73. The representative of the Ministry of Railways informed the Committee of the arrangement made for auditing of cost accounts of first 25 coaches by a firm of Chartered Accountants. The Comptroller and Auditor-General took strong objection to no provision having been made for independent audit by him which showed lack of coordination and complete lack of understanding of his responsibilities. He explained that he alone was responsible to Parliament as to the correct spending and that he should have been consulted in the matter. The Committee took a serious view of this omission. The Chairman of the Railway Board, thereupon, stated that the Railway Board had no intention to bypass the authority of the Comptroller and Auditor-General.

74. *Agreement with TELCO.*—The Committee next initiated discussion on the agreement with TELCO. According to the Second Report of the Public Accounts Committee, the Financial Commissioner of Railways had promised to furnish certain information referred to on pages 35 and 36 thereof but the same had not been done so far. The Committee wanted to know what action had actually been taken by the Railway Administration on the assurance given by the Financial Commissioner. The representative of the Ministry stated that as a result of a meeting held between the Chairman and members of the Board and the Chairman and Director of TELCO it was agreed that period 'C' which was to commence on 1st January 1949, would now commence only when TELCO had maintained consistently a production of 8 boilers a month. The Comptroller and Auditor-General contended that the agreement was defective inasmuch as though it would appear that the intention was that the time-factor envisaged in periods 'A' and 'B' was intended to be the overriding consideration, the mere mention of the production plan has enabled the firm to demand extension of period 'B' to their advantage. The representative of the Ministry of Railways stated that extension of period 'C' was granted firstly, because they wanted to give the Industry a chance to establish themselves and, secondly, because in period 'C' a firm price was to be negotiated and any attempt to fix price before the establishment of full production would result in the fixation of higher prices.

On an enquiry being made as to the subsidy paid to TELCO, the representative of the Ministry of Railways stated that the amount of subsidy payable to TELCO was determined by deducting the landed cost (which included customs duty) from the actual cost. The Comptroller and Auditor-General felt strongly over the inclusion of customs duty in the landed cost, as the customs duty paid on articles imported by Government for its own consumption is money going from one pocket to another. The representative of the Ministry explained that this subsidy was being paid with a view to helping the Indian Industry.

75. The representative of the Ministry of Railways promised to furnish to the Committee definite figures of subsidy as soon as the accounts for periods 'A' and 'B' were finalised.

(V)

Proceedings of the Eighteenth Meeting of the Public Accounts Committee held on Monday, the 3rd November, 1952.

*The Committee met from 10 A.M. to 1-30 P.M.

Present

Shri B. Das—*Chairman.*

Pandit Munishwar Dutt Upadhyay.

Shri Shree Narayan Das.

Shri Tribhuan Narayan Singh.

Shri Ranbir Singh Chaudhuri.

Dr. Meno Mohon Das.

Pandit Krishna Chandra Sharma.

Shri V. P. Nayar.

Shri B. Ramachandra Reddi.

} *Members.*

Shri V. Narahari Rao, Comptroller and Auditor-General of India.

Shri P. H. S. Rao, Director of Railway Audit.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

Shri S. L. Shakhder—*Officer on Special Duty.*

WITNESSES

Shri F. C. Badhwar, Chairman, Railway Board, Ministry of Railways.

Shri A. K. Chanda, Financial Commissioner, Ministry of Railways.

Shri N. C. Deb, Director, Finance (Budget), Ministry of Railways.

Shri K. Sadagopan, Director, Finance (Expenditure), Ministry of Railways.

Shri H. S. Negi, Deputy Secretary, Ministry of Finance.

Ministry of Railways

76. The Committee re-opened examination of the Appropriation Accounts of the Railways in India for 1949-50 and the Railway Audit Report, 1951.

Para. 26 of the Audit Report—Agreement with the Swiss firm 'Schlieren' for the manufacture of all-metal light-weight coaching stock

The Financial Commissioner for Railways, who could not be present during the last meetings of the Committee when they examined the Railway Audit Report, 1951 traced the background of the agreement entered into with the Swiss firm. He stated that when the agreement was negotiated, the question of having the new factory for the manufacture of coaches as an ancillary to the Hindustan Aircraft Ltd., Bangalore was considered. As a result

*The Committee first took up consideration of the Appropriation Accounts (Civil), 1949-50 relating to the Ministry of Transport.

of the discussion with the Ministry of Defence, they came to the conclusion that it would not be possible to establish two new productive units at the same place and that it would be to the detriment of both the projects. The idea for the manufacture of such type of coaches was mooted in a report submitted by some Officers of Indian Railways who visited Europe in 1947 in connection with the International Railway Conference. Subsequently, in 1948, the Chief Commissioner, Railways, visited Switzerland and reported to the Government of India that they should adopt the 'Schlieren' type of coaches as the future standard for the Indian Railways as they were short of steel and, secondly from the safety angle, such coaches were far superior to anything in use on the Indian Railways and thirdly, these were lighter and there would be considerable economies in operating such type of coaches. After an exchange of correspondence between the Ministry of Railways and the Indian Minister in Switzerland, an agreement was drafted and after discussion with the firm in Switzerland, a team consisting of their representatives came to India to finalise the terms. It was admitted that there were certain flaws in the agreement.

77. Referring to the provision in the agreement for the advance payment of fifty per cent. of the cost at the time of the placing of the orders, the F.C. Railways stated that it was the normal practice to make an 'on account payment'. But in this case, it was an advance payment as financial assistance to the firm. The 50 per cent. payment was made on the basis of the estimated cost of shells only. But the first order was changed into an order for fully furnished coaches, the cost of which was very much more than the cost of shells.

78. As regards the execution of the contract, the Committee were informed that the Government of India had taken the view that the contract must be subjected to the laws of India. The Committee also discussed the legal implications arising out of the provisions in the contract in that behalf.

79. In reply to a question, the F. C., Railways stated that the amount of Rs. 96 lakhs had been advanced to the Swiss Firm so far. 26 coaches had already arrived in India and their value would be roughly Rs. 52 lakhs. When they got 50 coaches, the value would be over Rs. 1 crore. The remainder of the coaches, he said, was expected in another four months.

80. A reference was also made to the provisions regarding the audit of the Cost Accounts of the 'Schlieren' by an Auditor to be appointed by the Government of India instead of through the agency of the Comptroller and Auditor-General.

81. The Committee then adjourned for lunch.

(VI)

Proceedings of the Nineteenth Meeting of the Public Accounts Committee held on Monday, the 3rd November, 1952.

The Committee met from 3-45 P.M. to 6 P.M.

Present

Shri B. Das—*Chairman.*

Pandit Munishwar Dutt Upadhyay.

Shri Shree Narayan Das.

Shri Tribhuan Narayan Singh.

Dr. Mono Mohon Das.

Pandit Krishna Chandra Sharma.

Shri B. Ramachandra Reddi.

} *Members.*

Shri V. Narahari Rao, Comptroller and Auditor-General of India.

Shri P. H. S. Rao, Director of Railway Audit.

SECRETARIAT

Shri M. N. Kaul *Secretary.*

Shri S. L. Shakhder *Officer on Special Duty.*

WITNESSES

Shri F. C. Badhwar, Chairman, Railway Board, Ministry of Railways.

Shri A. K. Chanda, Financial Commissioner, Ministry of Railways.

Shri K. Sadagopan, Director, Finance (Expenditure), Ministry of Railways.

Shri N. C. Deb, Director, Finance (Budget), Ministry of Railways.

Shri H. S. Negi, Deputy Secretary, Ministry of Finance.

Ministry of Railways—contd.

82. The Committee reassembled after lunch and resumed further consideration of the various clauses of the agreement entered into with the Swiss firm 'Schlieren'.

The Financial Commissioner for Railways stated that until the design had been approved and the prototypes had been tested, the bulk production of the coaches could not commence. They had, however, at the prototype stage made some changes. He added that if they had not placed an order with the 'Schlieren' it would have taken another year before they could get the material and start manufacture and thus the receipt of the coaches would have been postponed by two years.

83. Replying to a question, the Chairman, Railway Board stated that the main consideration in asking for furnished coaches was that if the coaches came unfurnished, it might take between 6 to 12 months to arrange for all the fittings. Barring those 50 coaches, he added, they would in future go in only for shells. The Financial Commissioner for Railways informed the Committee that Rs. 70,000 was the cost of furnishing a coach in Switzerland. He expected that when coaches were produced in bulk in India a coach could be furnished at a cost of about Rs. 45,000.

84. The Financial Commissioner, Railways, further stated that by mutual agreement they had varied a large number of the terms of contract. For instance, they had not placed the third year's order as yet, although the third year was practically over. Moreover, they had also not paid to the 'Schlieren' their fees as consulting engineers. The 'Schlieren,' he added, had done all the design work for them; had given them the layout of the factory and also a full list of the equipment that was required. Referring to clause 4 (v) of the agreement which provided for training by the 'Schlieren' of the Railway technicians and Engineers, the Chairman, Railway Board, stated that they could send their men any time without extra payment.

As regards the payment of price, the Financial Commissioner, Railways, pointed out that for the new railway coaches they had not accepted any price variation clauses. They had decided to pay a definite price.

85. The Committee then took up consideration of the note on the pricing of boilers under order with the TELCO furnished by the Ministry of Railways pursuant to action taken on item 134 of the Statement showing the outstanding recommendations of the Public Accounts Committee (Appendix XXXII).

The Financial Commissioner for Railways stated that the subsidy paid to the TELCO for production of boilers represented the difference between the actual cost and the landed cost of boilers. He pointed out to the Committee the various difficulties that arose in the implementation of the agreement with the TELCO in regard to the finalisation of provisional payments made to them during the period 'A' and 'B' and fixation of firm price in respect of period 'C'.

86. In reply to a question whether the cost of production at the Chittaranjan Locomotive Workshops was lower than the TELCO'S, the Financial Commissioner stated that the equipment being manufactured at Chittaranjan was of a completely different kind. He added that there were many difficulties, almost insuperable difficulties, in establishing production on an economic basis of a complicated product like a locomotive or a boiler. He agreed with the viewpoint expressed by the Committee that the agreement entered into with the TELCO was a very complicated one. He also admitted that he himself was not able to appreciate the difference between periods 'A', 'B' and 'C' etc.

87. When questioned about the number of boilers delivered and the lump-sum payment made to the firm, the Financial Commissioner stated that the TELCO had delivered 146 boilers so far and the total payment made to them was Rs. 146 lakhs which was Rs. 75 lakhs more than the landed cost and that represented the subsidy that had been paid to the industry.

88. He summed up by saying that their own expectations regarding the execution of the contract with the TELCO had not materialised and they did not see any likelihood of the TELCO'S attaining the full production of boilers by December, 1952 as per undertaking given by them.

PART II

Proceedings of the meetings of the Sub-Committee appointed by the Public Accounts Committee to consider the Notes and Memoranda etc., furnished by the Ministries on the points arising out of the Appropriation Accounts (Railways) and (Posts and Telegraphs), 1949-50 and Audit Reports thereon.

I

Proceedings of the First Meeting of the sub-Committee held on the 14th November, 1952.

The sub-Committee met from 5 P.M. to 6 P.M.

Present

Shri B. Das *Chairman.*

Shri V. P. Nayar *Member.*

Shri P. H. S. Rao, Director of Railway Audit.

Shri G. S. Rau, Officer on Special Duty, Office of the Comptroller and Auditor-General of India.

SECRETARIAT

Shri S. L. Shakhder *Officer on Special Duty.*

1. The sub-Committee considered the various notes etc., submitted by the Ministry of Railways on the points arising out of the Railway Audit Report, 1951 which the Public Accounts Committee could not cover during their last session for want of time (as detailed in Annexure I).

2. The sub-Committee after some discussion accepted the position as set forth by the Ministry of Railways in the notes mentioned against items 3, 4, 7, 8, 9 and 10 of the above Annexure.

3. With regard to Para. 37 of the Railway Audit Report, 1951 (item 5 of the Annexure) the sub-Committee decided to examine further the representative of the Ministry of Railways on a date to be fixed later.

4. As regards items 1, 2 and 6 they desired that the Ministry of Railways should be asked to furnish further information on the following points :

* *Item 1.*—(Para. 27 of the Audit Report) :

(i) Why was not the certificate that 'no loss on account of late delivery of material would be sustained' as required to be obtained under the rules from the indenting officers not recorded by the Divisional Superintendent at the time of ordering re-purchase of bricks at an additional cost of about Rs. 24,439 ?

(ii) What was the justification for the grant of extension of time after the re-purchase had been made at a cost of about Rs. 24,439 which had ultimately resulted in a loss to the Railway Administration ?

† *Item 2.*—(Para. 28 of the Audit Report) :

A revised Note stating the precise position in regard to the Stores Accounts at the Chittaranjan Locomotive Works should be sub-

* See Appendix XXXIII.

† Since furnished *vide* Appendix XXXIV.

mitted as the position as stated by the Railway Board presented a general statement and did not indicate the value of stores not checked.

Item 6.—(Para. 40 *of the Audit Report) :

An enquiry to be made from the Ministry on the following points :

- (i) What is the limitation laid down under the Payment of Wages Act (Railway Rules) about the recovery of traffic debits from the station staff ;
- (ii) the number of cases where the amount outstanding is very large and exceeds the pay of the Railway Servant, the amounts outstanding and pay in each case ; and
- (iii) what steps do the Railway Board propose to take to safeguard the interests of Government by way of effecting recoveries from the station staff ?

5. The sub-Committee then adjourned to meet again on Monday, the 17th November, 1952.

Annexure I

CONSIDERATION OF THE APPROPRIATION ACCOUNTS OF THE RAILWAYS IN INDIA FOR 1949-50 AND THE RAILWAY AUDIT REPORT, 1951

Particulars of written information furnished by the Ministry of Railways
to the Public Accounts Committee.

Serial No.	Ref. to Para. No. of the Railway Audit Report, 1951	Ref. to Appendix No. in the Report	Particulars
1	27	XXII	Loss sustained by the Eastern Punjab Railway due to non-supply of bricks by the contractors within the stipulated time.
2	28	XXIII	Chittaranjan Locomotive Works—Review of Stores Accounts.
3	31	XXIV	M. & S. M. Railway—Avoidable expenditure incurred in the purchase of green gram.
4	33	XXV	Southern Railway—Economy effected in expenditure on handling of goods at stations.
5*	37	...	G. I. P. Railway—Loss of Revenue to the railway due to quotation of special station to station rates for fresh fruits by passenger trains in wagon loads.
6	40	XXVI	Heavy station outstandings.
7	42	XXVII	Inadequacy of rent realised for railway quarters.
8	43	XXVIII	Disposal of Inspection Reports and Audit objections.
9	44	XXIX	Delay in preparation of completion reports.
10	45	XXXI	Efficiency of internal check.

* Withdrawn by the Railway Board.

II

Proceedings of the Second Meeting of the sub-Committee held on the 27th November, 1952.

The sub-Committee met from 5 P.M. to 6-40 P.M.

Present

Shri B. Das—*Chairman*.

Shri M. L. Dwivedi : : : : : } *Members.*
Shri K. M. Vallatharas : : : : : }

(Shri T. N. Singh, Member of the Public Accounts Committee was present by invitation).

Shri G. S. Rau, Officer on Special Duty, Office of the Comptroller and Auditor-General of India.

SECRETARIAT

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

6. The sub-Committee first considered the notes furnished by the Ministry of Railways pursuant to action taken on items 132 (ii), 137 and 139 of the 'Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee' which the Public Accounts Committee could not consider during their September, 1952 session for want of time :

**Item 132 (ii)*.—The sub-Committee observed that the Ministry of Railways instead of issuing specific instructions to the Railway Administrations in regard to the fixing of responsibility for losses of cash have merely drawn the attention of the General Manager, O. & T. Railway to the recommendations made by the Public Accounts Committee *vide* para. 22 of the Report of the Public Accounts Committee on the Accounts of 1946-47. The sub-Committee desired that the Ministry of Railways should be asked to communicate the specific instructions issued by them in this behalf as recommended by the Committee.

†*Item 137*.—The sub-Committee considered the Memorandum on the rationalised distribution of stocks on Railways undertaken by the Railway Board in the light of the recommendations of the Shroff Committee. The sub-Committee noted that a net reduction of Rs. 3.56 crores in the value of surplus stores had been effected by the Railway Administrations. They desired that the following recommendations may be made in the Report of the Committee in this behalf :

* See Appendix XIV. —

† See Appendix XV.

“The progress made in effecting further reduction in the stores balances on the Railways will be watched through the next Audit Report.”

**Item 139.*—The sub-Committee considered at some length the Memorandum furnished by the Ministry on the question of separating the financial and accounts functions on the Railways with a view to ensuring strict financial control over expenditure. It was decided to take up the matter with the representatives of the Ministry of Railways when they next appeared before the Public Accounts Committee.

7. The sub-Committee then proceeded to consider the various notes memoranda furnished by the Director-General, Posts and Telegraphs on the points arising out of the Appropriation Accounts, Posts and Telegraphs, 1949-50 and the Audit Report thereon (Annexure I).

Items 1, 2, 4 and 8.—The sub-Committee accepted the explanations offered by the Posts and Telegraphs Department.

†*Item 3.*—Further information on Para. 22 of the Audit Report *ibid* :

The sub-Committee noted that no reasons had been given for not taking any action against the delinquent officer. They desired that the Director-General, Posts and Telegraphs should be asked to reconsider the matter and take appropriate disciplinary action against the Officer concerned and intimate it to the Committee.

‡*Item 5.*—Para. 27 of the Audit Report—

The sub-Committee desired to know the decision that had been arrived at in this case. Also whether during the pendency of the case with the U. P. S. C., the officer concerned, Shri J. R. Sen Gupta, had been promoted to a higher post and, if so, what were the reasons for promoting him to that post especially when the disciplinary case against him was under reference with the Commission. Further what action had been taken by the Director-General, Posts and Telegraphs to obtain copies of the relevant papers filed with the High Court and furnish the same to the U. P. S. C. for getting a decision on the case expedited ? They directed that the matter should be taken up with the Director-General, Posts and Telegraphs.

Item 6.—Execution of five big projects without proper sanction—

The sub-Committee felt that justification for executing the works without proper sanction had been given in one case only *viz.*, the case referred to in item (4) of the note furnished by the Director-General, Posts and Telegraphs which related to the provision of telephone and telegraphic facilities in the State of Saurashtra.

* See Appendix XVI.

† See Appendix LVI.

‡ Since furnished *vide* Appendix LVII.

The sub-Committee after some discussion, however, decided that as all these cases were very old, no useful purpose was likely to be served by pursuing them further at this stage.

Item 7.—Opening of a Public Call Office in Jawhar State—

The sub-Committee decided that the Director-General, Posts and Telegraphs should be asked to submit this Memorandum through the Accountant-General, Posts and Telegraphs and his comments should be incorporated therein. Further consideration of this case was, therefore, postponed.

Annexure I

STATEMENT SHOWING PARTICULARS OF THE MEMORANDA/NOTES ETC., FURNISHED BY THE D. G., P. & T. ON THE POINTS ARISING OUT OF THE ACCOUNTS OF THE POSTS AND TELEGRAPHS DEPTT., 1949-50 AND THE AUDIT REPORT, 1951.

S. No.	Reference to the Accounts and Audit Report thereon	Ref. to Appendix No.
1	Memorandum <i>re</i> : Para. 2 (b) of the Report <i>ibid re</i> : regularisation of excess of more than 10 per cent. over the sanctioned estimates on certain important new works.	XLVII
2	Memorandum on : Note 7 (d) Balances under the sub-suspense Heads in Grant No. 93—Stores Suspense (page 114 of the P. & T. Accounts).	XLVIII.
3	Memoranda setting forth information regarding the case referred to in Para. 22 of the Audit Report <i>ibid</i> .	XLIX
4	Memorandum setting forth information regarding the case referred to in Para. 23 of the Audit Report <i>ibid</i> .	L
5	Memoranda setting forth information regarding the case referred to in Para. 27 of the Audit Report <i>ibid</i> .	LII
6	Memoranda setting forth information regarding the case referred to in Para. 29 of the Audit Report <i>ibid</i> .	LIII
7	Memorandum <i>re</i> : the case referred to in Para. 33 (b) of the Audit Report—opening of a Public Call Office.	LIV
8	Memorandum <i>re</i> : Para. 33 (c) of the Audit Report— <i>re</i> : important irregularities noticed during local inspections.	LV

III

Proceedings of the Third Meeting of the sub-Committee held on the 12th December, 1952.

The sub-Committee met from 5 P.M. to 6-25 P.M.

Present

Shri B. Das *Chairman.*

Shri K. M. Vallatharas *Member.*

(Shri T. N. Singh, Member of the Public Accounts Committee was present by special invitation).

Shri V. Narahari Rao, Comptroller and Auditor-General of India.

Shri P. H. S. Rao, Director of Railway Audit.

Shri G. H. Po Saw, Chief Auditor, Eastern Railway.

Shri G. S. Rau, Officer on Special Duty, Office of the Comptroller and Auditor-General of India.

SECRETARIAT

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

WITNESSES

Shri F. C. Badhwar, Chairman, Railway Board.

Shri V. Nilakantan, Member (Staff), Railway Board.

Shri S. S. Vasist, Member (Traffic), Railway Board.

Shri K. Sadagopan, Officiating Financial Commissioner for Railways.

Shri N. C. Deb, Director, Finance (Budget), Railway Board.

Railway Audit Report, 1951

8. The sub-Committee took up consideration of the Report of the team of three Officers appointed by the Railway Board to investigate into a number of typical cases where open tenders were not called for on the Assam Rail Link Project as commented upon in Para. 20 of the Railway Audit Report, 1951 in the light of the comments offered thereon by the Comptroller and Auditor-General of India and further comments made by the Ministry of Railways.

9. At the outset, the Comptroller and Auditor-General giving his appraisal of the report of the investigating team of three Officers described it as vague and ambiguous because they had used three different expressions *viz.*, (i) the rates paid were not 'unfavourable', (ii) 'a higher rate was justifiable' and (iii) 'the higher rate was justifiable'. Elucidating the matter further, he stated that the investigating team was asked to comment on the rate in each case. But they had used the expression 'a higher rate' with reference to the rate

which had been given for similar works done on a tender basis. Similarly, in respect of rates, they did not make any comparison with similar works. The team, he added, recorded the following findings in 94 cases investigated by them :

- “ (i) In 45 cases, the negotiated rates were not unfavourable ;
- (ii) In 4 cases, the higher rate was justifiable;
- (iii) In 12 cases, the higher rate could be regarded as partially justifiable;
- (iv) In 33 cases, the Team were not able to reach any definite conclusion.”

The Comptroller and Auditor-General emphasised the view that the combination of negotiation with tenders was likely to destroy the entire utility and safety of the tender system. He observed that the report under consideration was not helpful in arriving at a conclusion about the reasonableness of executing the work on the basis of ‘ negotiated rates ’ especially in an area in which other comparable works were not in progress at about the same time.

The Comptroller and Auditor-General suggested that the Investigating Team should continue their work on the following lines :

- (i) Select a few complete sections of the Rail Link involving higher rates and examine by a scrutiny of all the work orders relating to these sections and the relevant measurement books, whether the payments made were for work in excess of that involved in these sections.
- (ii) In respect of (i) above, how much of the payments were at basic rates and how much at higher rates and in the latter case, to what extent were these higher rates justified ?
- (iii) As regards the works executed in other sections of the Rail Link, an analysis should be prepared showing the number of works in respect of which payments were made in excess of the basic rate and the total quantity and amount involved therein.

10. Referring to the personnel of the team, the Chairman, Railway Board suggested that no change should be made therein as the new members would have to go through the whole ground *de novo*. After some discussion, it was agreed that a retired Railway Engineer of the status of a Chief Engineer, Indian Railways, should be associated with the Team.

The sub-Committee decided that in the meantime no judgment should be reached on the basis of the report under consideration.

At this stage, the representative of the Ministry of Railways informed the sub-Committee that the note containing their comments submitted to the Public Accounts Committee should be treated as withdrawn.

11. The Comptroller and Auditor-General further suggested that in future in all cases where works are required to be carried out in an emergency, special procedure should be prescribed by the competent authority taking into account all the circumstances of the emergency. It is undesirable that a general permission to the authorities executing the work “ to take all necessary measures to ensure that the project is fulfilled ” should be given. The extent to which the normal Code rules are to be relaxed should be precisely

stated. Further, the authorities exercising such extended powers should be directed to leave sufficient contemporary record of facts to enable the investigating authorities in future to judge whether such powers have been judiciously exercised.

12. The sub-Committee then took up consideration of the Memorandum* furnished by the Ministry of Railways on the comments contained in para. 37 of the Railway Audit Report, 1951, which referred to the loss of Revenue to the Railway due to quotation of 'station to station' rates for fresh fruits by passenger train in wagon loads on the G. I. P. Railway.

* Not printed as it was withdrawn by the representatives of the Railway Board.

APPENDICES

APPENDIX

Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
1	1948-49 (I)* 1947-48 (post-partition).	14 4-R	Finance	The Ministry of Finance should take suitable action in cases in which it is established that the responsibility of framing budget estimates or controlling the expenditure has not been properly discharged.	
2	1948-49 (I)	15	Finance <hr/> All other Ministries.	(i) In order to obviate cases of large lapses of funds resulting from the non-adjustment of debits for supplies and services rendered during a financial year, a suitable procedure should be devised whereby action is taken sufficiently in advance by the indenting authorities to ascertain from the suppliers whether the supply of goods was likely to materialize. If the payment was not likely to be made in time, the funds provided for the purpose should be surrendered.	The Ministry of Railways have submitted a Memorandum. The Ministry of Communications have stated as below : "The suggestion contained in the concluding sentence is being followed at the close of each financial year. The position of stores indented is periodically reviewed. The suppliers are asked to indicate whether they will supply the articles ordered and raise debits in time. The Ministry of Works, Housing and Supply have stated as below : "Instructions contained in the Ministry of Finance O. M. No. F. 10(1)-B/51, dated the 14th June, 1951 have already been brought to the notice of the Central Public Works Department authorities and the Controller of Printing and

*1948-49 (I) denotes : First Report of the Public Accounts Committee on the Accounts of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition).

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
					Stationery and they have been instructed to follow them invariably."
					The D. G. P. & T. has stated that the matter has been taken up with the Ministries of Finance and Works, Housing and Supply.
				(ii) The Ministry of Finance in exercising its 'banking' control should take into account wider considerations and bring it to bear upon the Ministry accountable for the proper spending of the funds entrusted to it that it should exercise strict financial control in all such cases where funds are spent through the agency of the State Government. The Ministry of Finance should issue strict instructions that explanations for variations between the Grants and the expenditure should be furnished expeditiously by the Ministries in order to obviate delay in the compilation of the Appropriation Accounts.	The Ministry of Communications have stated as below : "Instructions in regard to explanations for variations, which are already in force, are being observed. Further instructions, if any, from the Ministry of Finance will be complied with."
					The Ministry of W. H. & S. have stated that necessary explanations are furnished to the Accounts Officer with due expedition.
3	1948-49 (I)	16	Finance All other Ministries.	Most of the administrative authorities are ignorant of proper budgetary procedure and lack of knowledge and experience of financial control over expenditure. The Ministry of Finance should not only devise measures for tightening financial control but their representatives should <i>inter alia</i> also watch and advise the ad-	The Ministry of Railways have stated as below : "Comprehensive instructions on the subject already exist. There is one complete chapter on 'Control of Expenditure' in the State Railway General Code for the benefit of Railway Officers".

4 1948-49 (I)

17

Do.

ministrative authorities in their control over the progress of expenditure.

(i) Planning and preparation of estimates proceed on a very unsatisfactory basis and money asked for one purpose is often spent on a different activity or a major activity is allowed to be postponed and a minor scheme or activity proceeded with. There is also no real co-ordination between the activities which a Ministry propose to undertake during the year and the financial side of such activities. The present system of preparation and scrutiny of estimates should be overhauled thoroughly and a methodical and systematic procedure devised whereby the budget is prepared on a more accurate data which is duly 'vetted' by both the administrative and financial authorities.

The Ministry of Communications have stated as below :

"Necessary direction issued by the Ministry of Finance will be carried out".

The Ministry of W. H. & S. have noted the recommendations.

The Ministry of Railways have stated as below :

"The procedure for the preparation and submission of estimates is elaborately set out in Chapters IV and V of the State Railway General Code, and the estimates are prepared by the Administrations in consultation with their Financial Adviser and Chief Accounts Officers".

The Ministry of Communications have stated as below :

"Under the existing system every possible care is taken to see that the budget estimates are prepared correctly and amounts are utilised for the activities for which they are budgeted".

The D. G., P. & T. has noted the recommendation.

The Ministry of Works, Housing and Supply have stated as below :

"The procedure indicated in Appendix 6 of the Central P. W. A. Code is followed in so far as the Central Civil Works are concerned. If any change in the procedure is considered necessary, the Ministry of Finance will take necessary action and inform this Ministry".

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6

(ii) The Ministry of Finance should associate itself with the administrative Ministry concerned from the very inception of the preparation of the budget estimates and assist them in coming to proper decisions rather than sit on judgement over their proposals.

5 1948-49 (I)

18

Finance

 All other Min-
 istries.

In order to check the tendency of the spending authorities to incur expenditure in excess of the sanctioned grants or appropriations, it is essential that the Ministries in general, and the Ministry of Finance in particular, should devise measures urgently whereby expenditure under each grant and sub-head under that grant is booked immediately after it is incurred. The progress of expenditure should be watched by the authority administering the grant so that before incurring further expenditure, it should ensure that the fresh expenditure is within the limit of sanctioned allotment. This is, of course, without prejudice to the legitimate use of the Contingency Fund.

The Ministry of Railways have submitted a Memorandum.

The Ministry of Communications have stated as below :
 "Necessary instructions have already been received from the Ministry of Finance and they are complied with".

The D. G., P. & T. has stated as below:—
 "The recommendations of the Committee are already laid down in the departmental rules. Necessary instructions reiterating the provisions of the rules and for tightening up the procedure, have been issued".

The Ministry of W. H. & S. have stated as below :

"A register of progressive expenditure in the Printing and Stationery Department under each sub-head from month to month

The reconciliation of the figures of expenditure booked by the spending Departments concerned with those booked by the respective Accounts Officers is one of the 'potent methods' by which the flow of expenditure can be regulated and the tendency to over-spend curbed. To achieve this end, the spending departments should maintain their accounts properly. The Financial Advisers attached to the Ministries etc. should guide the Administrative authorities in regard to the maintenance of accounts and for watching the progress of expenditure. They should also look into the accounts of Ministries/Departments periodically in order to see that these are being maintained properly. In the U. K. the res-

is maintained in the Ministry and it is ensured that expenditure under any sub-head is not exhausted too rapidly or exceeds the budget grant".

"The procedure indicated in Appendix 6 of the C. P. W. A. Code is followed in so far as the Central Civil works are concerned. If any change in the procedure is considered necessary, the Ministry of Finance will take necessary action and inform this Ministry".

"The expenditure debitable to the budget grant of the Secretariat is promptly booked in the register maintained for the purpose and the accounts are reconciled with the expenditure booked by the Accounts Officer".

The Ministry of Railways have stated as below :

"This does not apply to the Railway Ministry as the Financial Advisers to the Railway Administrations are also the Accounts Officers and are responsible for the maintenance of accounts under the administrative control of the General Managers".

The Ministry of Communications have stated as below :

"So far as this Ministry including its attached and subordinate offices are concerned, the accounts are properly maintained and the reconciliation is done regularly and promptly".

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6

responsibility for keeping the entire accounts rests with the Ministries/Departments concerned. Steps should be taken to introduce changes in this respect gradually but effectively.

The D. G., P. & T. has stated that necessary instructions have been issued.

The Ministry of W. H. & S. have stated as below :

“ In the C. P. W. D., the works expenditure is booked in the Divisional Offices. Instructions are being issued to the Chief Engineers for emphasising on the Divisional Officers the necessity and importance of periodical reconciliation of expenditure figures booked in the Divisional Offices and the respective Accounts Offices and for introducing a system for keeping a watch that the Committee's recommendations are properly carried out.

As regards the concluding part of the recommendations the advice of the Ministry of Finance is awaited.”

“ The Controller of Printing and Stationery as also offices subordinate to it have been directed to regularly reconcile their departmental figures of expenditure with the Accounts Office figures. The sub ordinate offices are also

7 1948-49 (I)

20 Finance

All other Ministries.

The Ministries should ensure that action against the delinquent officials is taken promptly and the Ministry of Finance should see that the Ministries initiate necessary proceedings in each and every case in time. Remedial measures should also be devised against any defects that may have come to notice of that Ministry in the course of investigations.

required by the Controller to attach a certificate to this effect with the monthly statement of expenditure submitted by them".

"The expenditure debitable to the budget grant of the Secretariat is reconciled with the figures booked by the Accounts Officer".

The Ministry of Railways have stated that necessary instructions have been issued to the Railway Administrations.

The Ministries of W. H. & S. and Communications and the D. G., P. & T. have noted the recommendations and issued necessary instructions.

8 1948-49 (I)

21 Do.

In regard to proper utilization of the grants made to the State Governments etc., for various Development schemes launched by them, the Central Government should conduct broad checks to see that the objectives with which such allocations are made are achieved as intended and within the targets laid down.

9 1948-49 (I)

22 and 106
Finance

External Affairs

Other Ministries

A note outlining (i) the extent of co-ordination existing between the Ministry of External Affairs and other concerned Ministries at the time of framing of the budget estimates relating to the office of the High Commissioner for India in U. K., (ii) the steps contemplated to be taken by the Ministry of External Affairs for conducting detailed scrutiny of such estimates, and (iii) the measures proposed to be adopted towards the strengthening of the budgetary and effective financial control over the Indian Embassies and Missions abroad should be furnished to the Committee.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
19	1948-49 (I) 1947-48 (post-partition)	23 10-R 95-F	Finance All other Ministries.	The introduction of the 'Administrative Audit System' by the Ministries should not be delayed merely on the ground of want of funds. For better organisation and to secure efficiency, it is worthwhile spending a little extra on overhauling the present defective system, which, if continued indefinitely, might eventually result in a huge waste of public funds.	The Ministry of Railways have stated as below : "Apparently the term 'Administrative Audit System' refers to the internal check of accounts under the control of the Administrations. This is already in vogue on the Railways as the organisation of the Financial Adviser and Chief Accounts Officer forms part of the Railway Administration under the General Manager". The Ministry of Communications and the D. G., P. & T. have stated that general instructions are awaited from the Ministry of Finance. The Ministry of W. H. & S. have offered no remarks.
21	1948-49 (1)	24	Do.	If the State-sponsored Corporations, such as the Indian Telephone Industries, Bangalore, Sindri Fertilizers and Chemicals Ltd. etc. are allowed to run independent of the control of Government or Parliament, there is a danger that public money might be frittered away in frivolous investments. In order to ensure that such concerns do not transgress the recognized rules of financial propriety and that the public money is not wasted, they should more appropriately be regulated by Parliamentary legislation in each case.	The Ministry of Railways have stated as below : "Not concerned as there are no State-sponsored corporations under the Railway Board." The Ministry of Communications have stated as below : "So far as the Indian Telephone Industries, Bangalore, is concerned, the matter is being examined in consultation with the Ministry of Finance". The Ministry of Works, Housing and Supply have offered no remarks.

12	1948-94 (I)	25	Do.	<p>In all cases of misuse of public money, reckless disregard of financial rules, extravagances and losses resulting from negligence of officials, responsibility should be fixed on the individual officers and the Ministry concerned. The Administrative Ministry should not content itself merely with passing strictures against the officer concerned but should take some positive action against them for wastes of public funds caused through their wilful actions or contributory negligence. In order to tone up administrative integrity and efficiency, it is absolutely essential that officials found guilty of such acts are dealt with promptly and severely. Officers responsible for failing to take action or delaying action against the delinquent officials should also be suitably punished.</p>	<p>The Ministry of Railways have stated that necessary instructions have been issued to the Railway Administrations.</p> <p>The Ministries of Communications and W. H. & S. and the D. G., P. & T. have noted the recommendations.</p>
13	1948-49 (I)	151	Finance	<p>With reference to Para. 33 of the Audit Report, 1950, the progress made in the adjustment of the outstanding balances in respect of payments made to the U. K. Government on behalf of Pakistan should be reported to the Committee.</p>	
14	1948-49 (I)	153	Do.	<p>(i) The progress made in taking over the work relating to payment of military pensions from the U. K. Government should be reported to the Committee.</p> <p>(ii) A note setting forth the actual percentage of the ratio of expenditure incurred on agency fees to the pensions paid by the Commonwealth Relations Office should be furnished to the Committee.</p>	

*The letter 'P' denotes the paragraph number of the Proceedings.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
				(iii) The Ministry of Finance should ascertain from the appropriate Ministry whether the Commonwealth Relations Office was in any way rendering any assistance towards the promotion of welfare of the Indians settled in the Colonies like Mauritius, New Guinea, etc. and, if so, whether they would continue to do so even after the Indian High Commissioner had taken over the work relating to military pensions.	
15	1948-49 (I)	154	Finance	Since the Insurance Organization is intended for the benefit of the Insurance Companies, etc., it should be considered whether the fees levies should not be adequate to cover the expenditure. A report in the matter should be submitted to the Committee.	
16	1948-49 (I)	22 and 157	Do.	A note should be submitted to the Committee stating whether the Ministry of Finance had withdrawn any of the powers delegated to the old India Office and whether the H. C. for India in London exercised the same financial powers as were enjoyed by other Ambassadors and, if not, why not ?	
17	1948-49 (I)	162	Do.	A note stating the steps taken by Government to revise the charges for printing of stamps to meet the rising cost should be submitted to the Committee.	

18	1948-49 (I)	26	(i) Finance ----- All other Ministries.	<p>(i) Whenever any case of an officer exceeding his financial powers is noticed, he should be made personally responsible for such excesses if these are not covered by the sanction of the appropriate authority.</p> <p>(ii) Whenever irregularities are mentioned in the Audit Report, action to rectify them should be taken in advance of their consideration by the Committee so that the Committee are informed of the final position and not merely told that the matter would be looked into.</p>	<p>The Ministry of Railways have stated that instructions from the Ministry of Finance are awaited.</p> <p>The Ministries of W. H. & S., Communications and the D. G., P. & T. have noted the recommendations.</p> <p>The Ministries of Railways, Communications, W. H. & S., and the D. G.-P. & T. have noted the recommendations.</p>
19	Do.	28	Do.	<p>In order that the effect of refusal of the <i>ex post facto</i> sanction is clearly felt, the Ministry of Finance should, in consultation with the administrative Ministry concerned, consider what disciplinary measures are required to be taken and what remedial action is called for. A full report should invariably be placed before the Public Accounts Committee in connection with the discussion of such items and that they should not be removed from the Objectionable Items Register maintained in the Accounts Office until they have been discussed and commented upon by the Committee.</p>	<p>The Ministry of Railways have stated that instructions from the Ministry of Finance are awaited.</p> <p>The Ministries of Communications, and W. H. & S. and the D. G., P. & T. have noted the recommendations.</p>
20	Do.	37	Do.	<p>Officials of the executive Departments should co-operate with the Audit Department in the timely verification of facts proposed to be incorporated in the Audit Report and subsequent attempts on the part of the representatives of the</p>	<p>The Ministry of Railways have stated as below :</p> <p>“ Necessary instructions have been issued to the Railways. The time-limit of six weeks for the acceptance of the draft para. is</p>

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
				Ministries to contradict any statement contained in the Audit Reports at the time they appear before the Public Accounts Committee should be avoided. In order to prevent a subsequent waste of time of the Public Accounts Committee and Parliament owing to any disagreement on facts, the Ministries should invariably send their comments on facts within a time-limit prescribed by the Comptroller and Auditor-General.	being strictly enforced as far as practicable".
21	1948-49 (I)	38 and 157	Finance All other Ministries.	In order to expedite disposal of audit objections, the Ministry of Finance should issue instructions requiring the Financial Advisers attached to the various Ministries to call for quarterly statements showing the progress made in the disposal of audit objections pending with the Ministries concerned and their Attached and Subordinate offices and see that they are replied to in time. The Executive Officers should also, while inspecting the subordinate offices, make it a point to enquire about the disposal of audit objections.	The Ministries of Communications, W. H. & S. and the D. G., P. & T. have noted the recommendations and issued necessary instructions to the subordinate Offices.
					The Ministry of Railways have stated as below : "Necessary instructions impressing upon the Railway Administrations to expedite the disposal of Audit objections have since been issued".
					The Ministries of Communications and W. H. & S. and the D. G., P. & T. have noted the recommendations and issued necessary instructions to their subordinate Offices.
22	1948-49 (I)	39	Finance	The Accountants-General should be divested of the responsibility of looking after treasury work forthwith as such a step would mark the beginning of an important reform that the spending authority draws its own bills and makes arrangements for their payment.	

A Central Treasury in Delhi should be set up without further delay.

- | | | | | |
|----|---------------------------|-------------|--------------------------|---|
| 23 | 1948-49 (I) | 40 | Do. | The Ministry of Finance should present to the Public Accounts Committee a skeleton of the form devised in consultation with the Comptroller and Auditor-General in which the Accounts embracing the receipt and debt sides will be prepared to enable the Committee to make an early start in the matter of scrutinising the Receipt and Borrowing sides of the Accounts. |
| 24 | 1948-49 (I) | 72 | Finance | The Financial Advisers accredited to the Ministries should appear in person before the Committee and should not depute their subordinate officers. |
| 25 | 1948-49 (I) | 157 | } Do. | Special steps should be taken to review the existing State Trading and Manufacturing Schemes under the control of the Government of India with a view to seeing that they were not sustaining any loss and that an adequate return commensurate with the capital invested in the scheme was forthcoming. A complete review of the schemes should be submitted by the Finance Ministry in respect of all the State Trading Schemes, under the over-all control of the Government of India. |
| | 1947-48 (post-partition). | 7-R
87-P | | |
| 26 | 1948-49 (I) | 26 (i) | Works, Housing & Supply. | With reference to para. 23 (a) of the Audit Report, the Committee was promised to be informed in due course of the action taken in the matter. |

A note has been submitted to the Committee.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
27	1948-49 (I)	26 (ii)	Commerce and Industry.	The decision to waive the recovery of the amount from the officer concerned for having utilized the cars from a pool of cars for private purposes in the case referred to in para. 23 (c) of the Audit Report (Civil), 1950, was not correct. The officer should not have been treated leniently when there was a <i>prima facie</i> charge of malfeasance against him. A thorough investigation should be made by the Ministry in all the charges levelled against him and a report submitted to the Committee.	
28	1948-49 (I)	165	Works, Housing & Supply.	In the case referred to in para. 23 (a) of the Audit Report, 1950, further action taken in consultation with Audit to write off this item should be reported to the Committee.	A note has been submitted to the Committee.
29	1948-49 (I)	169	Commerce and Industry.	With reference to the case referred to in note 2 at page 105 of the Appropriation Accounts (Civil) of 1948-49, the action taken against the officer concerned should be reported to the Committee.	Do.
30	1948-49 (I)	171	Do.	Action taken to prevent continued loss on account of fees for Deposits and Registrations of Trade Marks should be reported to the Committee.	Do.

31	1948-49 (I)	174	Do.	<p>The results of the investigation promised to be made by the Secretary to the Ministry in the case involving leakage of the Government decision regarding levy of increased export duty on oil seeds before the issue of Government Communique should be reported to the Committee.</p>	Do.
				<p>A note setting forth the steps taken to prevent such leakages which had serious repercussions not only on the trade but also resulted in loss of revenue should also be furnished.</p>	
32	1948-49 (I)	175	Do.	<p>Action taken to improve the state of affairs existing in the Library attached to the Office of the D. G., Commercial Intelligence and Statistics, Calcutta, as also the measures proposed for pooling all available statistical data in one place should be reported.</p>	Do.
				<p>It should also be stated whether the officer concerned has been granted further extension of service and, if so, for what period.</p>	
33	1947-48 (post-partition).	83-P	Do.	<p>With reference to the question of allocation of the profits accruing from the operation of the Standard Cloth Scheme, an agreement should be arrived at between the Ministries of Finance and Commerce and Industry and the Comptroller and Auditor-General about the quantum of the profits and the deductions to be made on account of interest, overhead and other ancillary expenses before distributing them to the States and the matter reported to the Committee in due course.</p>	<p>Action has been initiated with a view to implementing the recommendations of the Committee. A report will be submitted as soon as the matter is finalized.</p>

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
34	1947-48 (post-partition).	84-P.	Commerce and Industry.	In connection with the Import of Japanese Cloth, the Committee should be apprised of the latest position regarding the claim preferred with the Customs Department for the refund of Rs. 10,96,624 which represented the excess sum already paid on that account.	A note has been submitted to the Committee.
35	1947-48 (post-partition).	88-P.	Do.	A review of the working of the undermentioned State Trading Schemes showing their latest financial position should be prepared and placed before the Committee along with the accounts for the year 1949-50 after getting it verified by the Accounts :— (i) 'Consumer Goods imported on Government account' : (ii) 'Purchase of Paper'.	The reviews have been submitted to the Committee.
36	1947-48 (post-partition).	74-P.	Natural Resources and Scientific Research.	A memorandum setting forth the latest details of the scheme relating to the purchase of machinery for Mica Miners, particularly with regard to its financial aspect, should be submitted to the Committee.	A Memorandum has been submitted.
37	1947-48 (post-partition).	74-P.	Do.	The net financial results of the working of the Scheme named All India Reserve Pool of Electrical Generating Plant, after its accounts had been finalised, should be furnished to the Committee.	

38	1947-48 (post-partition).	75-P.	Comptroller and Auditor-General.	The Committee was promised to be furnished by the C. & A. G. in due course report of an examination conducted by one of his Officers on the accounts of such projects as Bhakra-Nangal, Hirakud, Sindri and D.V.C.	The inspection reports of the Officer have been forwarded to the departmental authorities concerned for their comments and explanations. Matters which deserve special mention in the Audit Reports will be included in the relevant reports after the consideration of the replies.
39	1948-49 (I)	26 (iii)	Works, Housing and Supply.	The officers of the Central Public Works Department responsible for losses referred to in paras. 24 (d) and 24 (e) of the Audit Report (Civil), 1950, have been dealt with leniently. The persons who have been responsible for the delay in dealing with this case, apart from those who are responsible for the loss, should be suitably dealt with under the disciplinary rules and a report submitted to the Committee.	A memorandum has been submitted to the Committee.
40	1948-49 (I)	26 (vii)	Works, Housing and Supply <u>All other Ministries.</u>	While drawing up contracts, the officers responsible for this work should exercise due prudence to safeguard the interests of Government.	The Ministries of Railways, Communications, W.H. & S. and the D. G., P. & T. have noted the recommendations. The Ministry of W. H. & S. have issued necessary instructions to the authorities concerned.
41	1948-49 (I)	57	Works, Housing and Supply.	The whole transaction relating to the disposal of brass rods, bars, etc., referred to in para. 24 (i) of the Audit Report should be properly investigated and responsibility fixed in the matter as the deal did not appear to be free from suspicion. A report showing the action taken in the matter should be submitted to the Committee.	A note has been submitted to the Committee.
42	1948-49 (I)	58	Production	Government should consider the question of capitalising the amount of losses	As far as Rajasthan and Kharaghoda Government Salt Factories are con-

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
43	1948-49 (I)	59	Works, Housing and Supply.	The state of affairs prevailing in the Central Public Works Department should be improved as it was considered to be most unsatisfactory.	<p data-bbox="1240 368 1655 597">cerned the losses found on clearance form a very small percentage of the total production of salt. The cost of construction and maintenance of storage accommodation will be considerable compared to the loss incurred. The loss can be minimised by making the heaps compact and this is being done. It will appear to be uneconomic to provide any covered shelter at these places.</p> <p data-bbox="1240 621 1655 789">2. At the Mandi Salt Mines, where rain fall is heavy, salt is already being stored in covered Godowns. The existing accommodation is just sufficient for the present level of production. With increase in production the question of increasing the storage accommodation will be considered.</p> <p data-bbox="1240 813 1655 894">3. This question is already under the examination of a Departmental Committee and their findings are awaited before a final decision is taken.</p> <p data-bbox="1240 918 1655 1067">The Re-organisation Committee is examining ways and means to re-organise the C.P.W.D. The Chief Engineer is being instructed to observe the codal requirements of periodical inspections and also to submit periodical reports to Government.</p>

19	48-49 (I)	119	Do.	With reference to the comments contained in para. 24 (e) of the Audit Report, Civil, 1950 the Committee desired that pending completion of the investigation being made by the Police, the ground balance of the stores should be reconciled with the balance of the stores shown in the registers. In case there was a continued discrepancy between the stock accounts and the actual stocks, that should be gone into and put right without delay. A report stating the action taken in the matter should be submitted in due course.	A memorandum explaining the position in detail has been submitted to the Committee.
45	1948-49 (I)	120	Do.	With reference to para. 24 (f) of the Audit Report, Civil, 1950, a comprehensive note giving a review of the latest position of the surplus stores, together with a comparative chart showing the strength of the Disposals Organisation on the 28th February, 1951 and that of the nucleus staff existing on the 29th February, 1952 should be submitted.	A note has been submitted to the Committee.
46	1948-49 (I)	123	Do.	With reference to para. 24 (j) of the Audit Report, 1950, a copy of the rules regulating the scale of disposal stores that obtained during the year 1946 and as they stood now should be furnished. The decision given by the Union Public Service Commission in this case should also be reported to the Committee.	A note has been submitted to the Committee.
47	1948-49 (I)	127	Do.	With reference to para. 24 (s) of the Audit Report, 1950, a report stating the disciplinary action taken against the officer concerned should be submitted.	The officer involved in this case opted for Pakistan at the time of Partition. No disciplinary action could, therefore, be taken against him.
48	1946-47 1947-48 (post-partition).	34-P. 23-P.	Do.	The question regarding the early submission of the Sale Accounts to the Audit Office, referred to in para. 32 of the Audit	A note has been submitted to the Committee.

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				Report, 1950, should be dealt with at a high level between the A. G. F. R. & S. and the Director-General, Disposals and a suitable procedure should be evolved in consultation with the Ministry of Finance.	
49	1948-49 (I)	129	Production	The Ministry should consider the desirability of contributing the balances lying in the Coal Production Fund to the Coal Mines Stowing Board. The amount of balance in the Fund should also be reported to the Committee.	
50	1946-47	53-P.	Works, Housing and Supply.	The Committee desired that a report should be submitted to them in regard to action taken in the case mentioned in para. 16 of the Civil Audit Report, 1948.	A note has been submitted to the Committee.
51	1947-48 (pre-partition).	11A-P.	Do.	The Committee desired that a report of the final action taken in the cases mentioned in paras. 1 and 2 of the Civil Audit Report, 1949 should be submitted to them.	Disciplinary action has since been taken against the officer concerned. His increment for a period of two years has been stopped with cumulative effect.
2	1947-48 (post-partition).	88-P.	Production	A statement showing the amount of the net deficit after final settlement of the outstanding issues in regard to the re-	

covery from Messrs. Sir Lindsay Parkinson & Co. Ltd., in connection with the scheme for the production and supply of Coal, should be submitted to the Committee in due course.

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| 53 | 1947-48 (post-partition). | 93-P. | Works, Housing and Supply. | With reference to the case mentioned in para. 21 (i)(2) of the Audit Report, 1949, the Committee desired to know of the action taken against the defaulting officer. | Disciplinary action has since been taken against the Officer concerned. His increment for a period of two years has been stopped with cumulative effect. |
| 54 | 1948-49 (I) | | External Affairs | The High Commissioner for India should be instructed that advances to officials should be made in the manner prescribed under the rules and with the sanction of the competent authority. Instances of the nature mentioned in para. 25 (a) of the Audit Report regarding the purchase of a motor car by the High Commissioner for India in the U.K. from a senior official returning from U.S.A. without having obtained prior sanction of the Government of India should be avoided. | |
| 55 | 1948-49 (I) | 26 (v) | Do. | Early steps should be taken to prescribe a proper procedure whereby adequate administrative and financial control is ensured in the Office of the High Commissioner for India in the U.K. The case mentioned in para. 25 (c) of the Audit Report relating to the loss of Gandhi Memorial stamps amounting to £106-8-5 bears an adequate testimony to the fact that there had been laxity in the administration of the High Commissioner's Office. A note stating the results of the investigation made by the D.G.P.&T. in the matter and action taken, if any, against the officials concerned should be submitted to the Committee. | |

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56	1948-49 (I)	52	External Affairs	Steps should be taken to effect from the Pakistan Government the recovery of the amounts due from her without waiting for the final debt settlement. It is illogical that the Pakistan Government should postpone payment of her share of combined contribution to the U.N. International Organizations viz., F.A.O. and I.C.A.O. paid by the Government of India during the years 1947-48 (post-partition) and 1948-49 on the pretext that a settlement of the financial question relating to the period before partition has not yet been reached.	The Ministries of Communications and External Affairs have submitted notes regarding recovery of Pakistan's share of combined contribution to the International Civil Aviation Organisation and the U.N.O. respectively.
57	1948-49 (I)	53	Do.	As the expenditure incurred on the running of the organisation for effecting recoveries of advances paid to the evacuees from Burma, Malaya etc. was proving infructuous in view of the remoteness of the chances of recovery, Government should consider the expediency of writing off the outstanding amount after ascertaining from the States and winding up the organisation dealing with this work. A report showing the action taken in the matter should be submitted.	A memorandum has been submitted to the Committee.

- 58 1948-49 (I) . . . 32 Do. . . The matter relating to the purchase of whisky by the High Commissioner for India in the U.K. should be examined further by the Ministry of External Affairs in consultation with an officer nominated by the Comptroller and Auditor-General and the result of their findings reported to the Public Accounts Committee in due course.
- 59 1948-49 (I) . . . 106 Do. . . Attention of the High Commissioner for India in London should be drawn to the patent example of bad budgeting disclosed in Grant No. 41—Sub-head M.3 [page 133 of the Appropriation Accounts for 1947-48 (Post-partition)].
- 60 1948-49 (I) . . . 22 and 26(ii) Do. . . Audit objections should not be disregarded by the High Commissioner for India in the U.K. and instructions should be issued to him to deal with them expeditiously. A note stating the action proposed to be taken by the Ministry to ensure that the audit objections were promptly replied to by the High Commissioner and the defects noticed as a result of such objections removed forthwith should be furnished to the Committee.
- 948-49 (I) . . . 182 External Affairs . The possibility of transferring the work connected with the Scheme 'Contribution to Provinces etc., in respect of expenditure on orphans' to the Central Ministry of Rehabilitation should be considered instead of maintaining a separate establishment for this purpose in the Ministry of External Affairs.
Rehabilitation.

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62	1948-49 (I)	30	Health All other Ministries.	Proper vigilance should be exercised by the supervising authorities in Government Factories and actual labour costs ascertained before billing for repairs. Instances of the nature where the Ministry of Health acted in a 'lackadaisical' manner in having made recoveries for repairs of instruments carried out by the Factory attached to the Medical Stores Depot at lower rates than the actual cost of labour resulting in a loss of Rs. 1.15 lakhs should be avoided.	The Ministry of Railways have stated as below:— “Relevant provision exists in the Engineering and Mechanical Codes of the State Railways for the levy of all elements of cost of work done for other departments and private bodjes”. The Ministry of W. H. & S. have stated as below:— “The recommendations of the Committee are being brought to the notice of the C. E., P. W.D. for guidance in the case of C.P.W.D. Workshops”. The Ministry of Communications and the D.G., P. & T. have noted.
63	1948-49 (I)	104	Health	A note on the financial aspect of the working of the Medical Stores Depot, Karnal, should be submitted at the time of the examination of the Accounts for 1949-50.	A note has been submitted to the Committee.
64	1948-49 (I)	26 (tr)	Transport All other Ministries.	With reference to the case mentioned in Para. 27 of the Audit Report, it is considered unsatisfactory that an officer who is in-charge of cash and accounts in an office should plead as an excuse that he could not attend to this work properly as he had some other duties to perform. The Ministries should take a very serious	The instructions have been noted by the Ministries of Railways, Communications, Works, Housing and Supply and the D. G., P. & T.

view of such defalcations and irregularities and bring the offender to book without allowing him to take shelter under technicalities.

65	1948-49 (I)	54	Transport	The Government of India should obtain early payment of the amount which the Government of the U.K. had already agreed to pay in respect of Indian registered ships requisitioned by them during the last war. This should be done without prejudicing the question of the final settlement which should be expedited. A report showing the action taken in the matter and embodying the various stages of the financial settlement should be furnished to the Committee at an early date.	
66	1948-49 (I)	114	Do.	(i) Government should consider the question of separating the Accounts under the head 'Ports and Pilotage' in such a manner that the commercial side is exhibited separately from the purely administrative side. It should also consider the desirability of so regulating the pilotage charges, shipping charges, etc., that the deficit under this head is wiped off and the 'Ports and Pilotage' Department made self-supporting. (ii) The Ministry should examine the question of reducing the charges under the head 'Ports and Pilotage' especially on the Hooghly. The Committee should be apprized of the result of the examination made by the Ministry on this point.	
67	1948-49 (I)	33 189	Food and Agriculture <hr/> Works, Housing and Supply.	(i) The Ministry of Food and Agriculture should immediately investigate in consultation with the Ministry of W.P. & S. the case relating to the loss incurred on	The Ministry of Works, Housing and Supply have stated as below:— "The P.A.C. have asked the Ministry of F. & A. to furnish their remarks

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account of the import of fertilizers in paper bags and after fixing responsibility take suitable action against the officers concerned.

in consultation with the Ministry of W. H. & S. Accordingly, the remarks of this Ministry have been sent to the Ministry of F. & A., for sending a consolidated reply.

(ii) Action should be taken by the Ministry concerned against the officers of the Office of the High Commissioner for India in the United Kingdom responsible for the long delay in replying to the communications from the home Government in the above case.

The Ministry of Food and Agriculture have submitted a note.

(iii) A note showing the date on which the Ministry of Food and Agriculture complained in the matter to the late Ministry of Industry and Supply (now Ministry of W.P. & S.), the date on which the latter Ministry addressed their Mission in London, and the period for which the matter had been pending for final disposal should be furnished to the Committee.

(iv) In order to avoid losses in future the Ministry concerned should give specific instructions to the Purchasing Agencies and in all cases losses resulting from the non-observance of specifications should be taken up immediately with the Ministry of W. P. & S.

(v) The Ministry of Food and Agriculture should investigate the matter further in consultation with the Ministry of W.P. and S. and find out if the fault rested entirely with the Purchasing Mission in London.

Food and Agriculture (vi) If in any case, it becomes necessary to change specifications after orders have been placed, the financial effect of such changes should be taken into account before a decision is arrived at.

All other Ministries.

The Ministry of Railways have issued necessary instructions to the Railway Administrations. The Ministry of W.H. & S. have noted and issued necessary instructions. The Ministry of Communications and D.G., P. & T. have noted.

(vii) The various Ministries should not function compartmentally and there should be a close coordination between the indenting and purchasing Ministries.

The Ministry of Railways have stated as below:—

“ By taking over specialised store procurements under the Railway Board, the problem of effective co-ordination between the indenter and purchaser will be solved. As regards ‘common’ use stores, the necessity of such co-ordination will be kept in view, when the new Stores Organisation comes into being”.

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68 1948-49 (I) 73 Food and Agriculture An experienced Officer from the Ministry of Food and Agriculture and another Officer from the Accountant-General's Office should in consultation with each other settle the question of clearance of outstanding recoveries on account of imported foodgrains supplied to the States.

69 1948-49 (I) 74 Do. (i) A note should be furnished showing the percentage of loss on imported foodgrains from the place of origin to the destination and also showing whether Government had made any claims (i) & (ii). A note has been submitted to the Committee.

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				against the Railways concerned and the Insurance Companies for such losses and, if so, with what result.	
				(ii) A statement showing the total amount of loans given to the State Governments on account of G.M.F. Schemes, the amount recovered and the balance outstanding on 31-3-52 may be furnished to the Committee.	
70	1947-48 (Post-partition). 1948-49 (I).	79-P 76	Food and Agriculture	The decision arrived at in regard to the reclamation of Terai areas as a result of the meeting with the representatives of the State Government may be intimated.	A note has been submitted to the Committee.
71	1948-49 (I)	34	Do.	In the case of the purchase of milk-powder from the U.K. involving a loss of about Rs. 21 lakhs to the Exchequer, Government should have obtained a sample of the substitute variety and actually tried it before placing huge orders for a different variety the utility of which they were not sure of. As the supplies were ordered on behalf of the Government of Bombay their prior approval should have been obtained before agreeing to the supply of a variety other than the one originally asked for. With regard to similar transactions in future, care should be taken that the mistake is not repeated.	

72	1948-49 (I)	42	Do.	A small Committee of experts should be appointed to overhaul the existing procedure and to suggest improvements in regard to shipping, clearing and storage of imported foodgrains. A note outlining the action taken in the matter should be submitted.	A note has been submitted to the Committee.
73	1948-49 (I)	43 & 74	Food and Agriculture Finance.	The Central Government should not take direct responsibility in matters of agricultural development which had better be left to the charge of the State Governments concerned. This question should also be considered by the Finance Commission.	
74	1948-49 (I)	44	Food and Agriculture C. & A.G.	A special audit of the Sugar (Temporary Excise) Fund should be conducted by the Accountant General who should also study the question of costing, calculation of profits and other cognate matters and his comments, if any, towards effecting improvements in the administration of the Fund included in the Audit Report.	The C. & A. G. has noted.
75	1948-49 (I)	45	Home Affairs	It would constitutionally be a proper course if matters like the chartering of planes by Ministries and other officials of the Government of India, which Government are not competent to regulate under Executive Orders, are regulated by legislation. Government should introduce necessary legislation in the matter as early as possible.	The Salaries and Allowances Bill, 1952 has already been passed by the House of the People. The Bill makes provision <i>inter alia</i> for matters like Travelling Allowance to the Ministers.
76	1948-49 (I)	46	Do.	Payment of fees or honoraria to the Judges of the Supreme Court or High Court or any other Court or to other officers who are independent of the Executive	A memorandum has been submitted to the Committee.

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				Government, viz., Members of the Union Public Service Commission, Chief Election Commissioner etc., is likely to undermine the independence of such authorities which is so essential for the proper discharge of the high duties entrusted to them under the Constitution. Any attempt to repeat the instance brought out in the Audit Report, 1950 should be deprecated.	
77	1948-49 (I)	47	Home Affairs	In order to tighten control over the Secret Service Expenditure, the Minister of Home Affairs should countersign the certificates certifying the expenditure incurred after satisfying himself that the check conducted by the Home Secretary has been properly and adequately carried out.	The Ministry of Home Affairs have considered the proposal of the Public Accounts Committee very carefully and it has been decided that the proposal cannot be accepted.
78	1948-49 (I)	48 & 88	Do.	(i) The process of simplifying the existing procedure regulating disciplinary action against Government servants under the Classification, Control and Appeal Rules should be expedited so that such cases are dealt with expeditiously and a proper standard of efficiency, honesty, integrity of character and impartial outlook is maintained by the Services. (ii) A Memorandum containing a resume of the evidence tendered before them by the Home Secretary on the 10th July, 1951 touching on the constitutional,	

administrative and other aspects of the proposed revision of the Classification, Control and Appeal Rules should be submitted.

(iii) As soon as the Report of the Special Committee appointed by the Ministry of Home Affairs to consider the simplification of the procedure relating to the disciplinary action being taken against Government servants is ready, a Memorandum suggesting measures for remedying the situation should be submitted.

79	1948-49 (I)	96	Information and Broadcasting.	The desirability of debiting all expenditure incurred on the publication of books, pamphlets, journals, etc. for foreign publicity to the Ministry of External Affairs through book transfer should be considered.
80	1948-49 (I)	97	Do.	The avenue for debiting the cost of external publicity through the medium of All India Radio to the estimates of the Ministry of External Affairs should be explored.
81*	1948-49 (I)	49	Do.	In order to make good the loss at present sustained in the publication of the All India Radio Journals, a nominal increase should be made in the Radio Licence Fee and in lieu thereof a copy of the Journal (published in one of the Regional Languages) supplied <i>gratis</i> to the licensees.
82	1948-49 (I)	50	Do.	The accounts of the All India Radio should be commercialised. Further, with a view to minimise continued losses in the working of this organisation, a vigorous economy campaign should be launched so that all superfluous expenditure in any shape or form is eliminated.

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83	1948-49 (I)	51	Law	The independence of the Election Commission should be safeguarded and no Ministry of the Government of India should normally act as a supervisory administrative authority over its affairs.	
84	1948-49 (I)	82	Labour	(i) A copy each of the fortnightly and other reports published on the working of the Employment Exchange Organisations which <i>inter alia</i> showed the percentage of the un-employed who had obtained jobs in non-Governmental organisations through the Exchange should be furnished to the Committee. (ii) A note showing the number of copies of the 'Employment News' printed yearly along with the total cost involved should be submitted to the Committee.	
85	1947-48 (Pre-partition). 1945-46	32-P 41-P	Do.	The question of taking adequate disciplinary action against the officers concerned should be taken up again by the Ministry and the final decision arrived at in the matter should be communicated to the Committee.	A memorandum has been submitted to the Committee.

86	1948-49 (I)	36	Education <hr/> Finance.	Government should carefully consider the expediency of the audit of Grants-in-aid paid by the Centre to the Central Universities being conducted through the agency of the Comptroller and Auditor-General of India and the suggestion for the presentation of such Audit Reports to Parliament. They should also clearly define the powers and responsibilities of the Comptroller and Auditor-General in so far as the audit of the finances of the Universities was concerned without impinging upon the autonomous character of the Universities as conferred upon them under the various statutes.	
87	1948-49 (I)	177	Communications	A statement showing the actual number of occasions when each Ministry chartered planes during the past two years ending 31-3-52 as also the charges involved in each case should be submitted.	The required statement is being finalised and will be submitted to the Committee shortly.
88	1948-49 (I)	178	Communications <hr/> External Affairs.	All possible resources to effect recovery of the sum of Rs. 1,15,080 due from the Nationalist Chinese (KMT) Government should be tapped.	The Ministry of Communications have stated as below:— “The Ministry of External Affairs have taken up the matter with the Chinese Embassy in New Delhi”.
89	1948-49 (I)	179	Communications	The appointment of an internal Accounts Officer who understood the business control methods should be considered in order to ensure better accounting arrangements of the Overseas Communications Service Organisations.	The matter is under consideration.

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90	1948-49 (I)	61	Communications	<p>(i) Government should examine whether it would be more advantageous for the Air India International to make its own arrangements for booking.</p> <p>(ii) Government should evolve some commercial principles for regulating the grant of subsidy to Air Line Companies.</p>	<p>(i) It would be more advantageous for the Company to make its own arrangements for booking. But under the agreement dated 5th February, 1948 between Government and Air India and Tata Sons, Air India have been appointed the Chief Booking Agents in India of Air India International for a period of 10 years from the date of incorporation of the latter, viz., 8th March, 1948; it is therefore not possible for Air India International to make other arrangements for booking during this period.</p> <p>(ii) A new scheme of subsidy has been introduced with effect from the 1st January, 1952 under which operators of scheduled services who incur losses in spite of efficient and economical operation of the services receive subsidy from Government. In addition, with a view to encourage the airlines to bring down their costs and become self-supporting, a special payment is made to those operators who succeed in bringing down their costs below the standard costs worked out by the Air Transport Inquiry Committee.</p> <p>(A note setting forth the details of the new subsidy scheme has been separately submitted to the Committee.)</p>

91	1948-49 (I)	68	<u>Communications</u> All other Ministries.	Government should issue instructions to all the Ministries and their attached/subordinate Offices that every Inspecting Officer should keep a continuous watch that fire precautions are being observed properly and adequate action is taken in cases in which it is found that the inspection has not been properly carried out.	The Ministry of Communications and the D. G., P. & T. have noted. The Ministry of Railways have stated as below:— “ Necessary instructions have been issued to the Railways stressing the importance of keeping a watch on the proper and efficient maintenance of fire precaution arrangements”.
92	1948-49 (I)	56	Comptroller and Auditor-General of India.	The Comptroller and Auditor-General should submit a report to the Committee in regard to the question of submission to Parliament of the Audit Reports relating to the various Port Trusts in order to enable it to have an opportunity to appraise their financial position.	The question of taking up the matter with the Government is under the consideration of the Comptroller and Auditor-General.
93	1948-49 (I)	64	<u>Posts and Telegraphs Department.</u> Ministry of Finance (Communications).	Greater importance should be attached to the correctness of budgeting in the Posts and Telegraphs Department which is a commercial Department. It is imperative that measures should be devised in consultation with the Ministry of Finance (Communications) whereby the Posts and Telegraphs Department is constantly in touch with the figures of progressive expenditure so that no expenditure in excess of the sum voted is incurred.	A Memorandum has been submitted to the Committee.
94	1947-48 (post-partition). 1948-49 (I)	40-P 65-R	} Do.	The setting up of a Committee to determine the average life of the assets of the Posts and Telegraphs Department for evolving a scientific and rational basis for contribution to the Renewals Reserve Fund in accor-	A Committee with an Officer of the Telegraph Engineering Service as Chairman and an Officer of the I. A. & A. S. as Members has been set up with effect from December, 1951. Their Report is awaited. A Memorandum regarding

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				dance with the accepted commercial practice should be expedited.	the recommendations of this Committee together with the decisions of the Government reached thereon will be submitted to the Public Accounts Committee in due course.
95	1948-49(I)	66	Posts and Telegraphs Department.	An early decision should be taken in regard to the introduction of the mechanisation of Stores Accounting in the Posts and Telegraphs Department and the Committee informed of it.	The Hollerith System of mechanised Accounting has already been introduced in the Office of the Chief Accounts Officer, Stores and Workshops, Calcutta. It has been working satisfactorily for over two years now, and the question of retaining the same on a permanent basis is under consideration.
96	Do.	67	Posts and Telegraphs Department. <u>Communications.</u>	The principle of discrimination in the grant of concession for the free supply of meals and tea to a section of the staff of the Calcutta Telephone District is unjust and should be discontinued. The decision arrived at in the matter should be reported to the Committee.	The case is being examined in the light of the recommendations of the Committee and a Memorandum will be submitted to the Committee in due course.
97	Do.	68	Do.	A summary of the report of the Departmental Committee appointed by Government to investigate into the causes of the fire in the Calcutta Telephone Exchange together with a statement showing the action taken by Government against the officials found negligent in their duties should be submitted to the Committee.	A Memorandum has been submitted to the Committee.

98	Do.	69	Posts and Telegraphs Department.	The Postal Life Insurance Organisation should be run on commercial lines and not as a Government Department and that a balance sheet in respect thereof duly countersigned by the Audit Officer concerned appended to the Commercial Appendix to the Appropriation Accounts.	The question of running P. L. I. organization on commercial lines is under consideration. After the valuation of Pakistan policies is completed and the Fund is divided, the balance sheet will be appended to the Commercial Appendix and 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 each year will be incorporated in the Commercial Appendix beginning with the year 1951-52.
99	1948-49(I)	70	Posts and Telegraphs Department. <hr/> Communications. <hr/> Works, Housing and Supply.	The grave shortage of postal forms in the Post Offices should be remedied immediately. The Posts and Telegraphs Department should either be provided with a separate Press which should solely cater to their needs, or the control over the existing Press which undertakes their printing work, should be vested entirely in that Department. As an alternative to this arrangement, the Posts and Telegraphs Department should be permitted to make necessary arrangements with private presses for the printing of their forms. Government should take early remedial measures to resolve the difficulties experienced by the Posts and Telegraphs Department and this matter put on a satisfactory basis in the immediate future and apprise the Committee of the action taken in the matter.	The matter is under consideration in the Ministry of W. H. & S. and Directorate General, P. & T.
100	Do.	141	Posts and Telegraphs Department.	A note setting forth the final decision reached in the case referred to in Para. 23 of the Audit Report (P. & T.), 1950 should be submitted.	A note has been submitted to the Committee.

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101	1948-49 (I)	142	Posts and Telegraphs Deptt.	<p>(i) The matter referred to in Para. 27(b) of the Audit Report (P. & T.), 1950 should be investigated by the Department and the result reported to the Committee.</p> <p>(ii) With reference to the comments contained in Para. 27(c) (III) of the Audit Report, 1950, it is suggested that in order to enforce proper maintenance of the specimen signature books of Savings Bank depositors and Accounts of undelivered pass books, adequate disciplinary action should be taken against defaulters in this regard.</p>	<p>A memorandum has been submitted to the Committee.</p> <p>Suitable instructions have been issued in the matter.</p>
102	1945-46	78-P	Do.	The whole question relating to the procedure for the purchase and issue of stores should be gone into by the Posts and Telegraphs Department in consultation with the Accountant General, Posts and Telegraphs and a detailed report submitted to the Committee dealing among other things with the remedial action taken by Government.	A Memorandum has been submitted to the Committee.
103	1948-49(I)	72	All Ministries	The Secretaries to the Ministries or Heads of Departments should invariably appear before the Public Accounts Committee at the time of the examination of the Accounts relating to their Ministries. They should be fully conversant with and properly briefed on the various matters concerning their Departments.	Noted by the Ministries etc.

To counteract the fraudulent use and misappropriation of public money by making spurious alterations in cash receipts for postage stamps purchased for being affixed on parcels and letters going to non-Commonwealth countries and cash receipts for payment of railway freight, the system of using the Postal Franking Machines and Railway Credit Notes should be introduced in all Offices forthwith.

The Ministry of Railways have stated as below :—

“ The volume of correspondence with non-Commonwealth countries being very insignificant, the use of Franking Machines does not appear to be called for.

The system of paying railway freight through credit notes is already in vogue in respect of Government Departments ”.

The Ministry of Communications have stated as below :—

“ It is not desirable to purchase the Postal Franking Machines for use in the main Ministry and Railway Inspectorate as the monthly expenditure on private postage is less than Rs. 10. Railway Credit Notes are already in vogue in the Ministry in its attached and subordinate Units. In regard to the introduction of Postal Franking Machines in their attached and subordinate offices of this Ministry, the proposal is being separately examined ”.

The D. G., P. & T. have stated as below :—

“ Railway Credit Notes are already being used in this Department on the Telegraph side. The question of extending their use on the Postal side is under consideration ”.

The Ministry of W. H. & S. have stated as below :—

“ The Railway Credit Notes are already in use. The question of introducing

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1	2	3	4	5	6

the system of using the Postal Franking Machines for letters going to non-Commonwealth countries is under consideration".

105	1948-49(I)	31	All Ministries	In the working of the commercial undertakings such as the Central Tractor Organisation, all factors that tend to raise the working cost, e.g., increase in the pay and allowance of the staff, depreciation charges etc., should invariably be kept in view while enforcing recoveries from private bodies, State Governments etc. on account of work done or services rendered.	The Ministry of Railways have stated as below :— "Relevant provision exists in the Engineering and Mechanical Codes of the State Railways for the levy of all elements of cost of work done for other departments and private bodies". Noted by other Ministries, etc.
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106	Do.	27	Do.	Any tendency on the part of the Ministries to bring forward general pleas in dealing with defaulting officials that the Officers concerned have been overworked ; that there was no deliberate intention of misleading ; that there was no time to check ; that the rules did not provide for supervision and so on ; in justification of irregularities should be curbed. All irregularities on the part of defaulting officials should be dealt with promptly and on the spot as procrastination always helps the offender to escape punishment.	Noted by the Ministries, etc.
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107	1948-49(II)**	. 2	<u>Defence</u> Finance (Defence).	Spending Departments should avoid inflating their estimates. All anticipated savings should be surrendered as soon as they become known without waiting till the end of the year. Departments should appraise properly their commitments and liabilities when it becomes apparent that the actual expenditure is likely to fall short of the provisions already made in the estimates. The general recommendations made in Chapter III of the Committee's Report relating to the Civil Accounts should also be followed by the Ministry of Defence.
108	1948-49(II)**	. 3	Do.	While issuing instructions regarding allocation of Works Expenditure to 'Maintenance' or 'Capital' the Ministry of Defence should make it clear that these apply only to temporary accommodation and <i>not</i> to the other types. A copy of the instructions issued should be furnished to the Public Accounts Committee.
109	1948-49(II)**	4	Do.	(i) As recommended by the Committee last year, the initial stock-taking of all stores should be completed as soon as possible and, thereafter, it should be ensured that the accounts, accurately record the quantities of each category of stores in stock, which should be verified in the process of stock-taking at regular intervals.

** 1948-49 (II) denotes the Second Report of the Public Accounts Committee on the Accounts of (Defence Services) and (Railways) of 1948-49.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6

(ii) Under the existing system, it is easy to transfer a certain category of stores which may be in excess in one depot to another depot which is situated nearby at the time of the stock verification of that depot. A fool-proof method should be devised in consultation with the Ministry of Finance (Defence) to evolve an effective check to counteract against such indiscriminate inter-depot transfer of stores.

(iii) It should be impressed upon the subordinate authorities to devote their immediate attention to the proper linking of stores transactions.

110	1948-49(II)	4	Defence	Adequate arrangements should be made for the proper storage of bulk of the Defence stores at present lying in the open exposed to the inclemencies of weather.
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111	1948-49(II)	5	Works, Housing and Supply Defence All other Ministries	Urgent steps should be taken by Government to draw up suitable standard forms of contract providing adequate safeguards to protect the interests of the Public Exchequer and these forms should invariably be used by the purchasing organisations.
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The Ministry of Railways have stated as below :—

“ Standard conditions of contract for carriage underframes and goods wagons have been prescribed. Standard conditions of contract for Civil Engineering Works are in the draft stage and are expected to be finalised shortly”.

The Ministry of W. H. & S. have stated as below :—

“ So far as the D. G., S. & D. are concerned, standard forms of contracts and conditions governing the same already exist. The standard forms and conditions for all types of contracts on the supplies side are constantly under review and suitable changes are introduced in them as and when necessary in consultation with appropriate authorities. Adequate safeguards to protect the interests of the Public Exchequer are already provided in the existing standard forms of contracts, which have been drawn up in consultation with the Ministries of Finance and Law.

All contracts are placed by the I. S. M., Washington and I. S. D., London in standard forms and no deviations are made without the specific concurrence of the Legal and Financial Adviser of the Purchase organisation. The conditions of contract forms used by the I. S. D. and I. S. M. have been recently examined and certain improvements have been suggested to I. S. D., London to bring their forms in line with the forms used by the I. S. M., Washington with a view to safeguard the interest of the Government.

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112 1948-49(II) . . . 6 and 45 Defence . . . A Rate-book of naval stores should be compiled urgently. A note showing the progress made in this direction should be furnished to the Committee.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
113	1948-49(II)	7	Defence	The recovery of overpayments mentioned in para. 35 of the Audit Report (Defence Services), 1950 should, as far as practicable, be effected or these overpayments should at least be taken into account in the case of individuals who may receive further payments under subsequent claims of compensation. A suitable procedure should be evolved in order to prevent the recurrence of such losses in future. An adequate organisation should be set up to vouchsafe the correct payment and accountal of compensation claims in such instances.	
114	1948-49(II)	8	Do.	The existing machinery, both in the depots and the Accounts Offices, should be overhauled to see that arrears of recovery of hire charges of the type referred to in para. 36 of the Audit report (Defence Services), 1950 are not allowed to accumulate as it becomes difficult to fix responsibility in such cases at a distant date.	
115	1948-49(II)	9	Do.	Delays in the setting up of courts of inquiry or for instituting proceedings involving losses on account of fraud, negligence, financial irregularities etc. should be avoided. The sanctity of observing the	

highest standards of financial propriety in the matters of public expenditure should be impressed upon all the spending authorities under the control of the Ministry of Defence.

The Recommendations contained in para. 37 of the First Report of the Estimates Committee relating to the purchase of jeeps in the United Kingdom should be implemented without delay.

The Ministry of Works, Housing and Supply have stated as below :—
“The Estimates Committee had in their first report (para. 37) recommended that :

(i) An enquiry should be made as to how the contract for jeeps was placed, whether the terms of the contract had been carefully vetted before it was entered into with the firm, whether the credentials of the firm had been properly investigated to the satisfaction of the Defence Secretary, the Financial Adviser, Defence Services and why action has been pending so long and what action is proposed to be taken against the person concerned.

(ii) A model contract should be drawn up and whenever any variations are to be made, they must be made with the prior approval of the legal and other technical experts.

As regards (i) the jeep contracts, the matter has been dealt with by the Ministry of Defence and the position has been clarified by that Ministry in Parliament. The Ministry of Defence are being asked to let us know what final steps

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6

they propose to take and the question of taking action against the concerned persons will be intimated to the Public Accounts Committee in due course.

As regards the suggestion (ii) to draw up model contracts, it may be stated that all contracts are placed in a standard form and no deviations are made from them without the specific concurrence of the legal and financial advisers of the Purchase Organisation. The conditions of contract form used by the I. S. D., London have been examined by the Assistant Solicitor recently and certain improvements have been suggested to the D. G., I. S. D., London to bring their form in line with the form used by the I. S. M., Washington with a view to safeguard the interests of Government".

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117 1948-49(II)

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Defence
Works, Housing & Supply
External Affairs
Other Ministries concerned.

The tendency on the part of the Ministries concerned to shift responsibility from one to the other should be avoided. Any confusion or fluidity in the sphere of responsibility between the various authorities responsible for the placing of

The Ministry of W., H. & S. stated as below in the first instance :
" The recommendation of the Committee is accepted and the Ministry of Defence is being addressed in the matter. The final decision taken

indents or execution thereof should be removed forthwith and the matter placed on a satisfactory footing. A detailed note showing the action proposed to be taken by Government in this connection should be furnished to the Committee.

will be intimated to the Committee in due course."

The same Ministry stated later as below :

"So far as D. G., S. & D. are concerned no confusion exists as to the sphere of responsibility between the indentors and Purchase Organisation. The D. G., S. & D. are responsible for placing contracts, progressing of supplies up to the point of delivery and arranging payment to the contractors through the Accountant-General. F. R. & S. to be recovered from the indenter. The fact that the D. G., S. & D. acts only as an agent of the indenter, is known to all concerned".

118 1948-49(II) . . . 10

Works, Housing &
Supply
External Affairs.

Government should re-examine the methods and organisation of the D. G., I. S. D., London with a view to defining in clear terms his duties and powers and his relationship with the High Commissioner and the Ministry of Works, Production and Supply in order to ensure that he functions efficiently.

The Ministry of Works, Housing and Supply have stated as below:—
"The question of appointing a Store Purchase Committee to review the purchase machinery and procedure (including the purchase organisations located abroad) and to suggest the changes that might be necessary is under consideration of this Ministry. Meanwhile, the existing rules relating to the policy and procedure for purchase of stores and engagement of freight to India followed by the D. G., I. S. D., London, has been suitably revised and the High Commissioner has been asked to implement the revised rules early. The powers of purchase of the D. G., I. S. D., London and of the High

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Serial No.	Year of Report	Para-graph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
					Commissioner have been refixed and in cases where the High Commissioner exceeds his powers, he should make a reference to the Government of India for sanction. Provision has also been made for the I. S. D. to consult the Financial Adviser attached to the H. C., London, whenever necessary."
119	1948-49(II)	10	Finance	The Financial Adviser attached to the High Commissioner for India in London should not be an officer subordinate to him. Government should consider this matter urgently in order that the Financial Adviser functions efficiently and without any fear.	
120	1948-49(II)	10	Defence.	Monthly report of the progress made in the supply of jeeps under the "New Contract" should be submitted to the Committee.	
121	1948-49(II)	25	Do.	A self contained note setting forth the decision arrived at by the Ministry of Defence, as also the views expressed by the Ministry of Finance, in regard to the case reported in para. 4 (b) of the Audit Report (Defence Services) 1950 disclosing the circumventing of restrictions in rules for concluding a "Term Contract" should be furnished to the Committee.	

122	1948-49(II) 1947-48 (Post Partition)	36 9	Do.	With reference to the case referred to in Para. 7 of the Audit Report. Defence Services, 1949, a note showing the reasons for the waiver of the amount of Rs. 1,26,433 referred to in para. 3 (b) (iv) of the Memorandum submitted to the Committee should be furnished. The Committee should also be informed of the steps taken to effect recoveries of the outstanding balances.	
123	1948-49(II)	14	Railways	The importance of correct budgeting process should be impressed upon the various Railway Administrations. No money should be spent hastily or in an ill-conceived manner merely because it is available, nor should any amount be spent in anticipation of the grant of funds. A sense of preservation of high standards of budgetary control and financial propriety which are a pre-requisite to the successful handling of the finances of a commercial concern should be infused in the Railway Administrations.	Necessary instructions have been issued to the Railway Administrations impressing on them the importance of correct budgeting.
124	1948-49(II)	15	Do.	Immediate steps should be taken to reduce to the minimum possible extent the existing high closing balances of Stock Adjustment Account under "Miscellaneous Items".	The Committee's observations have been brought to the notice of the Railways and the full effect thereof should be visible at the close of the accounts for 1951-52.
125	1948-49(II)	16	Do.	Budgeting under the 'Suspense Heads' should be made with meticulous accuracy and they should not be treated as a 'cloak' to cover transactions which have not been properly budgeted for. Only current items should be placed in a Suspense Account.	As per Railway Board's instructions, special staff have been deputed on Railways to examine the existing procedure of budgeting under 'Suspense' and necessary action will be taken to carry out improvements based on these investigations.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
126	1948-49(II)	17(i)	Railways	It is suggested that decisions in the construction of Railway lines should be based either on the revenue consideration or on wider national considerations. Instances such as the abandonment of the construction of the Barwadih Sarnadih Railway line after incurring expenditure should be avoided.	Noted.
127	1948-49(II)	17(ii)	Do.	It should be emphasized on the Railway Administrations that no authority should, as a general rule, incur expenditure or undertake a scheme which may eventually involve expenditure from public funds until the detailed estimates in respect of the project have been sanctioned by the competent authority.	Necessary instructions have been issued to the Railway Administrations.
128	1948-49(II)	17(iii)	Do.	In order to prevent the recurrence of over-payments of the nature mentioned in para. 20 of the Railway Audit Report, 1950, the Railway Board should formulate proper procedure in consultation with the Ministry of Works, Production and Supply whereby the revision in the rate of coal is communicated immediately by the Coal Commissioner to the Railway Administrations concerned before it is actually put into force.	A procedure is being formulated in consultation with the Ministry of Production.
129	1948-49(II)	17(iv)	Do.	(i) In order to prevent recurrence of losses of the nature referred to in para. 28 of the Railway Audit Report, the Railway	The questions raised are under consideration and a report will be submitted in due course.

Board should examine the procedure regarding the remission of demurrage charges and submit a report to the Committee.

(ii) The Railway Board should consider the question of the revision of the existing powers delegated to various authorities on the Railways to sanction write-off of demurrage and wharfage charges, in order to ensure that they are not abused by those authorities.

130	1948-49(II)	17(v)	Do.	The Railway Board should evolve a proper procedure for the guidance of Railway Administrations so that instances of carelessness and remissness to utilise properly the leased buildings are eliminated.	Necessary instructions have been issued to the Railway Administrations.
131	1948-49(II)	18	Do.	The Railway Board should consider the proposition of associating internal auditors with the job of compilation and checking of the station returns at the stations.	A memorandum has been submitted to the Committee.
132	1948-49(II) 1946-47	19 22-R	Do.	(i) The Railway Administration should take vigorous steps to counteract cases of deliberate frauds and misappropriation of public funds as the award of minor punishments, such as stoppage of increments etc. would not be a sufficient check for the stoppage of such acts. (ii) A copy of the instructions issued in regard to the handling of money and fixing of responsibility for losses should be furnished to the Committee.	Necessary instructions have been issued to the Railway Administrations. Necessary instructions have been issued to the Railway Administrations and a copy of the Railway Board's letter is placed before the Committee.

Serial No.	Year of Report	Paragraph of the Report	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
133	1948-49(II) 1947-48(post-partition).	20 63-P	Railways	A memorandum on the costing of locomotives manufactured in the Chittaranjan workshops <i>vis-a-vis</i> those manufactured by the Telco should be furnished to the Committee.	The matter is under consideration.
134	1948-49(II)	20 50(b).	Do.	The question of payment of fixed prices during the period 'C', which had already started, should be settled with the Telco, as it is apprehended that disputes might arise later. A note outlining the arrangements agreed upon with the Telco in this regard should be furnished to the Committee. The provisional payments made in respect of periods 'A' and 'B' should also be finalised urgently. It should also be stated specifically whether any payment by way of subsidy had been made to the Telco during the periods 'A' and 'B'.	Negotiations have not yet been concluded. However a memorandum detailing the present position is placed before the Committee.
135	1948-49(II)	21	Do.	In view of the difficulty of rectifying mistakes in the compilation of accounts, it is stressed that properly trained and right type of staff should be employed on the mechanisation work.	Noted.
136	1948-49(II)	22	Do.	A memorandum showing the results of the economy achieved in the working cost of the Railways consequent on the integration and regrouping of the entire Railway system into six zones should be furnished to the Committee.	It is too early to assess the results of the economy achieved in the working of the regrouped railways. Information is, however, being collected and will be furnished to the Committee as early as possible.

137	1947-48(post-parti- tion). 1948-49(II)	20-R 70-P 50(a)	Do.	Further action taken towards the rationalisation of the distribution of stocks between different Railways in the light of the recommendations of the Shroff Committee should be reported to the Committee.	A memorandum has been submitted.
138	1947-48(post-parti- tion)	19-R 69-P	Do.	There should be no over-capitalization in the Railway Collieries and commercial principles should be adopted for purposes of providing for depreciation.	The question of over-capitalization of the collieries is under consideration of the Ministry of Production in consultation with the Chief Mining Engineer and the Controller of Coal Accounts. The question of adopting commercial principles for the purpose of providing for depreciation is under consideration.
139	1947-48(post-parti- tion).	22-R 51-P	Do.	The progress made in the separation of Financial and Accounts functions on the Railways should be reported to the Committee.	A memorandum has been submitted to the Committee.

APPENDIX II

Statement Comparing Expenditure with Grants for 1949-50

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation More + Less—	Expenditure compared with Final Grant or Appropriation More + Less—
	Rs.	Rs.	Rs.	Rs.	Rs.
PART II.—POSTS AND TELEGRAPHS					
A.—EXPENDITURE MET FROM REVENUE					
9 Indian Posts and Telegraphs Department :					
Charged	96,08,000	96,08,000	1,02,64,987	+ 6,56,987	+ 6,56,987
Voted	27,66,49,000	28,31,44,000	30,39,99,915	+ 2,73,50,915	+ 1,48,53,915
B.—EXPENDITURE CHARGED TO CAPITAL					
92 Capital outlay on Indian Posts and Telegraphs Department (outside the Revenue Account) :					
Voted	4,13,41,000	4,13,42,000	3,86,93,734	- 26,47,216	-26,48,216
93 Indian Posts and Telegraphs—Stores—Suspense (outside the Revenue Account) :					
Voted	1,000	1,000	57,74,615	+ 57,73,615	+ 57,73,615
Total—Expenditure Charged to Capital : Voted	4,13,42,000	4,13,43,000	4,44,68,399	+ 31,26,399	+ 31,25,399
Total—Posts and Telegraphs	32,75,99,000	34,01,00,000	35,87,33,301	+ 3,11,34,301	+ 1,86,33,301
Total	96,08,000	96,08,000	1,02,64,987	+ 6,56,987	+ 6,56,987
Total	31,79,91,000	33,04,92,000	34,84,68,314	+ 3,04,77,314	+ 1,79,76,314
PART III.—RAILWAYS					
A.—EXPENDITURE CHARGED TO REVENUE :					
1 Revenue—Railway Board :					
Voted	32,58,000	32,58,000	32,27,165	- 30,835	-30,835
2 Revenue—Audit :					
Voted	21,77,000	24,49,000	23,72,363	+ 1,95,363	-76,637
3 Revenue—Miscellaneous Expenditure :					
Charged . . . . .	...	2,000	1,173	+ 1,173	-27
Voted	46,70,000	81,91,000	75,39,111	+ 28,69,111	-5,51,889
4 Revenue—Working Expenses—Administration :					
Voted	22,21,37,000	22,21,38,000	22,45,82,451	+ 24,45,451	+ 24,44,451
5 Revenue—Working Expenses—Repairs and Maintenance :					
Voted	49,93,08,000	66,43,01,000	67,35,33,193	+ 17,95,30,193	+ 1,45,37,193
6 Revenue—Working Expenses—Operating Staff :					
Voted	33,64,31,000	33,64,31,000	31,23,10,483	- 2,41,20,517	-2,41,20,517
7 Revenue—Working Expenses—Operation (Fuel) :					
Voted	24,28,65,000	28,41,37,000	28,35,70,415	+ 4,07,05,415	-5,65,585
8 Revenue—Working Expenses—Operation other than staff and fuel :					
Voted	8,64,55,000	11,16,61,000	12,69,72,641	+ 4,05,17,641	+ 1,23,09,641
9 Revenue—Working Expenses—Miscellaneous Expenses :					
Voted	20,31,34,000	20,31,34,000	18,39,49,288	- 1,41,84,712	- 1,41,84,712
10 Revenue—Payments to Indian States and Companies :					
Voted	1,67,39,000	2,31,25,000	1,86,13,110	+ 18,74,110	-15,11,890

APPENDIX II.—contd.

Number and Name of Grant or Appropriation	Original Grant or Appropriation	Final Grant or Appropriation	Expenditure	Expenditure compared with Original Grant or Appropriation	Expenditure compared with Final Grant or Appropriation
				More + Less—	More + Less—
	Rs.	Rs.	Rs.	Rs.	Rs.
11 Revenue—Working Expenses—Appropriation to Depreciation Fund:					
Voted	16,19,33,000	16,19,33,000	1,17,61,557	+2,98,28,557	+2,98,28,557
Revenue—Interest Charges Charged	22,88,31,000	23,15,03,000	23,17,23,044	+28,92,044	+2,22,044
12 Revenue—Open Line Works:					
Voted	7,65,16,000	7,65,16,000	6,18,45,044	—1,46,70,956	—1,46,70,956
13 Revenue—Appropriation to Betterment Fund	...	...	...	...	...
14 Revenue—Appropriation to Reserve	...	...	...	...	...
Total—Railway Expenditure charged to Revenue	2,08,44,54,000	2,32,87,79,000	2,33,23,06,038	+24,78,52,038	+35,27,038
Total { Charged	22,88,31,000	23,15,03,000	23,17,24,217	+28,93,217	+2,21,217
{ Voted	1,85,56,23,000	2,09,72,76,000	2,10,05,81,821	+24,49,58,821	+33,05,821
B.—EXPENDITURE CHARGED TO CAPITAL:					
15 Capital—Construction of New Lines:					
Voted	3,73,75,000	3,73,76,000	3,82,52,064	+8,77,064	+8,76,064
16 Open Line Works—Additions:					
Voted	17,65,34,000	17,65,35,000	25,65,25,114	+7,99,91,114	+7,99,90,114
17 Open Line Works—Replacements:					
Voted	7,10,36,000	7,10,36,000	4,77,24,057	—2,33,11,943	—2,33,11,943
19 Capital Outlay on Vizagapatam Port:					
Voted	14,65,000	14,65,000	14,58,084	—6,916	—6,916
Total—Railway Expenditure charged to Capital	28,64,10,000	28,64,12,000	34,39,59,319	+5,75,49,319	+5,75,47,319
C.—DISBURSEMENTS UNDER P.—DEPOSITS AND ADVANCES:					
(i) Reserve Fund—					
14-A. Withdrawal from Reserve:					
Voted	..	..	—8,716	—8,716	—8,716
(ii) Depreciation Reserve Fund—					
15 Construction of new Lines:					
Voted	49,77,000	49,77,000	—34,28,997	—84,05,997	—84,05,997
17 Open Line Works—Replacements:					
Voted	33,36,13,000	33,36,13,000	12,07,70,690	—21,28,42,310	—21,28,42,310
Total—Expenditure charged to Depreciation Reserve Fund	33,85,90,000	33,85,90,000	11,73,41,693	—22,12,48,307	—22,12,48,307
(iii) Betterment Fund—					
18 Open Line Works—(Passenger amenities):					
Voted	1,000	2,000	—5,21,982	—5,22,982	—5,23,982
Total—Railways	2,70,94,55,000	2,95,37,83,000	2,79,30,76,352	+8,26,21,352	—16,07,06,648
Total { Charged	22,88,31,000	23,15,03,000	23,17,24,217	+28,93,217	+2,21,217
{ Voted	2,48,06,24,000	2,72,22,80,000	2,56,13,52,135	+8,07,28,135	—16,09,27,865

APPENDIX III

Financial Results of Working of the Railways

It is customary to furnish to the Public Accounts Committee the financial results of the working of the Railways at the time of their annual meeting. In the meeting to be held on the 2nd and 3rd proximo, the Committee will be discussing the appropriation accounts for Railways for 1949-50 and also examine the financial position of the Railways for that year as summarised in the Railway Board's Review of the Appropriation Accounts of Railways for 1949-50. In order that the Committee may have a better appreciation of the working of the Railways, the results for the years subsequent to 1949-50 are also given in the tables below :—

(In crores of rupees)

1950-51 (Actuals)

	Revised estimates	Actuals
1. Gross Traffic Receipts	263.40	263.01
2. Ordinary Working Expenses	180.31	180.23
3. Depreciation	30.00	30.00
4. Payments to worked lines	0.24	0.25
5. Net Traffic Receipts	52.85	52.53
6. Net Miscellaneous Expenditure	6.04	4.97
7. Net Revenue	46.81	47.56
8. Dividend	32.57	32.51
9. Surplus	14.24	15.05

The actual expenditure during the year 1950-51 from Capital, Depreciation Reserve Fund and Development Fund was 25.41, 26.62 and 5.35 crores against the Revised Estimates of 24.22, 31.09 and 6.00 crores respectively.

1951-52 (Approximate Actuals)

	Revised estimates	Approximate Actuals
1. Gross Traffic Receipts	288.06	289.95
2. Ordinary Working Expenses	195.72	194.42
3. Depreciation	30.00	30.00
4. Payments to worked lines	0.22	0.31
5. Net Traffic Receipts	62.12	65.22
6. Net Miscellaneous Expenditure	6.71	4.74
7. Net Revenue	55.41	60.48
8. Dividend	33.35	33.41
9. Surplus	22.06	27.07

The approximate actual expenditure during the year 1951-52 from Capital, Depreciation Reserve Fund and Development Fund is 22.94, 35.83 and 7.67 crores against the Revised Estimate of 19.92, 42.79 and 8.29 crores respectively.

• 1952-53 (Budget)

	Budget Estimates
1. Gross Traffic Receipts	282·16
2. Ordinary Working Expenses	187·69
3. Depreciation Reserve Fund	30·00
4. Payment to worked lines	0·24
5. Net Traffic Receipts	64·23
6. Net Miscellaneous Expenditure	6·76
7. Net Revenue	57·47
8. Dividend to General Revenues	34·00
9. Surplus	23·47

The expenditure during the year 1952-53 from Capital, Depreciation Reserve Fund and Development Fund is estimated at 15·54, 47·27 and 10·71 crores respectively.

2. The position of the Fund Balances at the close of the 3 years subsequent to 1949-50 is indicated below :—

(In crores of rupees).

	<i>Position at the close of</i>		
	1950-51	1951-52	1952-53
	(Actuals)]	(Approximate Actuals)	(Budget estimates)
Depreciation Reserve Fund	123·55	121·56	101·01
Revenue Reserve Fund	13·58	31·53	38·76
Development Fund	19·44	22·42	23·77
	156·67	175·51	163·54

Dated 27th August, 1952.

APPENDIX IV

Subject :—Memorandum on the question of lapse of funds resulting from the non-adjustment of debits for supplies and services rendered during a financial year.

The Public Accounts Committee in their Report on the accounts for 1948-49 made the following recommendation :—

“In order to obviate cases of large lapses of funds resulting from the non-adjustment of debits for supplies and services rendered during a financial year, a suitable procedure should be devised, whereby action is taken sufficiently in advance by the Indenting Authorities to ascertain from the suppliers whether the supply of goods was likely to materialise. If the payment was not likely to be made in time, the funds provided for the purpose should be surrendered”.

2. For all overseas purchases, other than those received through I.S.M., Washington, provisions in the Budget, Revised Estimates and the Final Grants are made on the basis of the advice received from the D.G., I.S.D., London. As regards the Indian Purchases made through the Ministry of Works, Housing and Supply, which, in fact, constitute the major portion of the Stores Budget of the Railways, the question of devising a satisfactory procedure has been engaging the serious attention of Government. The entire arrangements in regard to the raising of debits against the Railways in respect of supply of stores made by the S. & D. Directorate have been gone into at an inter-Departmental Meeting between the Accountant-General, Food, Rehabilitation & Supply, and the representatives of the Ministries of Finance and Railways. Due to various factors the Accountant-General, F. R. & S. was not in a position to estimate what provision should be made in the Final Modification Budget, and it was considered the Executive Department (*viz.* S. & D. Directorate) should try to frame the estimate in the same way as the D.G., I. S. D., London and intimate to the Railways. This is being pursued with the Ministry of W. H. & S. Meanwhile, it has been arranged that weekly reports of the actual payments made during the last month of each financial year and also probable debits as known at the time of report will be passed on by the Accountant-General, Food, Rehabilitation & Supply, so that the Railways may have a better appreciation of the position and make more accurate estimation of their requirements in the Final Modification Estimate.

3. In this connection, it may be stated that Government have since decided to transfer the procurement of specialised railway stores to the Railway Board. It is hoped that budgeting relating to the transactions of these stores will henceforward be considerably improved inasmuch as the delay now occasioned under the existing arrangements in the adjustment of inter-Departmental debits will be done away with.

APPENDIX V

Memorandum in regard to the procedure for watching the progress of expenditure so that sanctioned grants may not be exceeded.

The Public Accounts Committee made the following recommendation in their Report on the accounts for 1948-49 :—

“ In order to check the tendency of the spending authorities to incur expenditure in excess of the sanctioned grants or appropriations it is essential that the Ministries in general, and the Ministry of Finance in particular, should devise measures urgently, whereby expenditure under each grant and sub-head under that grant is booked immediately after it is incurred. The progress of expenditure should be watched by the authority administering the grant so that before incurring further expenditure, it should ensure that the fresh expenditure is within the limit of sanctioned allotment. This is, of course, without prejudice to the legitimate use of the Contingency Funds”.

2. Elaborate instructions are contained in the State Railway Accounts and General Codes for the guidance of the Railway Administrations for the booking of Expenditure immediately after it is incurred and for watching the progress of expenditure under each grant and sub-head under that grant with reference to the voted grants. Monthly reviews of expenditure and earnings are prescribed and the Accounts Officer is required to see periodically whether the expenditure booked is in accordance with the allotments. Further, the Railway Administrations are required to review their expenditure in August each year and this review is submitted to the Railway Board, who determine on the basis of the overall position of funds whether any additional funds are required, or necessary re-appropriations may be sanctioned according to the requirements of the railways. Further reviews are conducted at the Revised Estimate and Final Estimate stages. The F.A. & C.A.Os. are required to keep a special watch on the progress of expenditure in the last quarter of the financial year and the attention of the controlling authorities is drawn to the necessary re-appropriations, withdrawals or additional funds, as the case may be. It will thus be appreciated that the procedure on the railways is sufficiently tight to ensure that no expenditure is incurred in excess of the sanctioned grants or appropriations.

APPENDIX VI

Copy of Railway Board's letter No. 52-B-2498 (20), dated the 17th June, 1952 to the General Managers, Indian Railways.

Re: *Delays in meeting Audit requirements.*

The Public Accounts Committee have made the following recommendation in their Report on the accounts of 1948-49 :—

“Officials of the Executive Department should cooperate with the Audit Department in the timely verification of facts proposed to be incorporated in the Audit Report and subsequent attempts on the part of the representatives of the Ministries to contradict any statement contained in the Audit Reports at the time they appear before the Public Accounts Committee should be avoided. In order to prevent a subsequent waste of time of the P. A. C. and Parliament owing to any disagreement on facts, the Ministries should invariably send their comments on facts within the time limit prescribed by the Comptroller and Auditor-General.”

In this connection, the Board would like to invite your attention to the instructions contained in their letter No. 51-B-2498 dated 18th April 1951, and be assured that the said instructions are being strictly followed.

APPENDIX VII

Copy of Railway Board's letter No. 52-B-2498 Pt. 21, dated 9th July 1952 to the General Managers, Indian Railways and Chittaranjan Locomotive Works.

SUBJECT:—Disposal of Audit Objections.

The Public Accounts Committee have made the following recommendations in their report on the Accounts for 1948-49 :—

"In order to expedite disposal of Audit objections, the Ministry of Finance should issue instructions requiring the Financial Advisers attached to the various Ministries to call for quarterly statements showing the progress made in the disposal of Audit objections pending with the Ministries concerned and their attached and subordinate offices and see they are replied to in time. The executive officers should also, while inspecting the subordinate offices make it a point to enquire about the disposal of Audit objections."

In this connection, attention is invited to the previous recommendations of the Public Accounts Committee in the matter embodied in the Board's letters Nos. 46-B-2498/3, dated the 21st May 1946 and 51-B-2498, dated the 18th April, 1951. The Board are very much concerned to note that there has been an occasion for the Public Accounts Committee to comment on the delays in the disposal of Audit objections, and desire that you should impress upon your heads of department and their subordinate officers the necessity and importance for expediting disposal of Audit objections and for keeping your F.A. & C.A.O., fully informed of the progress in the disposal of Audit objections. The proposal made in the concluding sentence of the recommendations, *viz.*, enquiry about the disposal of the Audit objections during the inspection of the subordinate offices by Executive Officers, should also be arranged to be implemented.

No. 52-B-2498 Pt. 21, dated 9th July 1952.

Copy forwarded for information to the F.A. & C.A.Os., Indian Railways and Chittaranjan Locomotive Works and Director, Railway Clearing Accounts Office. Arrangements should be made, if they are not already in force, for watching the disposal of the Audit objections through the monthly or periodical progress reports submitted by the different branches and through the half yearly arrear reports. In the half yearly arrear reports submitted to the Board, the position in regard to the disposal of Audit inspection reports and Audit notes should be dealt with (with reference to item 6 of the list given in the Board's letter No. 50 Ac. II, 53, dated the 8th December, 1950).

APPENDIX VIII

Copy of Railway Board's letter No. 52-B-2498-67A, dated the 5th July, 1952 to the General Managers, Indian Railways, the General Manager, Chittaranjan Locomotive Works, and the Engineer-in-Chief, Integral Coach Factory, Perambur.

The following recommendation of the Public Accounts Committee arising from their report on the accounts of the year 1948-49, is brought to the notice of the Railway Administrations for their information and guidance :—

“ If, in any case, it becomes necessary to change specifications after orders have been placed, the financial effect of such a change should be taken into account before a decision is arrived at ”.

APPENDIX IX

Copy of Railway Board's letter No. 275-TG, dated the 19th June 1952, to All Indian Railways.

SUBJECT : *Fire Protection on Railways.*

Further to the Railway Board's D.O. letter of even number dated 19/20th May, 1950, the Railway Board desire it noted that the Public Accounts Committee in their Report on the Accounts for 1948-49 have also stressed the importance of keeping a watch on the proper and efficient maintenance of fire precaution arrangements in following terms :—

“Every inspecting officer should keep a continuous watch that fire precautions are being observed properly and adequate action is taken in cases in which it is found that the inspection has not been properly carried out.”

The Board desire it confirmed by return that continued attention is being bestowed on this subject.

APPENDIX X

Copy of Railway Board's letter No. 52-B-2498 Pt. 2, dated the 23rd June 1952 to the General Managers, all Indian Railways.

RE :—*Budgeting and control over expenditure.*

The Public Accounts Committee in their Report on the accounts for 1948-49 have observed that the appreciable improvement in the standards of budgeting and control over expenditure had been obtained in spite of the fact that things have practically settled down during the year under review and normalcy had been restored. A marked tendency on the part of spending authorities to incur expenditure in excess of the sanctioned grants or appropriations, or to resort to excessive budgeting by asking for more funds than actually required through original or supplementary grants, or to incur excess expenditure by making an irregular reappropriation was much in evidence. The Committee have urged, *inter alia*, that the revised estimates should be framed as accurately as possible after taking into account all the foreseeable factors, especially in cases where additional funds are required so that adequate supplementary grants can be obtained during the course of the financial year.

2. While inviting the attention of the railway administrations to paragraphs 14 to 20 of Chapter III of the 1st Report of the Public Accounts Committee on the accounts of 1948-49, the Board would particularly like to bring to their notice the following recent observations of the Public Accounts Committee :—

“The Railways are the largest national undertaking run on commercial lines and it would be contrary to the interest of State if any money is spent hastily, or in an ill-conceived manner merely because it is available, nor should any amount be spent in anticipation of the grant of funds. The Committee attach great importance to the correctness of the budgeting process being impressed upon the various railways, as the needs of the country in the existing financial position are, to a certain extent, dependent on the surplus in the Railway Budget. The Committee would be glad if the attention of the Railway Administrations is invited to these observations so that a sense of preservation of high standard of budgetary control and financial propriety—which are the pre-requisite of the successful handling of the finances of a commercial concern—is infused in their minds.”

3. The Board trust that the observations of the Committee reproduced above will be fully appreciated and that high standard of budgetary control and financial propriety maintained on each railway.

Please acknowledge receipt.

APPENDIX XI

Copy of Railway Board's letter No. 51/W/150/1, dated 23rd May, 1952 to all Indian Railways.

SUBJECT :—*Adherence to Code Rules in connection with the Financial Control on large scale Projects.*

The Public Accounts Committee have stressed that no authority should, as a general rule, incur expenditure or undertake a scheme which may eventually involve expenditure from public funds until the detailed estimates in respect of the project have been sanctioned by the Competent Authority. In this connection, the Railway Board wish to draw your attention to their letter No. 51-W/150/1, dated the 28th July, 1951 and also to the discussion held on item XV in the Chief Engineers' meeting held on 24th and 25th April, 1952 in Board's Office. A copy of the Board's conclusions reached in that meeting has been supplied to you under their letter No. 52/W/111/9, dated the 19th May, 1952. }

The Board desire you to ensure that no expenditure is incurred on a work until the detailed estimate thereof has been sanctioned by the Competent Authority, except on work of real emergency nature, which should also be commenced only after getting a proper Urgency Certificate sanctioned by the Competent Authority. In the latter case, the preparation of detailed estimate should be undertaken and completed as expeditiously as possible

APPENDIX XII

Copy of Railway Board's letter No. 50-B-2687, dated the 13th June, 1952, to all Indian Railways.

RE : Hiring of private building: for railway use.

On a certain railway, a private building was hired for use as an Office, but it remained vacant for 3 years. During this period, a considerable expenditure was incurred by the railway administration on rent and maintenance of Watch & Ward Staff for guarding the said building. The case was considered by the Public Accounts Committee, who have characterised it as a "very bad case", and expressed their strong dissatisfaction over the manner in which the railway administration handled this. The Board agree with the observation made by the P. A. C. and accordingly desire that a procedure should be evolved, in consultation with your F. A. & C. A. O., under which instances of failure and remissness to utilise properly the leased buildings are eliminated. The Board consider that requirements of the case like this would be met if a list of all the leased buildings is compiled and subjected to periodical review both by the Administration and the F. A. & C. A. O.

The receipt of this may be acknowledged.

APPENDIX XIII

Memorandum on associating internal auditors with the job of compilation and check of the Station Accounts.

In para. 18 of the Report on the Appropriation Accounts for 1948-49, the Public Accounts Committee have recommended as follows :—

“ The Committee view with concern the growing deterioration in the standards of internal check and an increasing number of missing returns pertaining to coaching traffic submitted by the stations to the Accounts Offices. The Committee regard that the efficacy of internal check system is the keystone of the efficient working of the Accounts Office and consequently for the better working of the administrative machinery as a whole. As one of the measures to tone up the efficiency in internal check, the Committee suggest that the Railway Board should consider the proposition whether or not it would be advantageous if in addition to the Inspectors placed at the disposal of the Traffic Department, internal auditors, who should be responsible officials, do the local audit of the station returns at the stations.”

2. In regard to missing returns, as a result of the sustained drive kept up by the Railway Board, there has been an appreciable improvement on some railways, while on other Railways, *e.g.*, *ex-E.I.* and *O. T.* Railways, the position is not yet quite satisfactory. These have again been asked to review the steps taken for securing the submission of the outstanding returns so as to bring about a speedy improvement in the position.

3. As regards the Committee's proposal to send internal auditors to the stations for checking the station returns at source as an alternative to the submission of returns to the Accounts Office, it may be mentioned that a substantial portion of Station Accounts, especially all the initial records maintained by the station staff, are checked at the stations by Inspectors deputed from the Railway Accounts Department. It would be neither feasible nor desirable to require these Inspectors to carry out all the checks at the stations. Being far away from the immediate supervision of more senior and responsible officials, there would be a greater scope for frauds and manipulation of records with the internal auditors acting in collusion with the station staff. From the point of view of the efficiency of internal check also, certain important checks which are at present carried out in the Accounts Office will not be possible under the proposed procedure. Check on the complete accountal of passenger traffic which is done with reference to the collected tickets cannot conveniently be made at the stations. The comparison of outward and inward abstracts for parcels and goods traffic for ensuring complete accountal of all parcels and goods traffic will not also be possible under this procedure. The check of claims for refund of fares and freights and for compensation for goods and parcels lost or damaged, which is at present made in the Accounts Office with reference to the accountal by both the forwarding and receiving stations, cannot be exercised at the stations as fully and satisfactorily as in the Accounts Office. The Board have, therefore, come to the conclusion that the proposition of sending internal auditors to do the local audit of the station returns at the stations themselves will not be more advantageous than the present methods of check in the Accounts Office.

APPENDIX XIV

Copy of Railway Board's letter No. 50- B-2498, dated, the 13th January' 1950, to the General Manager, O. T. Railway (copy endorsed to all other Indian Government Railways).

SUBJECT :—*Handling of Money.*

The Public Accounts Committee while examining the Railway Audit Report, 1948, expressed some concern at the number of cases of loss of money on your Railway and were of the opinion that unless serious deterrent action was taken in cases of this kind, it was likely to result in continuing laxity and loss of public funds. The Committee further recommended that the procedure in regard to the handling of money be clearly laid down in a manner in which it would always be possible to fix responsibility for any losses which might happen. The Board trust that the P. A. C's suggestion will be carried out by the issue of suitable instructions in regard to handling of money.

APPENDIX XV

Memorandum for the Public Accounts Committee on the rationalised distribution of stocks on Railways.

In para. 50(a) of the proceedings of Public Accounts Committee meeting held on 27th September 1951, the Committee desired to know the action taken towards rationalisation of the distribution of stocks between different railways in the light of the recommendations of the "Shroff" Committee. Following the recommendations of that Committee the Railway Board introduced last year a procedure for rationalised distribution of stocks on railways covering :—

- (i) review of all stocks on 31st March 1951 to declare as 'surplus' items in excess of the requirement for the time taken in procurement plus a reserve equivalent to 3 to 12 months consumption depending upon the nature of stores. This procedure was to apply to all fresh supplies in order to assess stocks becoming surplus after 31st March 1951 ;
- (ii) utilization of available surplus stocks on an all-India basis instead of individual railways placing any further orders for similar items ;
- (iii) review of all outstanding indents on the Director General, Supplies and Disposals, with a view to their cancellation wherever necessary and possible in view of the available surpluses.

2. The examination of stocks covering 50 to 60 thousand items on each railway was necessarily spread over many months. As a result, lists of surplus items were compiled and exchanged between railways. The total number of items thus declared surplus, out of the stocks held on 31st March 1951, numbered nearly 60,000, valued at Rs. 10.10 crores. The progressing of important items valued above Rs. 5,000/- numbering 3,121 (value Rs. 7.6 crores) was undertaken by the Board. For facilitating inter-railway utilization of available stocks on regional basis three small organisations called Excess Disposal Groups, working under the Railway Board, were also set up at Calcutta, Bombay and Madras (later reduced to two—the Madras Organisation combining with Calcutta).

3. After allowing for the new items becoming surplus subsequent to 31st March, 1951, a net reduction of Rs. 3.56 crores in the value of surpluses had been effected by the 30th June, 1952. In addition, there was a reduction in the accumulated scrap material of roughly Rs. 92 lakhs in value. Outstanding indents worth Rs. 26.23 lakhs on the Director-General, Supplies and Disposals, have been cancelled and materials have also been reserved in some cases against future requirements of railways. But for this procedure of coordinated stock utilisation additional orders worth about Rs. 4 crores would have been placed on outside sources by individual railways.

APPENDIX XVI

Memorandum on the separation of the Financial and Accounts functions on the Railways.

In para. 22 of the Report on the Appropriation Accounts for 1947-48 (post-partition), the Public Accounts Committee have recommended as follows :—

“We were informed by the Financial Commissioner, Railways, that the existing set-up on the Railways where the accounts and financial functions were coalesced in one authority *viz.*, the Financial Adviser and Chief Accounts Officer who worked under the control of the General Manager of the Railway was not conducive to better organisation and did not ensure strict financial control. We were told that a scheme for the bifurcation of these two functions on the Railways was under consideration of the Railway Board. We attach importance to the tightening of financial control over the expenditure and share the views held by the Financial Commissioner that an integrated system is not sound in principle. We shall be glad to know of the progress made in the matter.”

2. The question of separating the financial and accounts functions on the railways with a view to ensuring strict financial control over expenditure has been carefully considered. Since familiarity with the processes of internal check and the detailed knowledge of the use of accounts data are essential for conducting proper financial scrutiny, Finance has necessarily to work in close collaboration with Accounts. Further a complete separation of the two functions is, also not possible at regional or divisional levels. Government have therefore come to the conclusion that a complete separation of Finance and Accounts functions under two independent heads of departments would not be to the best advantage of either the Finance organisation or the administrative side. At the same time it is admitted that a closer and more specialised attention to the financial problems relating to railway operation and administration would not be possible unless the officers entrusted with the financial functions were relieved of the burden on the regular accounts work. This was recognised as early as 1948, when a separate Finance wing was set up on the *ex-B.B. & C.I.* Railway which was later on extended to the *ex-G.I.P.* and *E. I.* Railways. With the completion of the integration of all the Indian Railways into six zones, a separate and distinct Finance wing has been set up in each of the Zonal Railways under the administrative charge of a Deputy Financial Adviser working under the over-all supervision of the Financial Adviser and Chief Accounts Officer. Under this arrangement, the close liaison between Finance and Accounts which is essential for the proper exercise of the Financial functions will be maintained under a single head of department, *viz.*, the Financial Adviser and Chief Accounts Officer.

APPENDIX XVII

Memorandum for the Public Accounts Committee regarding the changes in the Financial and accounting structure of the Railways with effect from the accounts of 1952-53.

With the completion of integration of Indian Railways into a unified undertaking, owned and worked by a single Central authority, the whole conception of the railway system has changed radically in so far as there is now only one railway undertaking in India, the six zones being merely operating and administrative units without having any independent financial existence. In the light of the altered position it has been decided to eliminate the following inter-Railway and inter-Departmental adjustments with effect from the accounts of the year 1952-53:—

- (i) Adjustments for freight charges incurred for carriage of railway stores, fuel, etc., on account of which figures, both of earnings as well as of expenditure, are unnecessarily inflated,
- (ii) adjustments between zonal railways for services rendered, or work done by one on behalf of another, and
- (iii) apportionment between zonal railways and the earnings of inter-railway traffic movement, commonly known as 'foreign traffic'.

The above mentioned adjustments were hitherto made between the various railways concerned, as each railway was considered in the light of its past history and tradition as a separate financial unit. In future, these meticulous accountings will not be done in respect of each Zone and thus although financial figures, e.g., operating ratios will not be available for determining the comparative efficiency of operation of the Zones, other statistical data regarding performance will be fully utilised for comparing and improving the efficiency of operation in the various zones.

2. Consequent to the above changes, the undernoted statements and annexures of the Appropriation Accounts of Railways which are based on the figures of earnings and expenditure of individual railways will cease to be compiled in future in their present form :

I. *Appropriation Accounts—Part I—Review.*

(1) *Annexure C.*—Statement showing percentage of working expenses to earnings in respect of Indian Railways (railway by railway).

(2) *Annexure D.*—Statement showing gross earnings, working expenses, net receipts and net gain or loss, railway by railway.

∴ *Appropriation Accounts—Part II—Detailed Appropriation Accounts.*

(1) *Annexure B.*—Statement of undercharges detected by Accounts or Audit and recovered.

(2) *Annexure C.*—Statement showing remissions and abandonment of claims to revenue during the year.

In annexure C of the Review, the percentage of working expenses to earnings will be given for the Railway as a whole, and not for individual Railways, the corresponding percentages for the previous two years also may be given for the purpose of comparison. The explanations would also be for the Railway as a whole and not with reference to individual Railways. Annexure D of this publication may give the information of the unified Railway as a whole and not for the individual Zones.

In annexures B & C of the detailed Appropriation Accounts, the figures for individual zonal railways may continue to be given but the heading of their column 4 and column 7 respectively may be altered to "Total earnings collected".

3. A further corollary to this new conception of there being only one Railway undertaking in India, is that the Profit and Loss Account, Balance Sheet and Capital Statement should be compiled for the system as a whole and not separately for the various constituent units which will be unrealistic. These will, of course, be based on the similar accounts prepared by the zonal railways which may not be printed in the separate publication 'Capital Statements, Balance Sheets and Profit and Loss Accounts' etc. In fact this publication may cease to be printed altogether and the consolidated Capital Statements, Balance Sheets and Profit and Loss Accounts for all the zonal railways as a whole separately for Commercial and Strategic, and the Capital Statement, Balance Sheet and Manufacturing Account of the Chittaranjan Locomotive Works may be embodied under Annexure G to the detailed Appropriation Accounts as used to be done upto the year 1944-45.

The above changes which will take effect from the Appropriation Accounts for 1952-53 are brought to the notice of the Public Accounts Committee.

APPENDIX XVIII

Memorandum for the Public Accounts Committee on the progress made in the clearance of expenditure held under objection as shown in Annexure A to the Appropriation Accounts of Railways in India 1949-50—Part II—Detailed Appropriation Accounts.

The Public Accounts Committee, while examining the Appropriation Accounts for 1947-48 (15-8-47 to 31-3-48) and 1948-49 had taken a serious view of the large amount of expenditure held under objection on account of 'want of estimate', 'excess over estimate' etc., and desired that the outstandings should be cleared as early as possible and the progress made in the matter reported to them from time to time. A memorandum showing the progress in the clearance of the outstandings upto 31-3-48 was submitted to the Public Accounts Committee at their meeting held in September, 1951.

As was indicated in the memorandum referred to above, the Railway Board and Railway Administrations continued to pursue vigorously the regularisation of the objectionable expenditure. Besides the engagement of special staff for this work, the General Managers were also instructed to discuss these outstandings at the periodical meetings of their Principal Officers so that the objections may be removed by personal contact to the maximum extent possible, instead of by taking recourse to routine correspondence.

As a result of these steps, the amounts of unsanctioned expenditure on the various railways have been appreciably reduced as is indicated in the table below :—

	1949-50	
	No. of items	Amount in thousands of rupees
(1) Objectionable items as appearing in Annexure "A" to the Appropriation Accounts, Part II	17,620	58,61.56
(2) Amount since regularised upto the Accounts for February, 1952	10,499	44,97.26
(3) Amount still outstanding	7,121	13,64.37

The table below gives the analysis of the clearance by items amounting to Rs. 25,000 each or more, and those amounting to less than Rs. 25,000

ach, i separately under "Want of Estimate", "Excess over Estimate" and "Miscellaneous Irregularities".

Particulars	Outstanding shown in the Appropria- tion Accounts		Clearance made so far	
	No.	Amount (in thousands)	No.	Amount (in thousands)
<i>(a) Want of Estimate.—</i>				
Items amounting to Rs. 25,000 each or more.	597	47,84.05	442	37,75.24
Items xbelow Rs. 25,000 each . . .	1,257	33.56	967	21.33
<i>(b) Ecess over Estimate.—</i>				
Items amounting to Rs. 25,000 each or more.	296	8,84.94	173	6,15.68
Items below Rs. 25,000 each . . .	1,246	33.38	827	17.24
<i>(c) Miscellaneous Irregularities.—</i>				
Items amounting to Rs. 25,000 each or more.	15	30.75	9	27.10
Items below Rs. 25,000 each . . .	14,209	94.88	8,081	40.67
Total . . .	17,620	58,61.56	10,499	44,97.26

The position on each of the Railways is indicated in the three Annexures separately for the items held under objection on account of "Want of Estimate", "Excess over Estimates" and "Miscellaneous Irregularities".

The Railway Board are still pursuing the matter vigorously with the Railways concerned so as to secure expeditious regularisation of the objectionable expenditure to the maximum extent possible.

I

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Want of Estimate".

(Amounts in thousands of rupees)

Serial No.	Name of Railway	Unsanctioned Expenditure included in the Appropriation Accounts					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of Items.	Amount.	No. of Items.	Amount.	No. of Items.	Amount.
1	Assam	62	1,83,06	102	3,92	164	1,86,98
2	A. R. L. P. . . .	3	6,67,08	..	..	3	6,67,08
3	B. N.	44	3,68,58	68	2,32	112	3,70,90
4	B.B. & C.I. . . .	194	12,53,27	603	10,22	797	12,63,49
5	D. H. . . . .	..	..	1	10	1	10
6	E. I.	108	11,33,98	130	4,59	238	11,38,57
7	E. P.	24	1,14,84	9	55	33	1,15,39
8	G. I. P.	106	8,22,91	149	5,39	255	8,28,30
9	M. & S. M. . . .	44	29,18	152	4,94	196	34,12
10	O. T.	6	3,81	5	4	11	3,85
11	S. I.	4	2,06,61	35	1,13	39	2,07,74
12	C. C. A.	2	73	2	29	4	1,02
13	Vizagapatam Port .	..	..	1	9	1	9
Total		597	47,84.05	1,257	33,56*	1,854	48,17,61*

*Difference in totals is due to rounding off.

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Want of Estimate".

(Amounts in thousands of rupees)

		Unsanctioned Expenditure cleared to end of the Accounts for February, 1952.					
Serial No.	Name of Railway	Items of objection amounting to Rs. 25,000 each or more.		Items of objection amounting to less than Rs. 25,000 each.		Total	
		No. of Items.	Amount	No. of Items.	Amount	No. of Items.	Amount
1	Assam	44	66,08	59	2,11	103	68,19
2	A. R. L. P. . . .	3	6,67,08	..	..	3	6,67,08
3	B. N.	42	3,66,86	67	2,30	109	3,69,16
4	B.B. & C.I. . . .	147	11,30,17	496	6,16	643	11,36,33
5	D. H. . . . .	..	..	..	..	..	..
6	E. I.	89	10,84,99	115	4,03	204	10,89,02
7	E. P.	16	1,03,48	4	39	20	1,03,87
8	G. I. P.	75	3,32,25	87	2,60	162	3,34,85
9	M. & S. M. . . .	18	19,15	101	2,50	119	21,65
10	O. T.	4	2,38	4	2	8	2,40
11	S. I.	2	2,07	33	1,13	35	3,20
12	C. C. A.	2	73	..	..	2	73
13	Vizagapatam Port .	..	..	1	9	1	9
Total .		442	37,75,24	967	21,33	1,409	37,96,57

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Want of Estimate".

(Amounts in thousands of rupees)

Serial No.	Name of Railway	Balance outstanding					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of Items	Amount	No. of Items	Amount	No. of Items	Amount
1	Assam	18	1,16,98	43	1,81	61	1,1879,
2	A. R. L. P. . . .	..	..	..	..	..	..
3	B. N.	2	1,72	1	2	3	1,74
4	B.B. & C.I. . . .	47	1,23,10	107	4,06	154	1,27,16
5	D. H. . . . .	..	..	1	10	1	10
6	E. I.	19	48,99	15	56	34	49,55
7	E. P.	8	11,36	5	16	13	11,52
8	G. I. P.	31	4,90,66	62	2,79	93	4,93,45
9	M. & S. M. . . .	26	10,03	51	2,44	77	12,43
10	O. T.	2	1,43	1	2	3	1,45
11	S. I.	2	2,04,54	2	..	4	2,04,54
12	C. C. A. . . . .	..	..	2	29	2	29
13	Vizagapatam Port .	..	..	..	-	-	-
Total		155	10,08,81	290	12,23*	445	1,21,04*

*Difference in totals is due to rounding off.

II

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Excess over Estimates".

(Amounts in thousands of rupees)

Serial No.	Name of Railway	Unsanctioned Expenditure included in the Appropriation Accounts					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of Items	Amount	No. of Items	Amount	No. of Items	Amount
1	Assam	3	1,49	1	...	4	1,49
2	A. R. L. P. . . .	...	...	...	...	...	...
3	B. N.	26	12,52	35	1,39	61	13,91
4	B.B. & C.I. . . .	53	23,96	345	5,08	398	29,04
5	D. H. . . . .	...	...	...	...	...	...
6	E. I.	80	6,04,95	210	6,35	290	6,11,30
7	E. P.	5	1,60	5	35	10	1,95
8	G. I. P.	59	1,89,90	333	8,75	392	1,98,65
9	M. & S. M. . . .	33	24,17	123	5,05	156	29,22
10	O. T.	12	5,15	51	2,58	63	7,73
11	S. I.	22	13,90	138	3,28	160	17,18
12	C. C. A.	2	6,89	2	36	4	7,25
13	Vizagapatam Port .	1	41	3	19	4	60
Total		296	8,84,94	1,246	33,38	1,542	9,18,32

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Excess over Estimates".

(Amounts in thousands of rupees)

Serial [No.	Name of Railway	Unsanctioned Expenditure cleared to end of the Accounts for February, 1952					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of Items	Amount	No. of Items	Amount	No. of Items	Amount
1	Assam	3	1,49	1	...	4	1,49
2	A. R. L. P. . . . .	...	...	...	...	...	...
3	B. N.	24	7,10	33	1,26	57	8,36
4	B.B. & C.I.	30	11,35	274	2,18	304	13,53
5	D. H. . . . .	...	...	...	...	...	...
6	E. I.	56	5,49,18	153	4,15	209	5,53,33
7	E. P.	5	1,60	4	16	9	1,76
8	G. I. P.	17	23,00	109	1,40	126	24,40
9	M. & S. M.	18	15,15	93	3,45	111	18,60
10	O. T.	7	1,47	48	2,10	55	3,57
11	S. I.	12	4,93	109	2,35	121	7,28
12	C. C. A. . . . .	...	...	...	...	...	...
13	Vizagapatam Port	1	41	3	19	4	60
	Total	173	6,15,68	827	17,24	1,000	6,32,92

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Excess over Estimates".

(Amounts in thousands of rupees)

Serial No.	Name of Railway	Balance outstanding					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of Items	Amount	No. of Items	Amount	No. of Items	Amount
1	Assam . . . . .	...	...	...	...	...	...
2	A. R. L. P. . . . .	...	...	...	...	...	...
3	B. N.	2	5,42	2	13	4	5,55
4	B.B. & C.I.	23	12,61	71	2,90	94	15,51
5	D. H. . . . .	...	...	...	...	...	...
6	E. I.	24	55,77	57	2,20	81	57,97
7	E. P. . . . .	...	...	1	19	1	19
8	G. I. P.	42	1,66,90	224	7,35	266	1,74,25
9	M. & S. M.	15	9,02	30	1,60	45	10,62
10	O. T.	5	3,68	3	48	8	4,16
11	S. I.	10	8,97	29	93	39	9,90
12	C. C. A.	2	6,89	2	36	4	7,25
13	Vizagapatam Port . . . . .	...	...	...	...	...	...
	Total	123	2,69,26	419	16,14	542	2,85,40

III

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Miscellaneous Irregularities".

(Amounts in thousands of rupees)'

Serial No.	Name of Railway	Unsanctioned Expenditure included in the Appropriation Accounts					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of Items	Amount	No. of Items	Amount	No. of Items	Amount
1	Assam . . . . .	...	...	2,831	1,15	2,881	1,15
2	A. R. L. P. . . . .	...	...	160	5,88	160	5,88
3	B. N. . . . .	...	...	...	...	...	...
4	B.B. & C.I. . . . .	...	...	...	...	...	...
5	D. H. . . . .	...	...	5	16	5	16
6	E. I.	10	6,25	1,814	16,86	1,824	23,11
7	E. P.	2	23,36	2,002	69,85	2,005	93,21
8	G. I. P. . . . .	...	...	6,834	52	6,834	52
9	M. & S. M. . . . .	...	...	561	46	561	46
10	O. T. . . . .	...	...	...	...	...	...
11	S. I. . . . .	...	...	...	...	...	...
12	C. C. A.	2	1,14	...	...	2	1,14
13	R. C. A. O. . . . .	...	...	1	...	1	...
14	C. L. W. . . . .	...	...	1	1	1	1
Total		15	30,75	14,209	94,88*	14,224	1,25,63*

*Difference in totals is due to rounding off.

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Miscellaneous Irregularities".

(Amounts in thousands of rupees)

Serial No.	Name of Railway	Unsanctioned Expenditure cleared to end of the accounts for February, 1952					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of Items	Amount	No. of Items	Amount	No. of Items	Amount
1	Assam . . . . .	...	...	2,790	67	2,790	67
2	A. R. L. P. . . . .	...	...	149	5.76	149	5.76
3	B. N. . . . .	...	...	...	...	...	...
4	B. B. & C.I. . . . .	...	...	...	...	...	...
	D. H. . . . .	...	...	...	...	...	...
	E. I.	7	4.68	57	8.87	568	13.55
7	E. P.	2	22.42	712	24.85	714	47.27
8	G. I. P. . . . .	...	...	3,422	25	3,422	25
9	M. & S. M. . . . .	...	...	445	26	445	26
10	O. T. . . . .	...	...	...	...	...	...
11	S. I. . . . .	...	...	...	...	...	...
12	C. C. A. . . . .	...	...	...	...	...	...
13	R. C. A. O. . . . .	...	...	1	...	1	...
14	C. L. W. . . . .	...	...	1	1	1	1
	Total	9	27.10	8,081	40.67	8,090	67.77

Statement showing, by individual railways, the progress in the clearance of objectionable expenditure under "Miscellaneous Irregularities"

(Amounts in thousands of rupees)

Serial No.	Name of Railway	Balance outstanding					
		Items of objection amounting to Rs. 25,000 each or more		Items of objection amounting to less than Rs. 25,000 each		Total	
		No. of Items	Amount	No. of Items	Amount	No. of Items	Amount
1	Assam . . . . .	...	...	41	48	41	48
2	A. R. L. P. . . . .	...	...	11	12	11	12
3	B. N. . . . .	...	...	...	...	...	...
4	B. B. & C. I. . . . .	...	...	...	...	...	...
5	D. H. . . . .	...	...	5	16	5	16
6	E. I.	3	1,57	1,253	7,99	1,256	9,56
7	E. P.	1	94	1,290	45,00	1,291	45,94
8	G. I. P. . . . .	...	...	3,412	27	3,412	27
9	M. & S. M. . . . .	...	...	116	20	116	20
10	O. T. . . . .	...	...	...	...	...	...
11	S. I. . . . .	...	...	...	...	...	...
12	C. C. A.	2	1,14	...	...	2	1,14
13	R. C. A. O. . . . .	...	...	...	...	...	...
14	C. L. W. . . . .	...	...	...	...	...	...
Total		6	3,65	6,128	54,21*	6,134	57,86*

*Difference in totals is due to rounding off.

APPENDIX XIX

Memorandum for the Public Accounts Committee on the progress made in the clearance of the outstanding balances under suspense reported in the Appropriation Accounts of Railways in India 1949-50—Part II—Detailed Appropriation Accounts.

The Public Accounts Committee while examining the Appropriation Accounts for 1947-48 (Pre-partition) had observed that the position of the balances outstanding under suspense was not satisfactory and expressed the desire that vigorous efforts should be made to clear the outstandings. A memorandum on the clearance of those balances was submitted to the Public Accounts Committee in their meeting held for examining the Appropriation Accounts for 1948-49.

2. The concerted efforts indicated in the said memorandum, have continued to be made for the clearance of the amounts outstanding under the suspense heads and the Railway Board are pursuing the matter with the Railway Administrations on the basis of the half-yearly Reviews received from the Railways.

3. As a result of the special efforts, a considerable progress has been made in the clearance of the suspense balances on 31st March 1950 as shown below :—

(Figures in thousands of rupees)

	Balance on 31st March 1950	Adjusted in 1950-51	Subsequent clearance upto the close of February 1952	Balance
Miscellaneous Advances (Revenue)—				
Credit	3,17,79	2,73,43	24,37	19,99
Debit	10,10,76	6,58,82	1,42,09	2,09,85
Miscellaneous Advances (Capital)—				
Credit	3,48,61	38,31	2,81,29	29,01
Debit	12,43,56	4,71,50	3,76,62	3,95,44
Purchases—				
Credit	50,50,19	18,19,26	20,16,31	12,14,62
Debit	40,34,69	13,36,37	18,93,25	8,05,07

The position of the balances on the individual Railways is indicated in the annexure.

The Railway Board as well as the Railway Administrations are continuing their drive for reducing the outstandings to the minimum.

Statement showing, by Mr. J. L. Kulkarni, the progress in the clearance of balances under "Miscellaneous Advances—Revenue"

Name of Railway	Balance outstanding on 31st March 1950		Adjusted in 1950-51		Subsequent clearance		Balance now outstanding	
	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
Assam	7.25.161	30.17.350	4.07.447	20.41.856	2.33.119	4.01.069	84.595	5.74.425
Á. R. L. P. . . . .	...	...	...	...	...	...	...	...
B. N.	21.47.795	2.07.22.049	14.32.927	1.52.05.390	7.12.619	25.74.002	2.249	29.42.657
B. B. & C. I.	3.27.949	1.02.14.372	32.352	55.32.325	42.397	8.75.330	2.53.200	38.06.717
D. H. . . . .	...	4.07.055	...	26.439	...	1.28.458	...	2.52.158
E. I.	2.67.24.280	3.84.97.925	2.47.24.292	2.80.12.734	5.35.870	31.76.363	14.64.118	73.08.828
E. P.	5.13.194	52.27.578	1.93.938	34.37.149	2.43.840	10.60.995	75.416	7.29.434
G. I. P.	2.96.045	75.32.990	2.38.290	44.59.724	12.251	13.93.379	70.006	16.79.887
M. & S. M.	5.02.973	94.93.948	70.665	49.66.947	4.14.880	19.74.863	17.428	25.52.138
O. & T.	5.40.788	34.61.784	2.42.806	14.85.595	2.65.914	13.95.129	32.068	5.81.060
S. I.	389	16.02.534	186	7.13.907	203	7.86.914	...	1.01.713
D. R. C. A. . . . .	...	...	...	...	...	...	...	...
C. L. W. . . . .	...	...	...	...	...	...	...	...
B. E. . . . .	...	2.57.273	...	...	...	2.57.273	...	...
D. K. . . . .	...	1.85.475	...	...	...	1.85.475	...	...
Saurashtra . . . . .	...	4.55.700	...	...	...	...	...	4.55.700
TOTAL	3.17.78.574	10.10.76.033	2.73.42.903	6.58.82.066	24.36.591	1.42.09.250	19.99.080	2.09.84.717

Statement showing, by individual Railways, the progress in the clearance of balances under "Miscellaneous Advances—Capital"

Name of Railway	Balance outstanding on 31st March 1950		Adjusted in 1950-51		Subsequent clearance		Balance now outstanding	
	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
Assam . . .	32,284	5,06,850	5	2,75,454	31,892	64,922	387	1,66,474
A. R. L. P. . . .	18,031	16,14,844	18,031	13,83,337	...	93,882	...	1,37,625
B. N.	1,23,221	13,29,537	82,337	8,71,522	2,125	2,57,168	38,759	2,00,847
B. B. & C. I. . . .	8,23,364	30,77,579	8,550	8,18,202	37,667	8,33,838	7,77,147	14,25,539
D. H. . . . .	...	34,016	...	6,082	...	2,362	...	25,572
E. I.	36,75,415	4,11,43,066	21,57,283	2,78,83,100	3,81,489	27,82,953	11,36,643	1,04,77,013
E. P.	9,75,213	26,00,274	8,53,188	22,57,639	52,418	-6,339	69,607	3,48,974
G. I. P.	2,55,393	74,52,420	1,05,923	24,76,034	1,40,143	13,16,898	9,327	26,59,488
M. & S. M.	2,65,84,526	3,11,86,754	4,597	19,13,061	2,65,79,929	2,91,27,085	...	1,46,608
O. T.	8,97,761	35,08,925	5,13,763	13,54,379	2,99,425	16,36,064	84,573	5,18,482
S. I.	4	6,33,026	...	6,00,306	4	29,200	...	3,520
C. C. A.	7,72,814	2,66,35,224	...	40,30,102	...	13,42,019	7,72,814	2,12,63,103
C. L. W.	7,03,028	46,33,139	86,969	22,80,592	6,03,838	1,81,869	12,221	21,70,678
B. E. . . . .	...	...	...	...	...	...	...	...
D. K. . . . .	...	...	...	...	...	...	...	...
Saurashtra . . . .	...	...	...	...	...	...	...	...
TOTAL	3,48,61,054	12,43,55,654	38,30,646	4,71,49,810	2,81,28,930	3,76,61,921	29,01,478	3,95,43,923

Statement showing, by individual Railways, the progress in the clearance of balances under "Purchases"

Name of Railway	Balance outstanding on 31st March 1950		Adjusted in 1950-51		Subsequent clearance		Balance now outstanding	
	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.	Cr.	Dr.
Assam	1,19,33,094	77,79,068	40,23,915	27,37,755	28,57,473	24,77,925	50,51,706	25,63,388
A. R. L. P.	31,29,055	7,71,313	21,21,664	7,07,469	4,65,494	54,069	5,41,897	9,775
B. N.	2,31,38,312	77,79,523	1,69,84,705	44,69,570	45,36,278	23,95,746	16,17,329	9,14,209
B. B. & C. I.	5,61,43,753	4,56,76,229	2,92,95,636	2,78,97,045	1,19,52,411	79,13,370	1,48,95,706	88,65,814
D. H.	1,05,701	...	86,140	...	152	...	19,409	...
E. I.	11,57,32,870	9,53,95,568	6,72,11,702	5,55,75,515	1,33,15,792	1,03,68,461	3,52,05,376	2,94,51,592
E. P.	1,47,97,911	62,82,396	1,01,76,622	48,59,926	18,30,782	9,10,703	27,90,507	5,11,767
G. I. P.	8,55,38,979	7,94,18,603	3,32,94,070	3,36,43,422	3,19,04,059	3,55,83,633	2,03,40,850	1,01,91,548
M. & S. M.	13,06,83,186	12,35,49,503	23,75,435	...	12,67,94,189	12,35,49,503	14,33,562	...
O. T.	2,22,70,854	97,50,644	89,09,054	5,11,191	72,04,052	55,71,983	61,57,748	36,67,470
S. I.	53,43,092	32,51,962	35,83,651	24,15,818	5,33,027	3,80,336	12,26,414	4,55,808
C. C. A.	2,54,78,124	1,02,86,373	37,96,711	5,68,944	1,36,349	14,407	2,15,45,064	97,03,022
D. R. C. A. O.	...	...	...	...	...	...	...	...
C. L. W.	1,08,03,760	1,35,27,423	66,606	2,49,955	1,00,348	1,04,677	1,06,36,806	1,31,72,791
B. E.	...	...	...	...	...	...	...	...
D. K.	...	...	...	...	...	...	...	...
Saurashtra	...	...	...	...	...	...	...	...
TOTAL	50,50,18,691	40,34,68,607	18,19,25,911	13,36,36,610	20,16,30,406	18,93,24,813	12,14,62,374	8,05,07,184

APPENDIX XX

Agreement with the Swiss Firm 'Schlieren'.

1. Q. What are the names and designations of the officers deputed by the Railway Board to negotiate the deal for the manufacture of all-metal light-weight coaching stock with the 'Schlieren' ?

A. A list of officers with their designations and the date of their visits is appended below :—

<i>Date—</i>	
7th and 8th July 1948	Mr. K. C. Bakhle, Chief Commissioner of Railways, visited the Works of Swiss Car and Elevator Corporation Ltd., Schlieren-Zurich, to settle basis for negotiations on which an agreement could be reached.
7th March 1949	M/s. K. C. Bakhle, Chief Commissioner of Railways, and A. K. Chanda (then Financial Commissioner Designate) visited Schlieren and discussed various terms of the proposed agreement.
June 1949	Mr. F. C. Badhwar (Member Staff, Railway Board) visited Schlieren-Zurich in connection with sending trainees to the Works.
27-29th July 1949. August 1949.	1-2nd Mr. K. C. Bakhle, Chief Commissioner of Railways, again visited Schlieren in connection with Consultant's fee to be paid by the Government of India to Schlieren.
20th March to 20th April 1950	Mr. P. C. Basu, Officer on Special Duty, was sent to Schlieren for about one month to study the processes involved in the manufacture of the coaches and also to examine details of the workshop project in India.
16th October 1950	M/s. K. C. Bakhle, Chief Commissioner of Railways, A. K. Chanda, Financial Commissioner of Railways, K. B. Rao, Director General, India Store Department, London, and B. S. Sindhu of the Central Standards Office for Railways visited Schlieren Works and had discussions with Schlieren in connection with Consultant's fee and estimated cost of coaches and the construction of the proposed Workshop in India.
3rd September, 1951	M/s. F. C. Badhwar, Chairman, Railway Board, K. B. Rao, Director General, India Store Department, London, W. G. W. Reid, Railway Adviser in London, and D. Kumar, Special Officer of the Railway Board, had discussion at Schlieren on layout of machinery for the Perambur Coach Building Factory and also furnishing etc., of coaches to be built in that Factory.
18/19th September, 1951	M/s. F. C. Badhwar, Chairman, Railway Board, K. Sadagopan, Director, Finance (Expenditure), Railway Board, K. B. Rao, Director General, India Store Department, London, W. G. W. Reid, Railway Adviser in London, and D. Kumar, Special Officer of the Railway Board, visited Schlieren and had discussions regarding cost of furnished and unfurnished coaches, etc.
7th July 1952	Mr. F. C. Badhwar, Chairman, Railway Board, inspected some finished coaches at Schlieren.
July-August 1952	Mr. A. K. Chanda, Financial Commissioner of Railways, recently visited Schlieren Works to discuss mainly the question of financial participation by M/s. Schlieren in the construction of Perambur Coach Building Factory and manufacture of coaches therein and other cognate matters.

2. Q. What number of times each one of them visited Switzerland ?

A. A list of officers with their designations and the number of times they visited Schlieren is given below :—

Name and Designation of the Officer	Number of times visited
1. Mr. K. C. Bakhle, Chief Commissioner of Railways	4
2. Mr. F. C. Badhwar, Chairman, Railway Board	4
3. Mr. A. K. Chanda, Financial Commissioner of Railways . .	3
4. Mr. K. Sadagopan, Director, Finance (Expenditure), Railway Board.	1
5. Mr. B. S. Sindhu, Deputy Chief Controller of Standardisation (CW), Central Standards Office for Railways.	1
6. Mr. P. C. Basu, Officer on Special Duty, Railway Board . . .	1
7. Mr. K. B. Rao, Director General, India Store Department, London.	3
8. Mr. W. G. W. Reid, Railway Adviser in London	2
9. Mr. D. Kumar, Special Officer of the Railway Board	2

3. Q. What is the number of Technical Officers who were sent to Switzerland for training in the designing and manufacture of such coaches ? What was the period of their training ? When was the first batch sent and what was the time-lag between the subsequent batches ? (Precise dates may be given in each case).

A. Three Draftsmen from the Central Standards Office for Railways were sent to Switzerland for training. They left India on the 9th July, 1951 A. N. One of them returned to India on the 26th February, 1952 and the other two on the 27th February, 1952. No further batch of trainees has been sent out so far.

APPENDIX XXI

Agreement with the Swiss Firm 'Schlieren'

1. Q. How many months after the commencement of the agreement, the prices were raised? What was the last occasion when the price was enhanced?

A. The Agreement was executed on the 28th May, 1949. The rough estimate of the cost of one coach shell and bogie was given as 120,000 Swiss Francs just before the Agreement was executed, i.e., in April, 1949. The first rise in the price was intimated by Schlieren on the 24th August, 1950, i.e., 15 months after the conclusion of the Agreement. The last occasion when the cost was increased is on the 19th August, 1952. A statement giving the rise in the cost from time to time is appended below :—

Date	Estimated cost per coach
7th March 1949	110,000 Sw. Frs. per unit of coach shell and bogie. (Rough estimate).
April, 1949	126,000 Sw. Frs. per unit of coach shell and bogie.
29th December 1949	100,000 Sw. Frs. per unit of coach shell (Approximate).
24th August 1950	135,000 Sw. Frs. per coach body shell with bogies (3rd Class), timber floor, windows and permanent fittings, draw and buffing, gear, brake and electrical equipment, etc.
16th October 1950	115,000 Sw. Frs. per 3rd Class unfurnished coach. 150,000 Sw. Frs. per 3rd Class fully furnished coach shell.
23rd November 1950	150,000 Sw. Frs. per 3rd Class furnished coach. 200,000 Sw. Frs. per 1st Class furnished coach.
3rd, 18th and 19th September 1951.	143,925 Sw. Frs. per 1st Class unfurnished coach shell (since cancelled). 138,897 Sw. Frs. per First/Second/Inter unfurnished coach shell. 136,635 Sw. Frs. per 2nd Class unfurnished coach shell. 136,999 Sw. Frs. per Second/Inter unfurnished coach shell. 137,363 Sw. Frs. per Inter Class unfurnished coach shell. 138,113 Sw. Frs. per 3rd Class unfurnished coach shell. 213,000 Sw. Frs. per 3rd Class fully furnished coach without lighting battery. Proportionately higher for other types of coaches.
August, 1952	282,800 Sw. Frs. per furnished 1st Class coach. 281,800 Sw. Frs. per First/Second fully furnished coach. 280,800 Sw. Frs. per 2nd Class fully furnished coach. 254,650 Sw. Frs. per 2nd/Inter fully furnished coach. 228,500 Sw. Frs. per Inter Class fully furnished coach. 220,300 Sw. Frs. per Inter/3rd fully furnished coach. 215,800 Sw. Frs. per fully furnished 3rd class coach.

2. Q. Any other information that the Ministry of Railways may desire to place before the Committee in this respect.

A. A list of Officers of the Swiss Car and Elevator Corporation Ltd., Schlieren-Zurich, who were on deputation in India, with their designations and the periods of their stay in India, is appended below :—

Name	Designation	Period of stay in India
1. Mr. W. Braem . . .	Chief Engineer . . .	1-6-49 to 16-8-49.
2. Mr. H. Bickel . . .	Group Leader . . .	1-7-49 to 6-9-50.
3. Mr. H. Kellar . . .	Qualified Engineer . . .	20-6-49 to 6-10-50.
4. Mr. I. Cattani . . .	Do.	20-6-49 to 30-1-51.
5. Mr. W. Stolz . . .	Do.	1-7-49 to 30-9-50.
	Group Leader . . .	1-10-50 to 30-1-51.
6. Mr. Charles Bryner . . .	Chief Engineer . . .	7-12-49 to 28-4-50. [†] 15-6-50 to 6-10-50.
7. Mr. H. Ruegg . . .	Do.	11-7-51 to 14-8-51.
8. Mr. G. Steiner . . .	Dy. General Manager . . .	16-1-52 to 2-2-52.
9. Mr. W. Braem . . .	Chief Engineer . . .	16-1-52 to 2-2-52.

APPENDIX XXII

Para. 27 of the Railway Audit Report—Loss sustained by the E. P. Railway due to non-supply of bricks by the contractors within the stipulated time.

In connection with the above-mentioned audit para., the Public Accounts Committee have desired to be furnished with written information on the following points :—

- (a) What disciplinary action has been taken against the officers responsible in this case for not having safeguarded Government's interests ?
- (b) What were the reasons that the Risk Purchase Clause, existing in the Agreement, was not invoked?

Dealing first with question (b) it may be stated that according to the terms of the agreement executed by the two contractors, the supplies had to be completed within three months of the date of execution of the agreement or supply of coal whichever was later. The coal was supplied to both the contractors by the 9th August, 1948, and, therefore, they had to complete the supplies by the end of November, 1948. But in the month of October, 1948, both the contractors represented that since the coal had been supplied to them during the rainy season when brick moulding could not be done, the period of contract should be taken as starting from the 1st October, 1948, the end of the rainy season. This was considered reasonable by the Administration and agreed to. Accordingly, the bricks were to be supplied by the Contractors by the 31st December, 1948.

2. By the 31st December, 1948, the first contractor had supplied 4·14 lakh bricks out of the contracted quantity of 10 lakhs, and the other contractor had supplied 3·75 lakh bricks against the contracted quantity of 15 lakh bricks. They were, therefore, served with a notice on the 26th January, 1949, to improve their arrangements for supply of bricks, or else the Risk Purchase Clause would be enforced. The contractors pointed out that due to heavy and early winter rains, a large number of moulded bricks were destroyed, and, therefore, requested for extension of time limit. The then Divisional Engineer after his personal inspection at site of the kiln recorded a certificate that the contractors were keen to complete the contract in time but ' Nature ' hampered their progress. Further, in the case of the second contractor, the Engineer also stated that there was scarcity of earth as the railway land nearby had been reserved for the bridge workshop in October, 1948, and the earth that was available was all sandy, and that the contractors were making arrangements to take earth from private land. Taking all these factors and also the market position of supply of bricks and the cheap rate at which these two contractors had agreed to supply bricks, the period of supply was extended by the Administration up to the 31st May, 1949, in the first case and the 30th June, 1949, in the second case with the concurrence of the Financial Adviser.

3. It will thus be observed from the above that extensions were granted to the contractors on valid grounds. Now the question is whether we could have successfully enforced the Risk Purchase Clause and retrieved the so-called loss through a court of law or otherwise, while there were valid grounds for extension of the contract beyond the 31st December, 19

opinion of the Railway Ministry, if the Risk Purchase Clause had been invoked, it is extremely problematical whether the loss incurred thereby could have been recovered through a court of law and the net result would have been heavy legal expenses.

4. In fact, it is relevant to mention that the question of Risk Purchase Clause was actually considered by the Divisional Superintendent and he ordered the purchase at contractors' cost on the 11th August, 1949. Before, however, the purchase arrangements could be proceeded with, the directive of the Railway Board regarding economy campaign was received by the Divisional Superintendent on the 29th August, 1949, and the idea of risk purchase was accordingly dropped. Thus, on the termination of the contract, no Risk Purchase was, in fact, made as the need for bricks had disappeared owing to the economy campaign.

In the circumstances explained above, it will be appreciated that there has been no failure on the part of the officers of the Administration in safeguarding Government's interests and the question of disciplinary action, therefore, does not arise.

APPENDIX XXIII

Para. 28 of Railway Audit Report, 1951—Chittaranjan Locomotive Works—Review of Stores Accounts

In connection with the above-mentioned audit para., the Public Accounts Committee have called for the following information :—

“ What is the latest position ? What is the excuse for grossly mis-managing the maintenance of Stores Accounts ? ”

It is unfortunate that the Stores Accounts of the Chittaranjan Locomotive Project were not properly maintained at the initial stages. This was, however, in a large measure due to the peculiar circumstances under which the project was started in January, 1948, on the abandonment of the Kanchrapara Project in the wake of Partition. The office of the Chittaranjan Locomotive Project started functioning at Asansol and immediately materials began to pour in at Chittaranjan in train loads especially from the abandoned project at Kanchrapara. A great deal of difficulty was experienced in attracting necessary staff for the project, and particularly trained staff. Immediately following the partition, there was a large-scale reshuffling of staff on all Railways particularly the border railways, like *ex-East* Indian Railway. Further due to implementation of Central Pay Commission's recommendations at that time the volume of work increased considerably on the Railways, for which sufficient number of trained staff were not available even to the Railway Administrations. Consequently neither the executive nor the Accounts Departments of the Chittaranjan Locomotive Project could secure the services of adequate number of trained staff at the initial stages to cope with the rush of work.

2. The stores received for the project were first accounted for by the Executive under ' Materials-at-site ' Account which is the usual practice for a project. But as this method of dealing with the stores was found to be unsatisfactory for this particular project in view of the very large volume and variety of stores handled, it was decided in April, 1948 that the depot system of stores recounting should be adopted, whereby the stores will remain in the custody of a separate Stores Department till the Stores are actually issued for use on the works. This procedure was introduced in June, 1948, and priced ledgers were opened for all items of stores covering the transactions of receipts and issues from the commencement. The Stores Department found it difficult to prepare initial documents for the large receipts of stores and consequently the postings in the priced ledgers fell into arrears. New set of priced ledgers were, therefore, opened from April, 1949, adopting the depot quantity balances so that reliable accounts could be maintained of all subsequent transactions.

3. The latest position in regard to the Stores Accounts at the Chittaranjan Locomotive Works is that the work is more or less current. The priced ledgers opened from April, 1949, have been reconciled with the Depot Numerical ledgers and also with the general books up to 31st March 1951 and the small differences noticed are under scrutiny with a view to final adjustment.

Most of the priced ledgers which number about 10,000 (as against 2,200 opened in April, 1949, as shown in the Audit Para.) have been reviewed. Stock verification of stores is being done regularly.

4. There are still arrears in the clearance of the suspense balances pertaining to Stores Accounts of the Chittaranjan Locomotive Works. At the instance of the Railway Board, a Senior Accounts Officer has been placed on Special duty to clear the suspense balances relating to the period prior to 31st March 1949 and other arrears as quickly as possible. The Board very much regret the unsatisfactory state of Stores Accounts in the Chittaranjan Locomotive Works and they are fully conscious of the deficiencies which are yet to be set right. The one redeeming feature of this unsatisfactory state of affairs is that up till now no physical loss of stores has actually been brought to light as a result of investigations so far carried out by Audit and the Accounts Officer on special duty.

APPENDIX XXIV

Para. 31 of the Railway Audit Report, 1951—M. & S. M.—Avoidable expenditure incurred in the purchase of green gram.

The Public Accounts Committee have desired to be furnished with written information on the following points in connection with the above-mentioned audit para. :—

- (a) Why no machinery was provided by the Railway Administration to keep themselves in touch with the market ?
- (b) What action has been taken by the Railway Board to prevent the recurrence of such cases ?

The Railway Administration was required according to the rules in force to keep in touch with local market conditions, and in the particular case the Assistant Controller should have ascertained the market rates before agreeing to extend the date of delivery. The Railway Board have since issued instructions to all the Railway Administrations directing them to take steps to obtain weekly reports of the wholesale and retail prices of the various grainshop commodities from supplying and consuming centres on the railways through their grainshop Inspectors and Managers, and that these reports should be regularly studied by the Grainshop Officers. The Railway Board trust that the cases of the kind mentioned in the audit para. will not recur.

APPENDIX XXV

Para. 33 of the Railway Audit Report, 1950-51—South Indian Railway —Economy effected in expenditure on handling of goods at stations.

The Public Accounts Committee desire to be furnished with written information on the following point in connection with the above-mentioned audit para. :—

‘ What has been the experience of the employment of contract labour on certain stations of the S. I. Railway ?’

The Board are advised that the experiment with contract labour was tried at Palghat in 1949 and later in 1950 at Trichinopoly and Salem Market transshipment sheds, partly on grounds of economy but mainly to improve the availability of labour and thereby increase the out-turn of work in these sheds which were proving bottlenecks. The experiment proved satisfactory inasmuch as the turnover at these sheds improved and the average cost per ton handled was less.

2. The Board are, however, convinced that it would not be economical in the long run to have such work done by contract labour in view of the fact that the railway administrations will have no direct control over such labour, and that fact alone would constitute a source of inefficiency and trouble in the long run.

3. It may be explained that the contract system wherever it exists has, however, been allowed to continue for the present, but with a view to ensuring that such labour is being treated fairly, a draft standard agreement is under formulation providing for the payment of a fair wage, compliance with the Hours of Employment Regulations and the Payment of Wages Act, provision of rest centres, medical aid, etc. As soon as this standard agreement is adopted, the apparent economy of the contract system vis-a-vis departmental work might disappear.

4. Above all, employment of departmental labour in preference to contract labour is justified on grounds of “ better deal to labour ”, as a matter of Government’s policy.

APPENDIX XXVI

Para. 40 of the Railway Audit Report, 1951—Heavy station outstandings.

With reference to the audit para. mentioned above, the Public Accounts Committee have desired to be furnished with written information as to what action has been taken to recover over Rs. 18 lakhs due from the Station Staff on account of admitted debits. Out of Rs. 18 lakhs given in the audit para. as outstanding on 31st March, 1950, about Rs. 6 lakhs have already been recovered so that the latest position of outstanding admitted debits is about Rs. 12 lakhs only. In this connection, the Board would like to observe that in view of the limitations of the total amount that can be realised monthly from the salaries of individual staff due to the operation of the Payment of Wages Act, there is bound to be some delay in the realisation of the full amount. According to the information furnished by the Railways, there has not been up till now any occasion for any considerable outstandings due from the staff being written off at all.

APPENDIX XXVII

Para. 42 of the Railway Audit Report, 1951—Inadequacy of rent realised for railway quarters.

In connection with the above-mentioned audit para. the Public Accounts Committee desired to be furnished with written information on the following point :—

“ At what stage is the question of the examination of the revision of the Government Railway Rent Rules so as to improve the yield on the capital invested on the quarters of the railway staff ? When do the Railway Board expect to take a decision in the matter ? ”

2. As stated in the above audit paragraph, the question of improving the yield on the capital cost of the quarters has been engaging the attention of the Railway Board since 1941, but due to the intervention of the war, the consideration of the question was kept pending till the cessation of the war. After the war was over, the condition was in no way opportune for taking up the revision of rent rules. However, in August, 1950, Railway Administrations were asked to undertake a review of the revision of the assessed rent of quarters to ensure a return of 4 per cent. on the total capital cost. The Railway Administrations in their review have stated that it is not possible to realise a return of 4 per cent. on the capital employed on quarters for staff recently constructed either for subordinate employees or for officers in view mainly of the following factors :—

- (i) High cost of the quarters in various categories ; and
- (ii) the relatively low recoveries from staff to whom these quarter are allocable.

It may be mentioned that Railway Administrations were never able to realise the 4 per cent. return on the capital cost of bungalows and subordinate quarters even in the pre-war periods. A significant increase in the return would appear possible only if the limit of 10 per cent. of the employees' emoluments is raised substantially, apart from the fact that 10 per cent. limit is common to all Government Departments, except the Defence, where the existing percentage is even lower. This will of course require careful examination in all its aspects and particularly with regard to labour relations.

3. Moreover, as the Public Accounts Committee are no doubt aware, Government have set up a Committee to recommend what percentage of Dearness Allowance should be treated as pay for all purposes. The recommendations of the Committee and the Government's orders thereon will have a bearing on this problem which will, therefore, need re-examination in the light of these.

APPENDIX XXVIII

Para. 43 of the Railway Audit Report, 1951—Disposal of Inspection Reports and Audit Objections.

In connection with the above-mentioned audit para. the Public Accounts Committee desired to be furnished with written information on the following points :—

- (a) What action has been taken by the Railway Board for the expeditious disposal of these objections in the light of recommendations made by the Committee in para. 38, page 26 of their First Report, 1951-52 ?
- (b) What special steps, if any, Railway Board contemplated to take to clear off the outstanding objections amounting to Rs. 55.77 lakhs, of which more than half relate to 1948-49 and earlier years.

As regards (a), instructions have already been issued to the Railway Administrations drawing their particular attention to the Public Accounts Committee's recommendation in the matter (*vide* their letter No. 52-B-2498 Pt. 21 dated the 9th July 1952, copy forwarded to Parliament Secretariat under Board's letter No. 52-B-2498 dated the 22nd August 1952.) The Board have specially directed the Railways that administrative officers, in the course of inspection of subordinate offices, should make it a point to enquire about the disposal of Audit notes and Audit Inspection Reports and take action on the spot in cases of inordinate delays coming to their notice. Further the F. A. & C. A. Os. have also been asked to watch the disposal of audit objections through monthly and periodical progress reports submitted by branches. In order to ensure that these instructions are followed by the Railway Administrations and tangible results are being achieved, the Railway Board have also laid down that a half-yearly report on the disposal of Audit notes and Inspection Reports should be submitted to them.

As regards (b), the latest position is that out of Rs. 55.77 lakhs reported in the audit paragraph objections amounting to Rs. 7.72 lakhs only remain to be cleared.

APPENDIX XXIX

Para. 44 of the Railway Audit Report, 1951—Delay in preparation of completion reports.

In connection with the above-mentioned paragraph, the Public Accounts Committee have desired to be furnished with written information as to what measures the Railway Board intend to adopt to ensure the early submission of the completion reports, especially on the *ex-E.I.* Railway, where there were over one thousand works costing Rs. 18.65 crores whose completion reports have yet to be submitted. The Railway Board have been impressing on the Railways from time to time the necessity for avoiding the delay in the preparation of final completion reports and instructions were last issued to the Railway Administrations in April, 1952, a copy of which is enclosed.* As a result of Board's directive out of 2,716 completion reports given in the Audit para. as outstanding on 31st March 1951, 1,309 have since been disposed of. The Railway Board are pursuing further with the Railway Administrations to finalise the remaining completion reports as expeditiously as possible.

2. As regards the position on the *ex-E. I.* Railway, out of a total of over 1,000 works, about 228 works pertained to the workshop accounts office, Kancharapara and Sealdah Division of the *ex-B.A.* Railway. In all these cases work was started prior to the partitioning of the country. Due to non-closing of pre-partition accounts and also for the reason that complete records pertaining to these works were not forthcoming, as these had been taken away by the *E. B.* Railway (Pakistan) to Chittagong at the time of partition, the completion reports could not be finalised. However, these works are being finalised on the basis of such information as is available in the subsidiary registers and in executive offices of the *ex-E. I.* Railway. As a result of sustained efforts, the position on the *ex-E. I.* Railway as on 31st March 1952 is that only 501 completion reports are still outstanding out of the 1,005 works reported in the audit para.

* See Appendix XXX.

APPENDIX XXX

Copy of Railway Board's letter No. 52/W/29 dated 18th April 1952 to all Indian Railways.

SUBJECT :—*Closing of Accounts and preparation of Completion Reports.*

The Railway Board observe that Railway Administrations take considerable time in the preparation of 'Completion Reports' mainly due to non-adjustment of outstanding debits and credits within three months of the date of completion of the work, resulting in undue delay in the closing of accounts. The Board, therefore, desire to stress the need for closing the accounts and preparation of Completion Reports within the time stipulated in paras. 1807 and 1809 of the Indian Government Railway Code for the Engineering Department. In this connection, attention is also invited to Railway Board's letter No. 1444-W dated 10th February 1936 and 10th April, 1937 (copies enclosed).

Please acknowledge receipt.

Copy of Railway Board's letter No. 1444-W dated the 10th February, 1936, to the Agents, Assam Bengal Railway, Bengal Nagpur Railway, BB & CI Railway, Burma Railways, Bengal and North Western Railway, Eastern Bengal Railway, E.I. Railway, G.I.P. Railway, N.W. Railway, M. & S.M. Railway, Rohilkund and Kumaon Railway, S.I. Railway and H.E.H. the N. S. Railway, and the Manager, Jodhpur Railway, copy to the C.A.O. N.W., E.I., E.B., G.I.P. and Burma Railways, Controller of Railway Accounts and Director of Railway Audit.

SUBJECT :—*Completion Reports*

I am directed to bring to your notice that the Public Accounts Committee have recently had occasion to comment on the very large number of items of unsanctioned expenditure on Railways several of which have been outstanding over a period of years, and have enquired whether steps cannot be taken to assure a speedier regularisation of such expenditure.

2. The Railway Board observe that in the case of a large number of these items the expenditure is held under objection owing to the delay in the preparation of final completion reports for the works and that the delay is not confined to cases of new projects or large open line works but relates also to works of comparatively small magnitude.

3. I am, therefore, to request that necessary steps may be taken to impress on all departments the desirability of closing the accounts of individual works as soon as possible after completion, and preparing a final completion report immediately thereafter, for sanction by competent authority.

4. In this connection, I am to invite your attention to paragraphs 159 and 178 of the State Railway Code for the Engineering Department and to suggest that steps may be taken to avoid delays in the disposal of surplus and released materials, to which delays in the preparation of Completion Reports are attributable in the majority of cases. I am also to request that timely action may be taken for the settlement of other questions such as those of allocations and junction arrangements, etc.

Copy of Railway Board's letter No. 1444-W, dated the 10th April, 1937 to the Agents, A.B., B.N., BB & CI, B. & N.W., E.B., E.I., G.I.P., N.W., M. & S.M., Rohilkund and Kumaon, S.I., N.S. Railways, the Manager, Jodhpur Railway, copy to the C.A.Os., N.W., E.I., E.B. and G.I.P. Railways, Controller of Railway Accounts and Director of Railway Audit.

SUBJECT :—Completion Reports

In continuation of this office circular letter No. 1444-W, dated the 10th February, 1936 on the subject noted above, I am directed to say that the attention of the Public Accounts Committee was drawn to a number of instances of works expenditure held under audit objection for want of sanction pending the submission of completion reports. They view with grave concern the dilatoriness in preparing the completion reports and have requested Government to remedy the present unsatisfactory state of affairs in this regard.

2. On an examination of the question, the Railway Board understand that the main cause of delay in the preparation of completion reports is with respect to the adjustment of credits for released materials as the present practice is to wait for their actual disposal before closing the accounts of the works. To avoid delay, the Railway Board desire that the works concerned should be afforded credit on the value of released materials on the basis of estimates by the Stores Department, in consultation with the Engineer Officers.

3. In this connection, I am also to invite your attention to paragraph 305 of the State Railway code for the Engineering Department, and to suggest that the procedure outlined in that paragraph should be adopted when there is a dispute between the contractor and the railway. That is if the contractor's claim is not finally settled within a reasonable time, whatever the railway considers as legitimately due to the contractor should be adjusted by debit to the work and credit to 'Deposits' and the account of the work finally closed. When the contractor is subsequently paid finally and the amount paid to him differs from that in credit in 'Deposits', necessary adjustments should be made by opening the accounts of the work and preparing a revised completion report. The Railway Board trust that the adoption of this procedure will result in completion reports being submitted much earlier than is the case at present.

APPENDIX XXXI

Para. 45 of the Railway Audit Report, 1951—Efficiency of Internal Check.

In connection with the above-mentioned audit para. the Public Accounts Committee desired to be furnished with information on the following points:—

- (a) What steps were taken by the Railway Administrations to overtake the arrears and remove the defects in internal check as recommended in para. 68 of the Report of the Public Accounts Committee, 1950-51 ?
- (b) What action have Railway Board taken towards the removal of the arrears in internal check and to place the whole matter on a satisfactory footing ?

2. A detailed memorandum on the particular recommendations of the Public Accounts Committee was furnished and this has been printed as Appendix XI to Committee's Second Report on the Accounts of 1948-49, at pp. 89 and 90. It will be observed therefrom that the Railway Administrations are required to take stock of the position of arrears half-yearly at the end of June and December and also submit them to the Railway Board. These half-yearly reports are being regularly received in the Board's office and special points connected therewith are taken up with the Railway Administrations and also pursued by F. C. of Railways and other officers of the Board during their periodical visits to the Railway Accounts offices.

3. The arrears in internal check in the accounts offices were originally caused by considerable increase in the volume of work on the one hand, due to increase in traffic, the implementation of C.P.C's recommendations, Adjudicators' Award, etc. and on the other, by dilution of trained staff. As the Public Accounts Committee are aware, training classes have been started on the various Railways for the benefit of the staff, by deputing experienced accountants for giving lectures followed by intensive training in the practical working of the various branches of Railway accounting. These measures are yielding results and it is hoped that before long the arrears in Accounts offices would be pulled up considerably.

APPENDIX XXXII

Note on the pricing of boilers under order with TELCO.

In para. 20 of the report on the accounts of 1948-49, the Public Accounts Committee have desired that a note outlining the agreements agreed upon with the TELCO in regard to the question of payment of fixed prices of boilers during the period 'C' already started should be settled with TELCO, as it was apprehended that disputes might arise later. The Committee have also suggested that the provisional payments made in respect of periods 'A' and 'B' should also be finalised urgently, and it should be specifically stated whether any payment by way of subsidy had been made to the TELCO during the periods 'A' and 'B'.

2. The Financial Commissioner for Railways gave the Committee an assurance that this matter had been taken up with the Tatas at a high level and it was proposed to hold discussions with the firm in the near future *vide* para. 50 (b) of the proceedings of the meeting of the Public Accounts Committee, held on 27th September 1951. Accordingly, a meeting was held between the Railway Board and the Chairman and Directors, Tata Locomotive & Engineering Co. Ltd., on the 7th, 8th and 10th December 1951 and a further meeting between the Minister of Railways and the Railway Board and the Chairman and Directors of Tata Locomotive & Engineering Co. Ltd., on the 11th December 1951. The question of the pricing of boilers in period 'C' (after 1st January 1949) including the enforcement of the clause regarding delays in supplies with reference to production targets provided in the agreement was discussed, and it was agreed that, in view of the fact that the production of boilers at TELCO had not reached the level of 100 boilers per annum, the commencement of period 'C' as on 1st January 1949 (as previously agreed) should be cancelled. It was also agreed to extend the developmental period 'B' till such time as production was fully established. For the determination of the commencement of period 'C', it was agreed that after TELCO had established production at the rate of 8 boilers per month and maintained that rate for 2 consecutive months, the Railway Board would send out their representatives to satisfy themselves that the level of production of 100 boilers per annum had been planned to be and would be maintained wherefrom, period 'C' would commence. TELCO expected to reach the target of 100 boilers a year by December 1952. The prices of boilers for period 'C' would, therefore, be decided before the date of commencement of this period is determined, on the basis of the above agreement.

Under the above arrangement, no profits would accrue on the production of boilers, till full production is established, as stated above. Thus during periods 'A' and 'B', the prices for boilers delivered would be the actual cost of production and would be paid on the following basis :—

*At the rate of Rs. one lakh for a Y.B. boiler and the difference between the actual cost of production and one lakh would be carried to the "Boiler Development Account". For other types of boilers, payment would be made in the same manner at a rate which bears the same proportion to the actual cost as Rs. one lakh bears to the actual cost of production by TELCO

of a Y.B. boiler. The amount in the "Boiler Development Account" would be included in the cost of production in a number of instalments to be mutually agreed upon. The amount at the credit of the "Boiler Development Account" will remain the liability of Government to the Company.'

In view of the above agreement, the question arose as to how the amount of approximately Rs. 7 lakhs, which was included by TELCO in their accounts for the years 1949-50 and 1950-51 as profits, in respect of boiler production, should be dealt with, and after due consideration, it was decided by the Government of India to allow that profit already included in the published accounts of the Company to stand.

3. The cost-check of boilers that have been and will be produced in periods 'A' and 'B' is under way according to agreements reached and referred to in para. 2 above. There were, however, certain outstanding points relating to the actual implementation of the above agreements which required to be settled at a further meeting with TELCO. Accordingly, a meeting was held on the 22nd and 23rd July 1952 at Tatanagar between the representatives of the Railway Board (Director of Finance and Financial Adviser & Chief Accounts Officer, Chittaranjan Locomotive Works) and of TELCO's Accounts Department and many of the points were settled. There still remain a few outstanding points the settlement of which is under negotiation with TELCO. After agreements are reached on these outstanding points also, the payments made provisionally during periods 'A' and 'B', will be finalised.

4. As regards the point whether any payment by way of "subsidy" had been made to Messrs. TELCO during the periods 'A' and 'B' the position briefly is as follows :—

At the meeting of the Public Accounts Committee held on the 27th September, 1951, the Financial Commissioner, Railways, informed the Committee that the Railway Board could work out this figure of subsidy by calculating the difference between the "landed" cost of imported boilers and the amount paid to the firm.

The number of completed boilers so far billed for by TELCO is 146 (94 SGS and 52 YB). No imports of these types were made during the contemporaneous period, but on the basis of quotations against 1952-53 programme the landed cost, inclusive of customs duty, works out to Rs. 68,900 for SGS and Rs. 77,100 for YB. A total payment of about Rs. 146 lakhs has been made provisionally against TELCO's claims in respect of these boilers and there is a further claim of about Rs. 65 lakhs to be settled. Certain items included in TELCO's cost of production are under dispute, and it is likely that a portion of the total claim may not ultimately be admitted. Till an agreement is reached on matters under dispute, it is not possible to give a firm figure of the subsidy in respect of the 146 boilers.

As soon as the accounts for Periods 'A' and 'B' are finalised, as a result of further discussions with TELCO, which have been scheduled for early next month, a firm figure duly verified by the Director of Railway Audit, will be submitted to the Public Accounts Committee.

This has the concurrence of the Director, Railway Audit.

APPENDIX XXXIII

Para. 27 of Railway Audit Report—Loss sustained by the E. P. Railway due to non-supply of bricks by the contractors within the stipulated time.

In connection with the above-mentioned Audit Para, the Sub-Committee of the Public Accounts Committee desired to be furnished with further information on the following points:—

- (i) Why was not the certificate that “no loss on account of late delivery of material would be sustained” as required to be obtained under the rules from the indenting officers recorded by the Divisional Superintendent at the time of ordering repurchase of bricks at an additional cost of about Rs. 24,439 ?
- (ii) What was the justification for the grant of extension of time after the repurchase had been made at a cost of about Rs. 24,439 which had ultimately resulted in a loss to the Railway Administration ?

2. As regards item (i), the relevant rule governing cases of granting extension of delivery dates is quoted below for information :—

Para. 445—Chapter IV of State Railway Code for the Stores Department.

“*Extension of Delivery Dates.*—These may be sanctioned at the discretion of the authority which signed the original contract provided—

- (a) that the rate in the contract was not accepted against other lower tenders in consideration of the date of delivery ;
- (b) that he is satisfied that the delays will not cause loss or damage, or in case of special purchases, the indenting party certifies that no loss on account of late delivery would be sustained ; and
- (c) that in any case which does not satisfy any or both of the above conditions, such sanction shall be given only in consultation with his Financial Adviser and after taking legal advice, if necessary”.

3. The two contractors with whom contracts were entered into for supply of bricks were the lowest tenderers. As already stated in a previous note circulated to the Committee, the concurrence of the Finance Officer was obtained before giving extension of time-limit. It is, however, admitted that the certificate of ‘no loss on account of late delivery’ was not specifically recorded in the note because of the understanding that all extensions to agreements and contracts can be granted only on a careful appraisal of the existing and anticipated circumstances, as far as they can be reasonably forestalled, that such extensions will not result in any loss to the Railway Administration. The extension granted in this case was no exception to this general principle followed by the Railway. However, the Railway Administrations are being advised that in all cases of extension of delivery dates this certificate should be specifically inserted.

4. As regards item (ii), contracts for supply of bricks are arranged at different centres on the basis of estimated annual requirements for stock in the first instance, and not necessarily always for specific works. Subsequently, the bricks are issued from stock as and when requirements arise for specific works in the neighbouring localities. One of such centres was at Ferozepur Station. There two contracts existed for supply of 20 lakh bricks at the rate of Rs. 38 per thousand. Owing to slow progress of supplies at Jullundur

Centre by the two contractors referred to in the Audit Para. under circumstances beyond their control, some bricks were diverted from Ferozepur Centre in February and March, 1949, so as to ensure completion of the works in Jullundur Area before the close of the financial year and incidentally to avoid lapse of funds. The stocks at Ferozepur were intended to be replenished on receipt of supplies from the Jullundur contractors who were given extension so as to take advantage of their comparatively much lower rates and subsequent to the transfer of bricks from Ferozepur to Jullundur in February, 1949, as mentioned in the Audit Para. about 258,000 bricks were actually supplied by the contractors at Jullundur.

APPENDIX XXXIV

Paragraph 28 of the Railway Audit Report, 1951—Chittaranjan Locomotive Works—Review of Stores Accounts.

In connection with the above noted Audit para. the Public Accounts Committee have desired to be furnished with further information as follows :

“A revised note stating the precise position in regard to the Stores Accounts at the Chittaranjan Locomotive Works should be submitted, as the position as stated by the Railway Board presented a general statement and did not indicate the value of stores not checked.”

2. The circumstances under which the Stores Accounts of the Chittaranjan Locomotive Works could not be properly maintained at the initial stages had already been detailed in the earlier note submitted to the Public Accounts Committee along with the Railway Board's Memo. No. 52-B-2498 dated 24/9/52, addressed to the Parliament Secretariat. Briefly stated, the contributory causes leading to this unfortunate confusion in accounts were:

- (i) Lack of trained staff both in the Executive and Accounts Offices of the Project, which was taken in hand almost immediately after the partition ;
- (ii) Non-enforcement of the correct procedure from the very beginning ;
- (iii) On rush of materials from the abandoned Kanchrapara Locomotive Project to Chittaranjan being too great for the staff there to handle ;
- (iv) Debits for the stores supplied not being received from the suppliers either in time or with necessary details to enable the accounts being maintained properly, etc.

3. The precise position of the Stores Accounts at Chittaranjan Locomotive Works as now required by the Public Accounts Committee is indicated in the following paragraphs.

From January, 1948, when the Project was started, up to June, 1948, stores were accounted for according to the 'Materials-at-site account' system. Under this system, only one set of control cards was maintained, namely, numerical cards by the Executive. It was shortly found that in a Project of the size and magnitude of Chittaranjan Locomotive Works, this system was unsuitable and it was replaced by 'Depot Stores Accounting' system, under which two sets of control cards were maintained, viz., numerical ledgers by the Executive, and priced ledgers by the Accounts. The priced ledgers were opened by the Accounts Department in June, 1948, with retrospective effect from January, 1948, from the records then available. The transactions were priced at approximate rates then available and the total balances thus arrived at were compared with the stores balances at end of March 1949 appearing in the financial books of the Railway. This comparison disclosed that the stores balances as per the financial books of the Railway were more than the priced ledger balances by Rs. 2,09,836.

4. As the initial records from which the Accounts ledgers had to be posted could not all be collected readily, there was, to start with, a discrepancy between the depot ledgers and the priced ledgers. Subsequently as the receipt and issue vouchers were not prepared systematically and sent regularly by the depot office to the Accounts Office, this discrepancy became worse, so much so that by 31-3-1949, the Accounts Department ledgers had become

undependable and had to be scrapped and a new set of ledgers was opened from 1st April, 1949, adopting the depot card balances. These balances were priced at the latest purchase rates or the rates at which debits were received from the E.I. Railway and as a result of this valuation, the total balance of the priced ledgers came to Rs. 36,67,415-4-0 as against Rs. 24,64,243-14-0 in the general books, or an excess of Rs. 12,03,171-6-0, which has been kept as a credit under the Suspense head "Stock Adjustment Account". When the new set of priced ledgers was started with the depot card balances, these balances had not been tallied with the actual ground balances in the depot by physical verification. An extensive stock-verification was, therefore, taken in hand and completed by 31st March, 1951. This verification revealed that the actual ground balances exceeded the depot card balances, which balances, as already stated, were also taken in the priced ledgers, by about Rs. 15 lakhs. This amount also was taken in the Stores Accounts by credit to the Suspense head 'Stock Adjustment Account'. Thus, for the transactions up to 31/3/1949, both the depot ledgers and the priced ledgers were rectified through revaluation and stock verification, and in this process, adjustments were made to the Suspense head 'Stock Adjustment Account' as summarised below :—

	Rs. (In lakhs)
On account of revaluation	Cr. 12
On account of stock-verification	Cr. 15
Miscellaneous discrepancies including discrepancy in the re-conciliation between the priced ledgers and depot ledgers.	Dr. 2
Net <i>Credit</i> to Stock Adjustment Account.	25

5. Similarly, there was considerable confusion in other Suspense Accounts also, which are operated upon in Stores Accounts, as detailed below :—

Purchases : This head is credited on receipt of stores in the depot, and debited on making cash payments or on adjusting the debits received in connection with the supplies made by the I. & S. Department or other Railways. As already stated, prior to 31-3-1949, debits were received neither promptly nor in sufficient details to enable the Purchase Register being posted separately for each transaction. Lump sum amounts were, therefore, posted in the register both under debit and credit columns, and these remained unlinked pending the receipt of full particulars. The magnitude of the unlinked debit and credit items was as follows :—

Debit	Rs. 1,94,41,010
Credit	Rs. 1,34,33,863

Stores in Transit : This Suspense head is operated upon for materials inspected at the central depot before reaching the stocking depot. The unlinked debits and credits under this head were as follows :—

Debit	Rs. 2,64,662
Credit	Rs. 1,02,850

Miscellaneous Advances (Capital) : This Suspense head is operated upon for advances made to suppliers and for accounting the cost of stores issued to fabricators. The unlinked debits and credits under this head were as follows :—

Debit	Rs. 60,91,320
Credit	Rs. 20,41,371

6. If the Stores Accounts at Chittaranjan Locomotive Works had been maintained properly up to 31/3/1949, the balances under the Suspense heads mentioned above would not have been as heavy as indicated in the preceding paragraph. The existence of these heavy balances only shows that linking of debits and credits which is the function of the Stores Accounts Branch was not carried out, partly due to defective procedure and partly to slackness on the part of the staff, including supervisory staff. However, at the instance of the Railway Board, a Senior Accounts Officer was placed on special duty to clear the Suspense balances relating to the period up to 31/3/1949 and other arrears as quickly as possible. As a result of his efforts, some progress has been made in this direction and the present position of the above-mentioned Suspense heads is indicated below :

Suspense Head		Previous position as indicated above	Clearance made up to Sept. 1952	Balance still outstanding and under investigation
		(In lakhs) Rs.	(In lakhs) Rs.	(In lakhs) Rs.
Stock Adjustment Account		25.00	6.00	19.00
Purchases	Dr.	194.00	103.00	91.00
	Cr.	134.00	67.00	67.00
Stores in transit	Dr.	2.64	2.15	0.49
	Cr.	1.02	0.92	0.10
Miscellaneous Advances (Capital)	Dr.	60.91	53.71	7.20
	Cr.	20.41	20.23	0.18

7. From the above it will be seen that appreciable clearances have been made under the Suspense heads 'Stores in Transit' and 'Miscellaneous Advances (Capital)'; while the progress so far made under the other two heads, namely, Stock Adjustment Account and Purchases, is not so satisfactory. The Chittaranjan Locomotive Works Administration have, however, taken steps for expediting the clearance of the outstandings under these two heads and the Railway Board are carefully watching the position. The outstandings under 'Purchases' are cleared by linking the debit and credit items. When this process is completed, it is likely that we shall be left with a net debit balance of Rs. 23.82 lakhs which indicates bad and inefficient accounting, because, if the Purchase Account is maintained properly, there should always be a net *credit* balance. It is, however, likely that receipts of stores which should have passed through the Purchase Account by credit to this Account were not accounted for in the normal manner but came into the priced ledgers through stock-verification results and were credited to the Stock Adjustment Account instead of Purchases.

8. As regards the maintenance of Stores Accounts with effect from 1/4/1949, the position is more satisfactory. Receipt and issue vouchers have been and are being received regularly from the depot offices and these are also being posted in the priced ledgers. Stock-verification of stores is being done regularly. The priced ledger cards have been reviewed and the priced ledger balances have been reconciled both with the numerical ledgers and also with the general books up to 31/3/1951. A detailed statement is appended below for the information of the P.A.C. showing the exact position as on 1/8/1952 in regard to each item of work dealt with in the Stores Accounts Branch relating to the period subsequent to 1/4/1949.

STORES ACCOUNTS OF THE C.L.W.

STATEMENT COMPARING THE POSITION OF WORK AS ON 1ST AUGUST, 1952 WITH THAT ON 31ST MARCH, 1949

S. No.	Items of work	Position on 31-3-1949	Latest position
1	Posting of Priced Ledgers	Incomplete	Complete.
2	Review of Priced Ledgers.	No review was done.	All the 10,000 cards excepting a very few have been reviewed.
3	Reconciliation between Priced Ledgers and Depot Cards.	No reconciliation was done.	Reconciliation completed up to 31-3-1951. In regard to the reconciliation from 1-4-1951 4,000 out of 10,000 cards are yet to be reconciled.
4	Monthly Reconciliation of Receipts and Issues with Class Summaries.	No reconciliation was done.	Current.
5	Half-yearly reconciliation of Priced Ledger balances with the General Books.	No reconciliation was done.	Reconciled up to 31-3-51 Reconciliation for half years ending 30-9-1951 and 31-3-1952 is being done.
6	Stock Verification . . .	No stock verification was done.	Almost complete. Only 641 mandays are in arrears.
7	Disposal of Stock Sheets.	Nil. as no stock verification was done.	469 Stock Sheets are in arrears.
8	Posting and reconciliation of purchases.	Not done.	Current.
9	Review of Purchases.	Not done.	Current.

APPENDIX XXXV

**Copy of Director-General of Posts and Telegraphs Memorandum
No. B.27-3/52, Dated the—April 1952 to all Heads of Circles etc.**

SUBJECT:—*Recommendations of Public Accounts Committee—Booking of expenditure immediately after it is incurred and watching of progress of expenditure with reference to sanctioned grant.*

While reviewing the accounts of 1948-49 the Public Accounts Committee have emphasised that in order to obviate the possibility of the spending authorities incurring expenditure in excess of the sanctioned grants or appropriations, it is essential to ensure that expenditure under each grant and sub-head under that grant is booked immediately after it is incurred. They have further reiterated that the progress of expenditure should be closely watched by the authority administering the grant so that before incurring further expenditure, it should ensure that the fresh expenditure is within the limit of sanctioned allotment.

2. The Departmental Rules clearly lay down that all transactions of receipt or payment should be recorded immediately after their occurrence. It should not, therefore, be difficult to collect up-to-date 'cash' expenditure figures readily. Further a 'Register of liabilities' and a 'Register of Book Debit items' are also required to be kept for watching the progress of expenditure and also for reconciling the departmental figures with audit figures. Whenever there is occasion for incurring expenditure it should be seen that funds are available by deducting from the sanctioned allotment, the total of the 'cash' expenditure incurred upto the period, book debits accepted and the amount of unliquidated liabilities. It is important that expenditure is not incurred under any head in excess of the sanctioned allotment. Attention is invited in this connection to paras. 783 *et seq.* of P. & T. Manual Volume II. The instructions contained therein may kindly be adhered to strictly.

APPENDIX XXXVI

Copy of Director-General of Posts and Telegraphs Memorandum No. B.15-5/51, dated New Delhi, the 23rd May, 1952 to all Heads of Circles, etc.

SUBJECT :—*Procedure followed for controlling expenditure and reconciling departmental figures with Audit figures in the P. & T. Department.*

While reviewing the accounts of 1948-49 the Public Accounts Committee emphasised the necessity for prompt and systematic reconciliation between the departmental and accounts office figures as it is one of the potent methods by which the flow of expenditure can be regulated and the tendency to over-spend curbed.

2. So far as postal fluctuating charges are concerned there is a clear cut procedure laid down in D.G.'s Special Circular No. 21 dated 18-7-1934 which has also been amended from time to time. It is proposed to incorporate this procedure as an Appendix in the next edition of Volume II. An advance copy of this Appendix will be furnished to all Heads of Circles etc. shortly. The same procedure may be followed with suitable modifications for reconciling the departmental figures with audit office figures in respect of the fluctuating charges of Telegraph Offices, Engineering Divisions, Store Depots, Workshops, etc., etc. In the case of the offices which submit classified accounts to audit, it will not be necessary to get the departmental figures verified by the Audit Office as in the case of Post Offices and R. M.S. Offices.

3. In order that the Heads of Circles and other Controlling Officers may have an over-all picture of the expenditure incurred within their jurisdiction it is necessary that figures for pay charges also should be obtained from the subordinate disbursing units and compiled and reconciled in the same manner as for fluctuating charges. Particular attention should be devoted for reconciling the figures under 'Pay of Officers'.

4. To enable this Office to watch the progress and effectiveness of the reconciliation a statement showing the unreconciled circle figures (*i.e.* the difference between the departmental and audit figures) under 'cash' and unadjusted liabilities under 'Book debits' in respect of each secondary unit should be communicated to this office by the 15th of the second month following alongwith a certificate that the departmental figures have been reconciled with the Audit figures, that there are no differences excepting those furnished in the statement referred to above and that necessary action is being taken to get the differences reconciled.

5. Receipt of this letter may kindly be acknowledged.

APPENDIX XXXVII

Copy of Director-General, Posts and Telegraphs Memorandum No. SPB.167-53/52, dated the 21st May, 1952 to all Heads of Circles, All Administrative Officers.

SUBJECT :—*Recommendations made by the Public Accounts Committee in their report for the year 1948-49 in regard to action against delinquent officials.*

In their report for the year 1948-49, the Public Accounts Committee have made recommendations or suggestions on the following lines :—

(i) Action against delinquent officials should be taken promptly and necessary proceedings (disciplinary or legal) should be initiated in each and every case in time. Remedial measures should also be devised against any defects that may come to notice during the course of investigations.

(ii) In all cases of misuse of public money, disregard of financial rules, extravagances and losses resulting from negligence of officials, responsibility should be fixed on the individual officers. The competent authority should not content itself merely with passing strictures against the officers concerned but should take some positive action against them for wastes of public funds caused through their wilful actions or contributory negligence. In order to tone up administrative integrity and efficiency, it is absolutely essential that officials found guilty of such acts are dealt with promptly and suitably. Officers responsible for failing to take action or delaying action against the delinquent officials should also be suitably punished.

(iii) It is considered unsatisfactory that an officer who is in charge of cash and accounts in an office should plead as an excuse that he could not attend to this work properly as he had some other duties to perform. A serious view should be taken of defalcation and irregularities and the offender should be brought to book without allowing him to take shelter under technicalities.

(iv) Any tendency on the part of competent authorities to bring forward general pleas in dealing with defaulting officials that the delinquent official was overworked, that there was no deliberate attempt on his part to mislead, that there was no time to check, that the rules did not provide for supervision and so on, in justification of irregularities should be curbed. All irregularities on the part of defaulting officials should be dealt with promptly and on the spot as procrastination always helps the offender to escape punishment.

These observations and suggestions based on the recommendations of the Public Accounts Committee may please be noted by you very carefully for your future guidance and necessary secret instructions may please be issued to your subordinate officers by name in the matter.

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Copy of Director-General of Posts and Telegraphs Memorandum No. B.15-5/51, dated New Delhi, the 23rd May, 1952 to all Heads of Circles, etc.

SUBJECT :—*Procedure followed for controlling expenditure and reconciling departmental figures with Audit figures in the P. & T. Department.*

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2. So far as postal fluctuating charges are concerned there is a clear cut procedure laid down in D.G.'s Special Circular No. 21 dated 18-7-1934 which has also been amended from time to time. It is proposed to incorporate this procedure as an Appendix in the next edition of Volume II. An advance copy of this Appendix will be furnished to all Heads of Circles etc. shortly. The same procedure may be followed with suitable modifications for reconciling the departmental figures with audit office figures in respect of the fluctuating charges of Telegraph Offices, Engineering Divisions, Store Depots, Workshops, etc., etc. In the case of the offices which submit classified accounts to audit, it will not be necessary to get the departmental figures verified by the Audit Office as in the case of Post Offices and R. M.S. Offices.

3. In order that the Heads of Circles and other Controlling Officers may have an over-all picture of the expenditure incurred within their jurisdiction it is necessary that figures for pay charges also should be obtained from the subordinate disbursing units and compiled and reconciled in the same manner as for fluctuating charges. Particular attention should be devoted for reconciling the figures under 'Pay of Officers'.

4. To enable this Office to watch the progress and effectiveness of the reconciliation a statement showing the unreconciled circle figures (*i.e.* the difference between the departmental and audit figures) under 'cash' and unadjusted liabilities under 'Book debits' in respect of each secondary unit should be communicated to this office by the 15th of the second month following alongwith a certificate that the departmental figures have been reconciled with the Audit figures, that there are no differences excepting those furnished in the statement referred to above and that necessary action is being taken to get the differences reconciled.

5. Receipt of this letter may kindly be acknowledged.

APPENDIX XXXVII

Copy of Director-General, Posts and Telegraphs Memorandum No. SPB.167-53/52, dated the 21st May, 1952 to all Heads of Circles, All Administrative Officers.

SUBJECT :—*Recommendations made by the Public Accounts Committee in their report for the year 1948-49 in regard to action against delinquent officials.*

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(i) Action against delinquent officials should be taken promptly and necessary proceedings (disciplinary or legal) should be initiated in each and every case in time. Remedial measures should also be devised against any defects that may come to notice during the course of investigations.

(ii) In all cases of misuse of public money, disregard of financial rules, extravagances and losses resulting from negligence of officials, responsibility should be fixed on the individual officers. The competent authority should not content itself merely with passing strictures against the officers concerned but should take some positive action against them for wastes of public funds caused through their wilful actions or contributory negligence. In order to tone up administrative integrity and efficiency, it is absolutely essential that officials found guilty of such acts are dealt with promptly and suitably. Officers responsible for failing to take action or delaying action against the delinquent officials should also be suitably punished.

(iii) It is considered unsatisfactory that an officer who is in charge of cash and accounts in an office should plead as an excuse that he could not attend to this work properly as he had some other duties to perform. A serious view should be taken of defalcation and irregularities and the offender should be brought to book without allowing him to take shelter under technicalities.

(iv) Any tendency on the part of competent authorities to bring forward general pleas in dealing with defaulting officials that the delinquent official was overworked, that there was no deliberate attempt on his part to mislead, that there was no time to check, that the rules did not provide for supervision and so on, in justification of irregularities should be curbed. All irregularities on the part of defaulting officials should be dealt with promptly and on the spot as procrastination always helps the offender to escape punishment.

These observations and suggestions based on the recommendations of the Public Accounts Committee may please be noted by you very carefully for your future guidance and necessary secret instructions may please be issued to your subordinate officers by name in the matter.

APPENDIX XXXVIII

Copy of Director-General of Posts and Telegraphs Memorandum No. F.56-7/52, dated the 30th July 1952 to all Heads of Circles and other Administrative Offices.

SUBJECT :—*Exceeding of financial powers—responsibility of officers.*

In connection with a case in the Audit Report for the year 1948-49 where an officer had made purchases in excess of his financial powers, the Public Accounts Committee observed that they were opposed to the tendency on the part of officers to exceed their financial powers. They recommended that whenever any such case is noticed, the officer concerned should be made personally responsible for such excesses, if they are not covered by the sanction of the appropriate authority.

2. Instructions emphasising the necessity of obtaining prior sanctions of the competent authorities have already been issued several times. In this connection, a reference is invited to this Office Memo. No. P.275/50, dated the 12th June, 1951 and Mr. Pai's D.O. No. P.240/51, dated the 22nd November, 1951. It is requested that the observations of the Public Accounts Committee may also be brought to the notice of all concerned. It is true that there may be emergent cases involving expenditure beyond the financial powers of the officer in anticipation of sanction but rules already exist for such cases, as in para. 144 of P. & T. Manual Vol. X (Provisional Issue). It should be brought home to all concerned that cases not covered by the above rules may involve the officer exceeding his financial powers in personal responsibility of the transaction if the competent authority does not accord *ex post facto* sanction.

APPENDIX XXXIX

Copy of Director-General of Posts and Telegraphs Memorandum No. B.27-11/52, dated the 25th April 1952 to all Heads of Circles, etc.

SUBJECT:—*Delay in the disposal of Audit Objections.*

An extract copy of para. 22 of the report of the Public Accounts Committee on the accounts of 1948-49 is enclosed herewith for your information in continuation of this Office Memorandum No. B.4-76/51 dated 4th June, 1951. Necessary instructions to all concerned may kindly be issued that the Audit objections should be replied to in time and that the executive officers should also, while inspecting the subordinate offices make it a point to enquire about the disposal of Audit Objections.

It should also be seen that the quarterly statement of Outstanding Audit Objections referred to in this Office Memorandum No. B. 4-2/52 dated 6th March, 1952 is submitted to this office promptly so that the disposal of Outstanding Objections may be watched.

The receipt of this may please be acknowledged.

APPENDIX XL

**Copy of Director-General's General Circular No. 5, dated
the 9th May, 1952.**

SUBJECT :—Maintenance and Inspection of Fire Extinguishers.

Attention of all concerned is drawn to the instructions issued in Director-General's General Circular No. 35 dated 24-12-1948 regarding precautions to be taken against fire in buildings used by the department. The Director-General desires that the Inspecting Officers should make it a point to see how far the instructions contained in the said circular are actually being observed and take steps on the spot to have the irregularities observed set right, if possible. Suitable action should also be taken against the Officers who are found to have not carried out the Inspections properly.

APPENDIX XLI

Memorandum to the Public Accounts Committee regarding Budgeting and Control over expenditure in P. & T. Department.

In para. 64 of their report for 1948-49, the Public Accounts Committee have stressed the need for raising the standard of budgeting and control over expenditure in the P. & T. Department and have suggested that measures should be devised in consultation with the Ministry of Finance (Communications) whereby the Department is constantly in touch with the figures of progressive expenditure with a view to ensuring that no expenditure is incurred in excess of the sum voted.

It may at the outset be mentioned that 1948-49 was the first complete year after Partition and was an unusually difficult year in many respects. The excesses over the sanctioned grants were not due to any defect in procedure but were due to certain abnormal factors. The following factors, among others, vitiated budgeting and control under the grant for Working Expenses :—

(i) The estimates were framed in the winter of 1947, just after partition, when conditions throughout the Indian Dominion were unsettled. The aftermath of partition continued to persist, rendering it difficult to collect accurate data for framing the budget estimates in a vast Department like the P. & T. with its net-work of offices spread over the length and breadth of India.

(ii) The additional expenditure involved in the implementation of Pay Commission recommendations which affected the bulk of the staff of the Department, could not be correctly estimated as it was not possible to foresee to what extent the arrear bills would be preaudited and paid before the close of the year. The position was rendered more difficult as a result of a number of orders issued by Government during 1948-49 liberalising the Pay Commission recommendations and extending the concessions to certain categories of staff not originally contemplated. Effect was given to these orders in most of the cases retrospectively from 1-1-1947.

(iii) A large number of staff came over from Pakistan and their service records were wanting in many cases. The probable date of settlement of their cases regarding fixation of pay and payment of arrears under the Pay Commission recommendations could not be accurately foreseen.

(iv) The rate of Dearness Allowance to staff drawing upto Rs. 250 was increased by Rs. 10 from 1-1-1949.

(v) Due to partition, a number of strategic, essential and emergent works had to be carried out.

(vi) Night Air Mail Service connecting five principal cities in the country, was introduced on 31-1-1949. This being a novel enterprise, its exact requirements could not be correctly estimated in the initial stages.

(vii) Traffic increased enormously yielding an increased revenue of about Rs. 3 crores over the B.E. 1948-49 of Rs. 26.6 crores, and larger staff had to be employed, new offices opened and new Postal and R.M.S. Divisions created to cope with the increased work and safeguard the additional

revenue. Expenditure in excess of anticipation had to be incurred on mail bags, liveries and furniture. In similar circumstances on the Railways, the Public Accounts Committee have recognised in the past that original estimates may be subject to alteration on account of unforeseen items such as larger or smaller volume of traffic than originally estimated, accidents, floods etc. (See para. 7 of the Report of the P.A.C. on the accounts of 1933-34, Volume I, Part II). The following table compares the traffic figures for 1948-49, with those of the pre-partition year 1946-47 (1947-48 was the year of partition) :—

	1948-49 (Indian Union after Partition)	1946-47 (Undivided India)
(a) Number of Postal articles handled	2,264 millions	2,263 millions.
(b) Number of registered articles posted	72·2 „	68·4 „
(c) Number of insured articles	3·6 „	3·1 „
(d) Number of Telephone Exchanges	2,800	2,644

2. According to the existing procedure, the Accountant-General, Post and Telegraphs, furnishes to the Director-General, P. & T. and the Ministry of Finance (Communications) with approximate actuals of each month by the 10th of the following month under certain broad headings, both under Revenue and Expenditure. Later, by the first week of the second month following, the figures of actual expenditure under each head of account for the entire Department as well as the progressive expenditure to the end of the month are also communicated by the Accountant-General, Posts and Telegraphs, to the Director-General, Posts and Telegraphs. With the help of these figures and the budget proportions for each month furnished also by the Accountant-General, Posts and Telegraphs, the progress of Revenue and Expenditure during each month is compared with the figures of the previous month, those of the corresponding month of the previous year and the budget proportion and a financial review for the Department as a whole is prepared by the Deputy Secretary, Ministry of Finance (Communications) for the information of the Director-General, Posts and Telegraphs and the Secretary, Communications and the latter also submits it to the Minister for Communications. The progress of expenditure is also watched and reviewed in close collaboration with the Ministry of Finance (Communications), through the three-monthly estimates in August, six-monthly estimates in December, Revised Estimates in January and Final Estimates in March, on the basis of 3 months', 6 months', 8 months' and 10 months' actuals respectively. Thus, the Posts and Telegraphs Department is already constantly in touch with the figures of progressive expenditure which are also subjected to monthly and periodical reviews. As a further measure of control, it will be ensured in future that the need for a Supplementary Grant, whenever it can be clearly established, is followed up by the necessary proposals for a vote of Parliament without unduly relying on the ability of the department to keep within the budget grant.

3. The position in 1950-51 was satisfactory especially under the grant for 'Working Expenses' where there was a small saving of 0·3% against the excess of a little over 5% during the preceding two years. However, the following steps have been taken to further tighten up the control.

(i) A suitable machinery is being devised in consultation with the Ministry of Works, Housing and Supply to obtain prior and timely information of the value of debits to be raised against the P. & T. for the supplies made and services rendered by that Ministry so as to avoid any excess or lapse in the grants.

(ii) Instructions have been issued to the subordinate units emphasising the imperative necessity of closely watching the progress of expenditure and restricting expenditure to the allotments at their disposal.

(iii) As recommended by the Committee elsewhere, the existing procedure of reconciling the departmental actuals has been amplified and instructions have been issued to all subordinate units, laying stress on the necessity for prompt and systematic reconciliation between the departmental and the accounts office figures.

(iv) A register is maintained by the Director-General, Posts and Telegraphs to watch the progress and effectiveness of reconciliation carried out by the subordinate units.

(v) The budgeting under 'Stores' and 'Manufacture' Suspense, which are always difficult heads to control is expected to improve from the budget for 1952-53 where they have been amalgamated with the Capital-Works grant.

APPENDIX XLII

Memorandum to the Public Accounts Committee regarding Fire in Calcutta Telephone Exchange in 1949.

1. In Para. 68 of their First report on the accounts of 1948-49, the Public Accounts Committee desired to be furnished with a summary of the report of the Departmental Committee appointed by the Government to investigate into the causes of the fire in the Calcutta Telephone Exchange together with a statement showing the action taken by Government against the officials found negligent in their duties.

A Committee was appointed on the 29th October, 1948, to enquire into the fire which broke out in the Calcutta Telephone Exchange at 8, Hare Street, Calcutta, on the night of 26th October, 1948 and to submit a report. The terms of reference of the Committee were as follows :—

- (i) Investigate the cause or causes of the fire.
- (ii) Survey the protective measures taken by the Calcutta Telephone District and assess whether they were sufficient for the purposes intended.
- (iii) Study the nature and extent of training in fire fighting given to the Calcutta Telephone District staff and their effectiveness in combating the fire.
- (iv) Recommend measures to be taken for the effective prevention of fires in P. & T. Exchanges.

2. A summary of the report submitted by the Committee is as follows :—

2.1. I. *Cause or causes of fire.*—With the information and material available to the Committee, it was not possible for the Committee to come to a definite conclusion as to the cause of the fire. However, the following points were taken into consideration by the Committee :—

2.1.1. (a) The system works on 24 volt supply and the circuit arrangements are such that audible and visible indications are given if any fuse blows. In this case, no such indication was noticed nor were any blown fuses found.

2.1.2. (b) None of the operators on duty noticed any smoke or smell before observing the fire, which would normally be expected if the fire was caused by electrical short circuits. The Committee, therefore, felt that the fire might have been caused by some cause other than electrical. It was also noted that the smoke given out by the fire was very large and the whole room got filled up with smoke very quickly. It was also noticed that the fans over the switchboards on the north side of the room where the fire started could not be switched off as the regulators were located near the switchboards which were on fire.

2.2. A separate technical Committee was set up to go into the causes of the fire in greater detail. This Technical Committee submitted its report in February 1949.

2.2.1. The Technical Committee considered that the fire in the exchange could originate either from deliberate action or from electrical sources. Certain experiments were, therefore, carried out with a view to investigating whether the fire could originate from electrical sources and, if so, to what extent it could spread under the conditions obtaining in the exchange.

These experiments and further investigations into the possibility of fire from electrical cause were carried out in the office of the Senior Electrical Engineer, Telegraph Storeyard, Alipore.

2.2.2. The experiments were in the nature of simulating the conditions as actually obtained in the Telephone Exchange which was burnt, with a view to finding out the possible causes of a spark from the electrical circuits sufficient to start a fire in the cotton and silk insulation used in the switchboard cables. The results of the experiments indicated that the inflammable material, of the multiple cables in the Switchboards, could not be ignited from currents of the normal telephone circuit and there did not appear to be any possibility of the fire having been caused even from faults in such telephone circuits.

2.2.3. As regards the electrical circuits, the conclusion of the Technical Committee was that considering the manner in which the 220 volt circuits were wired up in that exchange, it was extremely unlikely that the fire could have originated from them. The experiments, however, indicated that due to the type of materials in use and the manner in which these are used in the exchange equipment, a fire once started would spread very rapidly.

2.3. II. *Survey of protective measures* : It was observed that sufficient fire extinguishers, sand buckets, asbestos blankets and fire hydrants were provided in the Exchange switch room. From the reports available, the fire fighting equipment was inspected on the 5th of October, 1948, and, with the exception of two fire extinguishers in the apparatus room on the 2nd floor, was certified to be in order. The Committee, however, felt that the checking of the fire fighting equipment did not appear to have been a thorough one as the supervisor on duty at the time of the fire informed them that she tried to pull out an asbestos blanket but found it impossible as it was jammed in its container. It was also observed by the Committee that the hydrant valves were very stiff making it impossible for any one to be able to use them in a hurry. From the evidence available it was found that no water was available in the fire hydrant in the switch room though sufficient water was available in the fire hydrant on the lower floor.

2.3.1. The Committee observed that the fans in the switch room had individual switches at the back of the telephone switchboards and there were also light points with similar individual switches. This, the Committee felt, is not satisfactory and recommended that the electrical arrangements in the switch rooms should be such that all the switches of the fans and lights are segregated near the entrance (or the exit) with a main switch for disconnecting the electric supply in an emergency, in one operation. The Committee recommended that the presence of gas mains, as was noticed in this case, was dangerous, although there had been no abnormal consumption of gas. The Committee was of the view that kerosene lamps should not be kept in exchanges and that only battery lamps should be kept.

2.4. III. *Study of the nature and extent of training in fire fighting*.—The operators were given training in the use of fire fighting equipment during their initial training immediately after recruitment, but their subsequent training was confined to fire escape practice only. It appeared that at one time in the past regular fire drills were being carried out and the supervisors were required to certify that "all the members, of the staff, *who are likely to be incharge* of the exchanges at any time, are thoroughly acquainted with the method of using all the fire appliances". While these certificates continued to be given by the Superintendents-in-Charge of the various exchanges, in actual practice the staff likely to be incharge of the switch rooms were, according

to the Committee, *not* acquainted with the method of using the fire appliances. The engineering staff also were not given regular training in fire fighting. However, the Committee found that exhaustive and detailed instructions were available in the Exchange.

2.5. Its recommendations were :—

- (1) that the type and number of recommended fire extinguishers should be kept in each P. & T. building ;
- (2) that the above fire extinguishers and fire fighting appliances should be regularly checked and a report submitted ;
- (3) that all the staff should be given monthly fire drill and fire exercises ;
- (4) that all the Fire Brigade telephones should be segregated and jointed separately even at the Main Distribution Frame.
- (5) that all important officials of the P. & T. Department, who will be required in emergencies, should automatically be rung up and informed by suitable circuit arrangements ;
- (6) that an emergent call should be made periodically by the supervising officers to check the effectiveness of the system ;
- (7) that switches of the electrical appliances including fans etc., should be near the entrance in a prominent place ;
- (8) that the latest practices regarding the battery distribution should be carefully observed ;
- (9) that an emergency vehicle with a driver on night duty should be kept in all large exchanges ;
- (10) that the instructions contained in Rules 580 and 580-A and Appendix 10 of the P. & T. Manual Vol. II are sufficiently exhaustive ; the fire fighting instructions should, however, be prepared and issued in such a form that they may be pasted on boards and hung up in prominent places.

2.6. The Committee further remarked that the fire in the Telephone House could have been controlled much earlier by the Fire Brigade. After information was received, only one fire engine was sent out in the first instance. Even if that engine had worked effectively, the damage could have been confined to a limited area since at the time of its arrival the fire had not spread beyond about 3 positions.

3. Beyond the terms of reference, the Committee made certain observations in a separate report. It thought that some inflammable material might have been deliberately concealed inside the switchboard long before the fire broke out. With a pair of wires from any subscribers office, the Committee thought, it would be possible to ignite the inflammable material on a remote control principle. From the movements of certain staff, as ascertained during their enquiries, the Committee suspected that the fire extinguishers, which were actually used, might have been previously tampered with and kept earmarked for the purpose. It was, therefore, recommended that certain officials be kept under special observation. The Committee also stated that the police authorities should examine the list of subscribers connected to the switch-board in which the fire originated. The Commissioner of Police was accordingly requested to take necessary action. After nearly an year, the Police intimated that, although sabotage could possibly be the cause, and some suspicion could be entertained against certain individuals, there was not sufficient evidence to prosecute them.

4. In view of the Committee's observations noted in paras. 2.3 to 2.5 above, the General Manager, Telephones, was called upon to submit a report on the inefficient operation of the fire precaution measures and inadequate training given to the staff in this respect. The General Manager in his report maintained that the fire fighting equipment was regularly checked and that there was no negligence on the part of the Telephone District staff. It was also stated by him that the connections of the water tanks were such that when water is available on the 2nd floor, it must be available on the 3rd floor also. With regard to the hydrants, the General Manager stated that they were kept a bit tight, so as to prevent leakage of water. He added that there was no reason for the asbestos blankets to be too stiff in their containers as similar blankets in other floors had been found to be quite in order. The particular blanket, however, had been destroyed in the fire and therefore the statement of the supervisor on duty that it was too stiff, could not be confirmed. The General Manager was of the opinion that the instructions regarding fire fighting were adequate and the manner in which the supervisors and other staff had tackled the fire indicated that they were fully acquainted with the instructions. The General Manager also held that there was no negligence on the part of the staff in tackling the fire. The staff used fire extinguishers and sand buckets and tried to use asbestos blankets. On the second floor, water was also used. The General Manager and the Fire Brigade received prompt information about the occurrence of the fire. The General Manager pointed out that, with any normal fire fighting arrangements that could be made in telephone exchanges, a fire of the magnitude that occurred in Calcutta could not have been extinguished by the exchange staff. He further added that it was disheartening for him to find that the responsibility for the mishap had been placed on the officers, although at great personal risk they did their best and were responsible for saving the test room and the rest of the equipment while the building had actually been declared unsafe by the fire-brigade.

5. On examining his reply, the Government felt that there had been some negligence in maintaining the fire fighting equipment in order and due inspections by all concerned did not seem to have been carried out. It appeared that the tests and checks were not carried out rigorously but in a routine manner, and all the members of the staff had not been properly trained in a practical way in the use and the way of handling all the different items of fire fighting equipment. The Government, therefore, conveyed their displeasure to the General Manager and three other officers directly concerned with the safety of the exchange.

6. With regard to the Public Accounts Committee's remarks that mere censuring or passing of strictures was not adequate, Government feel that there is force in the argument of the General Manager as stated in previous para. that adequate protective equipment did exist and every possible action was taken to put out the fire. At great personal risk, everyone concerned managed to save the equipment on the other floors and at the time when they took this action, the building had actually been declared unsafe by the Fire Brigade. It may also be stated that once a large fire starts, it is practically impossible to control it by the normal fire fighting equipment which can be provided in such exchanges. Only the Fire Brigade can tackle it, but unfortunately they could not function efficiently for some time in the beginning for want of pressure in the water mains and also owing to hoses developing leaks.

APPENDIX XLIII

Memorandum for submission to the Public Accounts Committee regarding final decision taken for purchase of site for the Telecommunications building at Surat.

1. In para. 141 of the proceedings of the fifth meeting of the P.A.C. held on 13-7-1951 to examine the Appropriation Accounts, 1948-49 and Audit Report 1950, the Committee desired that a note setting forth the final decision reached regarding purchase of a site for Telecommunication building at Surat should be submitted to them.

2. In April, 1947, Govt. sanction was issued for the purchase of 4 plots of land measuring 16,875 sq. yards at Falsawadi, Surat, at a cost of Rs. 1,20,635 for construction of Telecommunication Building and staff quarters with the stipulation that land should be acquired through the Provincial Government. By the time the Provincial Government could finalise the acquisition proceedings, the cost of land had gone up to Rs. 1,90,000 and the department was left with only two alternatives either to give up the proposal of acquiring these plots or to curtail its requirements in order to keep the cost within the previously sanctioned amount. As part plots could not be acquired, it was decided to take over the entire area and to dispose of a part of the plot in excess of $2\frac{1}{2}$ acres, in order to keep within the total cost.

3. The Surat Chamber of Commerce strongly protested against the siting of the C.T.O. on the Falsawadi side which was not considered central by them and also complained that even the H.P.O. was not situated in a central place. They suggested that the department should acquire the Police plot adjacent to the existing C.T.O. building and offered all help to the Department in this respect.

4. The Chief Engineer visited Surat on September 30, 1951. The location of the various offices in the city was fully examined along with the representatives of the Surat Chamber of Commerce who were very keen to put their point of view before the department on this issue. As a result of detailed discussions, it was considered that, if it was possible to persuade the police authorities to transfer a portion of their site adjacent to the existing C.T.O. building, the H.P.O. along with the Telecommunication building could be located on that site. If this could be done, there would be no necessity for retention of the entire Falsawadi site by the department. This question was also discussed by the P. & T. Board at its meeting held on 16-10-1951, wherein it was decided to exchange the departmental site with the police plot provided the terms of exchange were reasonable and the entire requirements of office accommodation could be met by the police plot so released in exchange.

5. Negotiations were accordingly started with the police authorities by the P.M.G., Bombay and through the good offices of the Chamber of Commerce, the Police authorities, who had previously refused to release their site, were persuaded to agree to the proposed exchange on reasonable terms. The agreement arrived at between the Police authorities and the P.M.G. Bombay has since been ratified by the Government of India, and the approval of the Bombay Government to it is awaited. The deal will be finalised as soon as the approval of the State Government is received.

6. With regard to the Committee's observation that there was a lack of proper initial planning in this case and its characterising the state of affairs as 'unsatisfactory', it may be pointed out that, at the time the Falsawadi site was purchased, no other suitable plot including the Police plot in question was available. The Falsawadi site is quite convenient from the point of view of leading-in trunk lines and was the best available at that time. It cannot, therefore, be said that there was lack of proper planning.

APPENDIX XLIV

Memorandum for the Public Accounts Committee relating to para. 27(b) of the Audit Report 1950 referred to in para. 142 of the Report of the Public Accounts Committee 1951-52 (First Report)

In para. 142 of the Report of the Public Accounts Committee, 1951-52 (First Report), the Committee have referred to para. 27(b) of the Audit Report, 1950 and desired that the matter should be investigated by the Department and the results reported to them.

2. In para. 27(b) of the Audit Report, 1950 dealing with the local audit and inspections the Accountant General, P. & T. pointed out certain irregularities by the P. & T. Staff in maintaining accounts. Specific attention was drawn to two cases of payment of pay and allowances to two linemen who were not in service for certain periods.

3. As desired by the Committee, the cases have been thoroughly investigated and considered by Government. In both the cases, the responsibility for the irregularities has been finally fixed on some clerks in the Sub-Divisional and Divisional offices, but as these officials had already opted out for Pakistan, no disciplinary action could be taken against them.

4. Explanation of the officials concerned who did not take sufficient care in the matter has been called for and suitable action as may be found necessary, will be taken against them.

5. The Accountant-General, Posts & Telegraphs has seen the cases and has agreed to the writing off of the amounts of Rs. 1023-9-0 in one case and Rs. 1530-1-0 in the second case, as these amounts have become irrecoverable due to the officials mainly responsible, having gone over to Pakistan. Necessary orders for the writing off of the amounts have been issued.

6. It has been held by the Accountant-General, Posts and Telegraphs that the negligence of the Sub-Divisional Officers and the Sub-Divisional and Divisional office staff contributed to the overpayments rather than any defect in the existing rules and procedure. The Accountant General, has, however, suggested the maintenance of a separate register by the sub-divisions to check the movements of line staff. This has been accepted and necessary instructions have been issued.

APPENDIX XLV

Director-General's Post Office *Circular No. 22, dated the 25th June, 1951

VII. Proper maintenance of specimen signature books of Savings Bank depositors and accounts of undelivered pass-books.

It has been brought out in the Audit Report of 1950 that during local inspection of Post Offices by the Audit, it was found that several post offices failed to maintain properly the books of specimen signatures of Savings Bank depositors and the register of acknowledgments for pass books delivered and of pass books returned as undeliverable [form S.B. 12(a)]. This indicates that provisions in rules 420(9) and 492(3) and para. C of rule 493 are not being strictly followed by post offices and supervising officers. The omission is dangerous as it might lead to frauds and loss of Government money. The Director-General desires that all concerned, including the Supervising Officers, should be warned to guard against such omissions and that severe disciplinary action should be taken against the delinquent officials for such omissions, in future.

* Issued pursuant to action taken on item 101 (ii) of the Statement showing the outstanding recommendations of the Public Accounts Committee.

APPENDIX XLVI

Memorandum for submission to the Public Accounts Committee regarding examination of the procedure for the purchase and issue of stores

In paragraph 78 of the Report of the Public Accounts Committee in dealing with the Appropriation Accounts for 1945-46, it was suggested that the question of procedure for the purchase and issue of stores should be gone into in consultation with the Accountant-General, Posts and Telegraphs. The then Chief Accounts Officer, Stores and Workshops, Calcutta gave certain recommendations and suggestions for improvement in the Stores and Workshops Organisation as a result of his experience as Secretary of the Sir George Thomas Enquiry Committee which looked into certain irregularities in the Stores and Workshops Organisation. The suggestions have been considered in great detail and action has already been taken. A statement is placed below which indicates the action taken on the various suggestions of the then Chief Accounts Officer, Stores and Workshops. The present system of working in the Stores and Workshops is working satisfactorily and no serious irregularity has so far come to notice.

STATEMENT

C. A. O's Recommendations	Action Taken
<i>1. Location of Alipore Storeyard and Workshops—</i>	
Suggested shifting of the Alipore Stores and Workshops.	It has been decided not to shift the Stores and Workshops at present.
<i>2. Purchase, inspection and custody of stores—</i>	
Suggested (1) Separate Committee for purchases, and (2) Separate organisation for inspection.	There is already a separate Stores Committee for recommending purchases. Inspection and Testing is done in E. C.'s Office which is separate.
<i>3. Forecast for purchase of Stores—</i>	
Suggested that the normal rules should be followed strictly.	Instructions have been issued in D. G.'s Memo. No. NA-13-7/51 dated the 12th September 1951 (copy attached—Annexure 1) that the normal rules for submission of forecasts should be followed.
<i>4. Contracts for purchase of Stores—</i>	
Suggested formal Contracts to be entered into for purchases in excess of Rs. 2000.	The P. & T. Workshops Board have approved of this.
<i>5. Checking of Rates—</i>	
Suggested that copies of all contracts and orders for purchases should be sent to the Accounts Office.	This is already being done.

C. A. O's Recommendations	Action Taken
6. <i>Manner of invitation of Tenders—</i>	
Suggested open tenders to be called for and when limited tenders are called for a proper list of Regd. firms should be kept and revised every year.	Proposal has been accepted and instructions issued in D. G.'s Memo. No. NA. 53-1/48 dated the 28th June 1951, (extract attached—Annexure II).
7. <i>Enhancement of the accepted tender rate—</i>	
Suggested that the accepted tender rate should not be increased without a reference to the Stores Purchase Committee and concurrence of the Finance.	Recommendation accepted and instructions issued, <i>vide</i> D. G., P. & T. letter No. NA-53-1/48 dated the 8th/9th March 1951 addressed to the (D. T. S. & W.) now C. C. T. S., Calcutta (extract attached—Annexure III).
8. <i>Splitting up of purchases—</i>	
Suggested withdrawal of orders relating to splitting up of purchases.	Instructions have been issued <i>vide</i> letter mentioned against item 7 above (extract attached—Annexure III) to stop with immediate effect splitting up of purchases.
9. <i>Farming out of orders—</i>	
Suggested that farming out of orders with raw materials being supplied to the contractors by the Department should be regularised.	Proposal accepted.
10. <i>Estimate of Work Orders—</i>	
Recommended a formal Schedule for issue of raw materials for each type of work.	Proposal accepted. General Manager, P. & T. Workshops will implement this.
11. <i>Writing off the value of unserviceable stores—</i>	
Suggested that Surplus Stores Committee should give a certificate justifying the necessity for the writing off of stores.	Accepted and instructions issued to the Director of Telegraph Stores and Workshops, <i>vide</i> D. G. P. & T. letter No. NA. 53-1/48 dated the 8th/9th March 1951, (extract attached—Annexure III).
12. <i>Direct purchase by Telegraph and Telephone Workshops—</i>	
Suggested purchase powers of S. Ws. should be restricted and that S. Ws. requirements should be obtained through the C. T. S.	The P. & T. Workshops Board is of opinion that with the creation of the post of G. M. P. & T. Workshops and with the formation of the Workshops Board with effect from 1st April, 1951, the necessity of restricting the direct purchase powers of S. Ws. or Managers of Workshops, no longer exists. It is the policy of the Board of Management to exercise a reasonable degree of autonomy in the Workshops with a view to ensure better production. The Board has, therefore, decided that

C. A. O's Recommendations	Action Taken
13. <i>Control over the employment of labour in Workshops—</i>	S. Ws. can purchase through D. G. S. & D. raw materials not stocked in Depots. The S. Ws. will also exercise emergent purchase powers upto Rs. 2,000 in each case.
Recommended that S. Ws. power of employment of labour should be restricted.	Recommendations accepted. G. M. P. & T. Workshops has issued instructions for the implementation of this.
14. <i>Check of attendance—</i>	
Suggested that Head Time Keeper should be placed under the Administrative control of A. O. and independent check of absentee list should be made by preparing two absentee lists, one by the Head Time Keeper and the Shop Clerk.	Recommendations accepted and instructions issued for their implementation, <i>vide</i> D. G., P. & T. letter No. NA-53-1/48 dated the 8th/9th March, 1951 (extract attached—Annexure III).
15. <i>Promotion of Workers—</i>	
Promotions of workers should be on the lines in the State Railway Workshops. Service rolls should be opened for each worker.	Proposal accepted. This has since been implemented by the P. & T. Workshops Board.
16. <i>Payment by results, Piece work and Bonus system.—</i>	
Suggested adoption of the Railway system of assuring certain more wages to the workers and also a production incentive.	The principle has been accepted and the question of its implementation is under consideration of the G. M. P. & T. Workshops.
17. <i>Booking up of Idle time—</i>	
Suggested that idle time due to Delays and holds up due to break down of plants should be booked separately.	The P. & T. Workshops Board has accepted the suggestions.
18. <i>Control of the Workshops Stores Depots—</i>	
Suggested that the Workshops Store Depots should be transferred to the control of the C. T. S.	The P. & T. Workshops Board is of opinion that with the creation of the post of G. M. P. & T. Workshops and the formation of the Workshops Board with effect from 1st April 1951, the necessity of transferring the control of Workshops Depots to the Controller of Telegraph Stores, no longer exists.
19. <i>On Cost—</i>	
Suggested modifications in the system of On Cost percentage.	This is under active examination by the P. & T. Workshops Board who will take suitable action to introduce necessary changes in the system of changing On Cost percentages.

ANNEXURE I

Director-General, Posts and Telegraphs Memorandum No. NA-13-7/51, dated the 12th September 1951 to all Postmasters-General, General Managers, Telephones, Calcutta/Bombay, District Managers, Telephones, New Delhi/Madras.

SUBJECT :—*Forecasts of Stores.*

Please refer to this office letter No. NA-54-5/50, dated 9th May, 1951, in which you were asked to submit your forecasts of stores in respect of major works to be carried out during 1951-52 direct to the Chief Controller of Telegraph Stores, Alipore, Calcutta. It has now been brought to the notice of this office that forecasts of stores in respect of minor and maintenance works are also not received by Chief Controller of Telegraph Stores on due dates. As this causes delay in the procurements of stores, by Chief Controller of Telegraph Stores, which ultimately delays the works programme, it is requested that forecasts of stores for major works and minor and maintenance works should be submitted to Chief Controller of Telegraph Stores, Calcutta in time as laid down in para 204 Posts and Telegraphs Manual Vol. X (1st Edition).

ANNEXURE II

An extract of para. 2 of letter No. NA-53-1/48, dated 28th June 1951 from the Director-General, Posts and Telegraphs, New Delhi to the Chief Controller of Telegraph Stores, Alipore, Calcutta and General Manager, P. & T. Workshops, Alipore, Calcutta

* * * * *

(2) In regard to the manner of invitation of tenders, it has been suggested that open tenders should be called for ; a proper list of Registered firms should be kept and revised every year and limited tenders should be called for from these firms. Steps should be taken to implement these suggestions in regard to calling for tenders.

* * * * *

ANNEXURE III

Extract from letter No. NA-53-1/48, dated 8/9th March 1951

SUBJECT :—*Suggestions for improvement in the Stores and Workshops Organisation.*

* * * * *

Item (7). *Enhancement of the accepted Tender Rate.*—Ordinarily no tender rate once accepted should be revised. If such a contingency arises, it is felt that prior sanction should be obtained from this office. This office will obtain the concurrence of the Ministry of Finance.

Item (8). *Splitting up of Purchases.*—The splitting up of purchases should be stopped with immediate effect.

* * * * *

Item (11). *Writing off the value of unserviceable stores.*—The Surplus Stores Committee is in the best position to go into the merits of the write off including the reasons for such write off. The sanctioning authority cannot

effectively scrutinise the unserviceability or otherwise of the stores. A certificate from the Surplus Stores Committee is, therefore, necessary. This does not, however, preclude the sanctioning authority from effecting a preliminary check. The amendment of the rule is being taken up.

* * * * *

Item (14). *Check of attendance.*—C.A.O.'s recommendations should be implemented and given a trial for one year after which a report should be submitted to this office.

* * *

APPENDIX XLVII

Memo. to the P. A. C. regarding regularisation of excess of more than 10% over the sanctioned estimates on certain important new works—at page 110 of the P & T Appropriation Accounts for 1949-50 and Audit Report thereon.

In their meeting held on the 4th September 1952, the P. A. C. could not cover the point mentioned above for want of time and desired that they should be furnished with a written reply to the following questions :—

What are the reasons that led to the expenditure referred to in this paragraph being incurred in excess of the sanctioned estimates *without* the sanction of the competent authority ?

What action do the P. & T. Department contemplate to take to prevent such instances, which involve violation of the prescribed maxima of financial propriety and control ?

2. The paragraph in the Audit Report referred to above details 11 items, of which 6 relate to Telecommunication Development Scheme works, while the remaining 5 relate to works undertaken in the post-partition period. These two categories of works are dealt with below :—

(i) *T. D. S. Works :*

These works were executed under the strain of war, with the primary objective of completing them by the target dates. Due to their urgency, the original estimates had to be drawn up on the basis of Survey of India Maps without any actual survey on the spot. This invariably led to change of routes and specifications at the time of actual execution. Due to shortage of wagons, the stores were despatched by Railways to stations convenient to them, which were, in some cases, far away from the actual site of works. This caused excess expenditure on distribution of stores; also the cost of labour and materials went up considerably as compared with the period when the original estimates were prepared. These factors contributed to large variations from the original estimates. Generally whenever such excesses came to notice, the preparation of revised estimates was taken up immediately and revised sanction issued where necessary. However, in the cases under reference, the excesses came to notice only when appeared in the Appropriation Accounts of 1949-50 and action has been initiated to investigate them with a view to their being regularised. It may be mentioned that in all these cases, although the works had actually been completed, the accounts have not yet been completed, as adjustments are still coming in. It is therefore premature to confirm the statement made by the Accountant-General that there have been actual excesses in all cases, or that they exceed 10%. For example, large credits on account of stores returned to stock often change an apparent large excess into a saving or an excess within the permissible limits. This has actually happened in two cases, namely, items B. 1 (b) (iii) (a)—15 and 19, when the actual excesses have turned out to be within 10% of the estimated cost, with the result that the question of issuing any revised sanction or regularisation of excess does not now arise.

(ii) *Post-partition works :*

In the case of the remaining 5 works relating to the post-partition period, the actual expenditure on two items, *viz.*, C-3(i)-1 and B-1(a)(iii)-11, does not

exceed the estimated cost by more than 10% after taking into account the credit for stores returned to stock. In one case, namely, item No. B. 3 (i)-4 the issue of the sanction is under Government's consideration. The excess in this case has been due to a change in the specification. The excesses in the remaining two cases, namely, C. 3 (i)-19 and C. 3 (iii) (a)-6, are under reference with the Circles concerned and will be regularised as soon as possible.

3. With a view to preventing recurrence of such cases, strict instructions have been issued to Heads of Circles to adhere to the Code rules in future and not to incur any expenditure, which would have the effect of exceeding the original estimates by more than 10%, unless a revised estimate has been sanctioned by the competent authority.

APPENDIX XLVIII

Memorandum to the Public Accounts Committee on Note 7(d) —Balances under the Sub Suspense Heads in Grant No. 93—Stores Suspense—at page 114 of the Appropriation Accounts (Posts and Telegraphs) 1949-50 and Audit Report thereon.

In their meeting held on the 4th September, 1952 the Public Accounts Committee could not cover the item mentioned above for want of time and desired that they should be furnished with a written reply to the question stated below :—

“What progress has been made in the adjustment of the outstandings under the above heads (Sub Suspense Heads) in accordance with the orders of the Government on the over-all verification of the stores in June, 1948”.

2. It may be mentioned that as a result of the adjustments made under the Government orders referred to above, the outstanding balances under the Sub Suspense Heads have been reduced considerably and brought down to Rs. (—) 10.54 lakhs on 31-3-1951.

3. The position as on 31st March, 1950 and 31st March, 1951 under these heads *after* taking into account the adjustments made under the Government orders referred to is indicated below :—

(Figures in thousands of Rupees)

Item.	Sub Suspense Heads.	Closing balances on 31-3-50 as indica- ted on page 114 of Audit Report	Closing balances on 31-3-50 arrived at after taking into account adjustments under Government orders	Balances as on 31-3-1951 after adjust- ment under Government orders.
1	2	3	4	5
1	Purchases in India	- 1,14,02	- 1,97,85	- 1,49,83
2	Stores in Transit	+ 1,17,53	+ 37,57	+ 88,64
3	London Stores	- 1,98,82	+ 2,90	+ 29,91
4	Sales	- 30,46*	+ 9,31	+ 20,74
		- 2,25,77	- 1,48,07	- 10,54

N. B.—*Item 1.* (—) indicates stores purchased and brought on to stock but not paid for.

Item 2. (+) Indicates value of stores issued from one depot but not acknowledged by the receiving depot.

Item 3. (—) indicates stores received from abroad but for which no debits have been received from the High Commissioner while (+) indicates debits received from the High Commissioner for stores still awaited from abroad.

Item 4. (—) indicates Sales representing value received in advance for which no stores have been issued while (+) indicates stores issued in respect of sales for which payments are still awaited.

APPENDIX XLIX

POSTS & TELEGRAPHS DEPTT.

SUBJECT :—*Further information on Para 22 of P. & T. Audit Report 1951.*

In dealing with Para. 22 of P. & T. Audit Report, 1951 relating to the loss on account of non-supply of mustard oil by a contractor, the Public Accounts Committee desired that a note be furnished to them setting forth the action taken against the delinquent officer, the present post held by him; whether any civil proceedings were instituted against the contractor for the recovery of the excess amount paid to him and what was the time that elapsed between the handing over of the cheque to the contractor and the death of the Sub-Store clerk.

No action has been taken against the Officer as it was felt that the Officer was not to blame. The Officer is at present holding the post of a Director of Telegraphs.

The supplier was prosecuted and he was sentenced to undergo rigorous imprisonment for one year and to pay a fine of Rs. 1000 or in default to undergo further rigorous imprisonment of six months under each of the charges. The fine, if realised, was to be paid to the Controller of Food, Telegraph Storeyard as compensation. This amount could not be realised and therefore the question of filing a civil suit did not arise.

The cheque was handed over to the Sub-Store Clerk on 5-8-1943 and he died on 19th August 1949. The question as to why no action was taken against him is being pursued.

APPENDIX L

POSTS & TELEGRAPHS DEPTT.

Memorandum for submission to the Public Accounts Committee.

SUBJECT :—*Further information on Para. 23 of the P. & T. Audit Report 1951.*

In dealing with para. 23 of the P. & T. Audit Report, 1951 relating to Loss of copper wire consigned by one Engineering Division to another, the Public Accounts Committee desired that a copy of the instructions issued in the matter be supplied to them and that a note be submitted stating whether Government contemplate appointing a committee to enquire into the conduct of the officers concerned and punish those who have been found negligent in the discharge of their duties.

A *copy of the instructions issued to prevent the recurrence of losses of the nature referred to is enclosed. Government do not contemplate appointing any committee to enquire into the case, as the officials responsible for the irregularity at both Poona and Secunderabad ends have gone to Pakistan.

*See Appendix LI.

APPENDIX LI

Copy of letter No.-NA-23-104/49, dated 8th January, 1952 from the Office of the Director-General, Posts and Telegraphs, New Delhi to the Postmaster-General, Bombay.

SUBJECT :—Loss of copper wire consigned from Poona to Secunderabad.

Please refer to your Endorsement No. EW-423/76-1, dated 13th February, 1950, in connection with the subject noted above. 47,394 lbs. of copper wire valuing Rs. 30,220/- was despatched by the C. O. T. of the Poona Engineering Division to the Sub-Divisional Officer (T) Secunderabad in 1945, in two consignments (one weighing 29,400 lbs. from Belgaum to Secunderabad and another weighing 17,994 lbs. from Poona to Secunderabad). No intimation of receipt of these consignments was received by the sender till 1947 when only enquiry started. As there was a gap of more than two years between the dates of despatch of stores and enquiry, no proper investigation could, in fact, be possible. The instructions laid down in Art. 116 of the P. & T. Initial Account Code, Vol. II (P. I.) have not been observed in this case and the C. O. T. in charge of the work in Poona Division should be held responsible for non-observance of the codified rules and consequent loss of Rs 30,220/- to the Department. You are therefore requested to examine in detail and fix the responsibility for the failure on the official or officials concerned calling for their explanations for institution of disciplinary proceedings, if considered necessary.

2. To safeguard against such losses in future, please issue detailed instructions to all concerned drawing attention to the rules and enjoining that the despatching and receiving officers will be responsible to ensure that the stores have been duly received and acknowledged. Serious notice will be taken of any omission on the part of the officers, in future.

3. Please acknowledge receipt.

No. NA-23-104/49, dated the 8th January, 1952.

COPY TO :—

- (1) Chief Controller of Telegraph Stores, Alipore, Calcutta for necessary action in regard to para. 2 above.
- (2) All other Heads of Circles for necessary action in regard to para. 2 above.

APPENDIX LII

POSTS & TELEGRAPHS DEPTT.

Memorandum for submission to the Public Accounts Committee.

SUBJECT :—*Further information regarding Para. 27 of Posts & Telegraphs Audit Report, 1951.*

In dealing with para. 27 of the Posts and Telegraphs Audit Report, 1951 relating to the irregularities in connection with expenditure on jungle cutting, the Public Accounts Committee desired that they be furnished with a list stating the number and particulars of the disciplinary cases of Posts and Telegraphs Officers that are at present pending with the Union Public Service Commission for their advice and for want of which the Department has not been able to take any action against them.

There is only one disciplinary case pending with the Union Public Service Commission for advice so far as the Posts and Telegraphs Department is concerned. It relates to jungle cutting in connection with the erection of the Lumding-Manipur Road Tele-communication line and the officer involved is Mr. J. R. Sen Gupta, the then Divisional Engineer, Telegraphs. The case is already referred to in the Audit Report.

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APPENDIX LIII

Memorandum to the Public Accounts Committee on para. 29 regarding execution of works relating to big Engineering Projects without proper sanction *vide* page 37 of the P. & T. Appropriation Accounts for 1949-50 and Audit Report thereon.

In their meeting held on the 4th September, 1952 the P. A. C. desired that a note on the following subject be furnished to them.

'A note containing justification for the execution of the five big Engineering projects referred to in this para. (Para. 29) without proper sanction having been obtained may be furnished. What decision in the matter has been arrived at in each case by the Government of India?'

The position is explained below :—

The five big engineering projects, referred to in para. 29 of the Audit Report are :—

- (1) Installation of 1500 line Automatic equipment at Nagpur.
- (2) Laying cables for 1500 lines subscribers at Nagpur.
- (3) Laying 1180 pairs cables for the new Auto exchange at Poona.
- (4) Erection of lines and wires for a new CIC-8 alignment between Rajkot and Ahmedabad.
- (5) Construction of R. C. C. alignment between Bombay and Surat.

Brief remarks in respect of the estimates for these works are given below :—

Item (1). The work was executed with a view to meet the public demand for new telephones in Nagpur on project sanctioned by the Govt. of India on 10-3-49 for Rs. 5.86 lakhs. The actual expenditure was about Rs. 11 lakhs, the excess being mainly due to increase in the cost of Apparatus and Plant, supplied by a foreign firm, from about Rs. 5.5 lakhs to about Rs. 10.5 lakhs. Revised sanction of the President is expected to issue shortly. There has been some delay in this regard ; but it is due to the fact that the Postmaster-General, Nagpur had prior to the preparation of the revised estimates, to collect various particulars from the now defunct Development Branch of the P. & T. Department which took a considerable time.

Item (2). The laying of cables for 1500 lines at Nagpur to meet the demand for new telephones was sanctioned by the Governor-General-in-Council on 10-3-49 for Rs. 4.46 lakhs. Cables worth Rs. 47,000 approximately were obtained for the execution of this work. The scheme was however modified later on, the expenditure incurred being transferred to a smaller project which was duly sanctioned thereafter.

Item (3). Laying of 1180 pairs of under-ground cables at Poona was undertaken, in order to meet the public demands for new telephones, under the Project "Expansion of the Poona telephone system", sanctioned by the Government of India in 1940 for Rs. 3.86 lakhs. However, due to the abnormal rise in the rate of labour and price of materials, the cost of execution

was very much higher than originally estimated. The excess was brought to the notice of the Ministry of Finance in September, 1948 and the revised project was approved by that Ministry in April, 1949. The President's sanction to the relevant estimates will issue shortly.

Item (4). The scheme was approved by the Standing Finance Committee in May, 1949 at a cost of Rs. 17.84 lakhs. The work was taken in hand soon after with a view to meet the tele-communication requirements of Saurashtra where the development of telephone and telegraph facilities had become urgent, not only because it was necessary to bring the State in line with the rest of India but also because it was essential to provide communication facilities to the Defence Services who needed them on strategic grounds. The relevant estimates are awaited from the P.M.G. and the President's sanction will issue shortly.

Item (5). The Project Estimate was sanctioned by the Governor-General-in-Council on 27-7-44 at a cost of Rs. 23.5 lakhs. The actual cost of the scheme on completion was found to be about Rs. 35 lakhs, the excess expenditure being mainly due to the increase in the labour rates, and cost of material and transport etc. The revised project was submitted to the Ministry of Finance on 5-12-47. The President's sanction will issue shortly.

In order to avoid the recurrence of such irregularities in future, the Director-General has issued instructions to all concerned that no works should be taken in hand unless the relevant estimates have received the sanction of the competent authority, and has warned all officers that they are liable to disciplinary action being taken against them if they fail to comply with these directions

APPENDIX LIV

Memorandum to the Public Accounts Committee on para. 33 (b)— regarding opening of a Public Call Office—at p. 42 of the Appropriation Accounts, Posts and Telegraphs, 1949-50 and the Audit Report thereon.

In their meeting held on the 4th September 1952, the Public Accounts Committee could not cover the point mentioned above for want of time and desired that a written reply to the following questions be furnished:—

“What is the present position of the case? What action, if any, has been taken against the Postmaster-General?”

2. The sub-para. in question as contained in the Audit Report was not shown by Audit to the Director-General, Posts and Telegraphs before incorporation in the Audit Report. The Statements made in the sub-para. require to be modified and this has been brought to the notice of the Accountant-General, Posts and Telegraphs. The complete facts are as follows :—

3. A request for trunk telephone facilities in the Jawhar State was received in June, 1947. The terms and conditions of the guarantee required under the rules of the P. & T. Department, were accepted by the State in January, 1948. Subsequently, however, the work was included in a sub-scheme of works to be carried out in 1948-49. Under the sub-scheme the financial aspect of a group of works taken together, was examined in place of that of individual work. When the scheme as a whole was proved remunerative, all the works included in it are proceeded with.

4. In the case under consideration, the Jawhar State later came to be merged with the Bombay Province. The Postmaster-General, Bombay Circle, Bombay, accordingly enquired from the Bombay Government in August, 1948, whether they would be prepared to honour the guarantee already accepted by the Jawhar State. This enquiry was made by the Postmaster-General, merely with a view to seeing, if advantage could be taken of the guarantee accepted by the former State. The Bombay Government refused to furnish the guarantee, but this refusal was of little consequence since the work had already been included in the sub-scheme of development works on account of the sub-scheme as a whole being remunerative. Later, however, owing to financial stringency and shortage of stores, the work had to be abandoned while in progress. This involved dismantlement and recovery of stores causing the Department an infructuous expenditure of Rs. 7,700/- as detailed below :—

Freight charges (at 13%) on those stores (Rs. 27,842) issued from stock, which were not utilised in the reconstruction work	Rs. 3,618
Freight charges for return of stores	152
Handling charges for stores, both received and returned to stock	1,791
Erecting and dismantling of wires	385
Reduction in the value of stores used and returned	922
Breakage, packing cases etc.	832
	7,700

5. In reporting the infructuous expenditure as Rs. 42,128 in the Audit Report, the Accountant-General, Posts and Telegraphs, does not appear to have taken into account, the credit on account of stores returned to stock.

APPENDIX LV

Memorandum to the Public Accounts Committee on para. 33(c)—regarding certain important irregularities noticed during Local Inspections—at p. 42 of the Appropriation Accounts, Posts and Telegraphs, 1949-50 and the Audit Report thereon.

In their meeting held on the 4th September, 1952, the Public Accounts Committee could not cover the point mentioned above for want of time and desired that a written reply to the following question should be furnished to them :—

“What remedial measures have been taken to prevent the recurrence of the irregularities set forth in this para.?”

2. This sub-para. was not shown to the Director-General, Posts and Telegraphs by the Accountant-General, Posts and Telegraphs, before incorporation in the Audit Report.

3. Suitable instructions have been issued to all concerned to guard against such irregularities. Incidentally, it may be mentioned that some of the irregularities enumerated in this sub-para. appear to have been based on some stray cases. For example, the overpayment of daily allowance mentioned in item (xi) was generalised as a common irregularity, although it was noticed only in one Engineering Division and the total amount overpaid was as low as Rs. 7/- which had also been recovered, on being pointed out by Audit. Again, in the case of item (vii), the irregularity related to only one case and occurred only in one office. Similarly, the irregularity referred to in item (ix) was noticed only in one Engineering Division.

APPENDIX LVI

POSTS AND TELEGRAPHS DEPTT.

SUBJECT :—*Appropriation Accounts P. & T. 1949-50, and the Audit Report thereon 1951 regarding Loss due to failure to observe the stipulated terms and conditions in a contract for supply of mustard oil.*

In dealing with para. 22 of P. & T. Audit Report 1951, the sub-committee of the Public Accounts Committee at their meeting held on 27th November, 1952 commented that no reasons have been given for not taking any action, against the delinquent officer and desired that the case should be reconsidered and appropriate action taken against the officer. The action taken is also required to be intimated to the Public Accounts Committee.

2. The case is being reviewed and the Public Accounts Committee will be informed of the final action in due course.

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APPENDIX LVII

POSTS AND TELEGRAPHS DEPTT.

Memorandum No. B-4-16/52—Col. II dated the 11th
December, 1952.

SUBJECT :—*Further information regarding para 27 of P. & T. Audit Report—1951 Alleged irregularities in jungle cutting for the Lunding-Manipur Road tele-communication line.*

In connection with the memorandum submitted by the D.G.P. & T. on 4-10-52 dealing with para. 27 of the P. & T. Audit Report 1951 relating to irregularities in expenditure on jungle cutting, the Sub-Committee of the Public Accounts Committee which considered the above memorandum desired to be furnished with further information on certain points as under :—

(i) *What decision had been arrived at in this case ?*

Disciplinary proceedings against Mr. J. R. Sen Gupta, the Divisional Engineer concerned, were initiated as early as November 1946 after the Police on completion of their investigation, had suggested departmental action. The officer was then charged on the following counts :—

- (a) Irregularly calling for and accepting tenders and exceeding his financial powers without the explicit orders of the Postmaster-General ;
- (b) Rejecting the lowest tender without sufficient reason and accepting a much higher quotation than the prevailing rates ;
- (c) Making payment direct to the contractors although instructed to arrange for payment by the Army Authorities ;
- (d) Indicating in the notice and letters of acceptance to the contractors a quantity or work much in excess of requirements ; admitting the contractors' claim for works in excess of actual measurements without check or verification ; and paying the contractors for work which had already been done through other sources ;
- (e) Issuing railway cheque passes to the contractors for transport of labour, without making a recovery from the contractors, and issuing such passes on dates earlier than the dates fixed for the opening of the tenders ;

and had been called upon to show cause why he should not be dismissed from service. On receipt of his explanation, the charges were analysed and divided into two groups—those at items (a), (b), (c), and (e) forming one group and item (d) the second group. After careful consideration of Mr. Sen Gupta's defence, Government came to the conclusion in August 1948, with regard to the first group of charges, that Mr. Sen Gupta was guilty of gross error of judgment in not keeping his official superiors informed of the expenditure he was incurring without proper authority. In view, however, of the fact that the proceedings had dragged on for a considerable time during which, in addition to suffering mental agony, Mr. Sen Gupta had been superseded by as many as eleven junior Divisional Engineers, Telegraphs for promotion to the grade of Directors of Telegraphs as a result of the disciplinary proceedings, it was decided by Government that so far as the first

group of charges was concerned, the indirect penalty of supersession would be adequate and that no further action was necessary. As regards the charge forming the second group, it was decided that the matter should be kept pending the verdict of the court in the civil suits filed by the two contractors, to whom the work of jungle cutting had been entrusted by Mr. Sen Gupta, claiming further payment from the Department in connection with the work done by them.

(2) While dropping the first group of charges against Mr. Sen Gupta, in consideration of the fact that he had already indirectly suffered by supersession by his juniors, Government also ordered in August 1948 that the question of his promotion to the grade of Director of Telegraphs should be considered in the normal course by the D. P. C. and that a copy of the orders passed in the disciplinary case should be placed in the confidential record of Mr. Sen Gupta for the information of the Departmental Promotion Committee. At the next meeting of the Departmental Promotion Committee held on 1-10-48 for selection of officers to the grade of Director of Telegraphs, Mr. Sen Gupta was also considered along with others and the D. P. C. recommended that Mr. Sen Gupta may be placed in the select list. A member of the U.P.S.C. was associated with the D. P. C. and on his selection for promotion, Mr. Sen Gupta was promoted as Offg. Director of Telegraphs with effect from 1-1-49.

(3) Further disciplinary proceedings against Mr. Sen Gupta were initiated for the second time on conclusion of the court case referred to above. On receipt of the Court's judgement in October 1950, which was unfavourable to the contractors, the question of framing a modified charge as contemplated in the Government orders referred to above, was taken up. It was proposed to await the decision of the High Court on the appeal of the contractors, but as that would have caused considerable delay in instituting disciplinary proceedings against Mr. Sen Gupta, it was later on decided to charge sheet him on the basis of the judgment of the lower court. Departmental action was, however, handicapped because all the original documents relating to the case had been filed in the High Court in which the contractors had filed an appeal. However, some of the relevant documents were copied out from a collection which the Advocate General, Assam, had in his possession and a second charge-sheet was served on Mr. Sen Gupta in January 1952. The case was referred to the U. P. S. C. on 6-10-52 on receipt of Mr. Sen Gupta's explanation.

(ii) *Whether during the pendency of the case with the U.P.S.C. the officer concerned, Shri J. R. Sen Gupta, has been promoted to a higher post, and, if so, what were the reasons for promoting him to that post especially when the disciplinary case against him was under reference with the Commission.*

From the facts of the case, as explained in item (i) above, it will be observed that Mr. J. R. Sen Gupta was promoted to the grade of Director of Telegraphs before disciplinary action against him was initiated for the second time and which is now pending with the Commission.

(iii) *What action has been taken by the D.G.,P.&T. to obtain copies of the relevant papers filed with the High Court and furnish the same to the U.P.S.C. for getting a decision on the case expedited?*

As explained in the concluding para. of item (i) above, copies of the relevant documents were obtained from the Advocate General, Assam, and furnished to the Commission when the case was referred to them. The Commission has been reminded recently and they have replied to say that the case which was under their examination would be expedited.

APPENDIX LVIII

I

Proceedings of the Meeting of the Public Accounts Committee held on the 6th February, 1953.

The Committee met from 11 A.M. to 1 P.M.

Present

Shri B. Das—*Chairman*.

Pandit Munishwar Dutt Upadhyay	} <i>Members</i>
Shri M. L. Dwivedi	
Shri Shree Narayan Das	
Shri H. V. Pataskar	
Shri Ranbir Singh Chaudhuri	
Acharya S. N. Agarwal	
Pandit Krishna Chandra Sharma	
Shri B. Ramchandra Reddi	
Shri G. D. Somani	

Shri V. Narahari Rao, Comptroller and Auditor-General of India.

Shri R. C. Khanna, Director of Railway Audit.

SECRETARIAT

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

The Committee considered the draft Report on the Appropriation Accounts (Railways) and (Posts and Telegraphs) for 1949-50 and Audit Reports thereon.

2. After some discussion, the Committee decided that the following paragraphs of the draft Report should be revised in the light of their deliberations :

(i) Para. 12—Assam Rail Link Project.

(ii) Para. 13—Agreement with the Swiss firm 'Schlieren' regarding technical aid for the establishment of workshops for the manufacture of all-metal light-weight coaching stock in India.

(iii) Para. 17.—Agreement with the TELCO for manufacture of Boilers.

3. The Committee then took up consideration of Para. 34 relating to the Calcutta Telephone Automatisation Project. They had not concluded their deliberations on this paragraph before they rose for the day.

**Proceedings of the Meeting of the Public Accounts Committee
held on Saturday, the 7th February, 1953.**

The Committee met from 11 A.M. to 12-45 P.M.

Present

Shri B. Das—*Chairman.*

Pandit Munishwar Dutt Upadhyay	} <i>Members.</i>
Shri M. L. Dwivedi	
Shri Shree Narayan Das	
Shri H. V. Pataskar	
Shri Ranbir Singh Chaudhuri :	
Acharya S. N. Agarwal	
Pandit Krishna Chandra Sharma	
Shri V. P. Nayar	
Shri B. Ramchandra Reddi	

Shri R. C. Khanna, Director of Railway Audit.

Shri G. S. Rau, Accountant-General on Special Duty.

Shri K. S. Malhotra, Accountant-General, P. & T.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

The Committee took up consideration of the Draft Report on the Appropriation Accounts (Railways) and (Posts & Telegraphs), 1949-50 and Audit Reports thereon.

2. The Committee discussed at some length the method for consideration of the draft reports. It was suggested that four or five copies of the verbatim proceedings should be placed on the Table in the Committee Room for reference by the Members of the Committee.

Another suggestion that emerged out of the discussion was that the practicability of introducing the system of tabling amendments to the Draft Report by the Members of the Committee might be considered.

Further consideration of the matter was postponed to a subsequent meeting to be fixed for the purpose.

3. The Committee then adjourned to meet again at 10-30 A. M. on the 10th February, 1953 to take up consideration of the draft report.

III

Proceedings of the Meeting of the Public Accounts Committee held on the 17th February, 1953.

** The Committee met from 10 A.M. to 1-15 P.M.

Present

Shri B. Das—*Chairman*.

Shri Shree Narayan Das

Shri T. N. Singh

Shri H. V. Pataskar

Shri Ranbir Singh Chaudhuri

Acharya S. N. Agarwal

Shri Uma Charan Patnaik

Shri V. P. Nayar

Shri B. Ramachandra Reddi

Shri G. D. Somani

} *Members.*

Shri P. H. S. Rao, Deputy Comptroller and Auditor-General of India

Shri R. C. Khanna, Director of Railway Audit.

Shri G. S. Rau, Officer on Special Duty, Office of the Comptroller
and Auditor-General of India.

SECRETARIAT

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

The Committee resumed consideration of the Draft Report on the Appropriation Accounts (Railways) and (Posts & Telegraphs), 1949-50 and Audit Reports thereon.

The Committee first took up revised Paragraphs 12, 13 and 17 of the draft report and approved them subject to certain minor changes.

The Committee then considered the remaining paragraphs of the draft report and approved them subject to some verbal additions and alterations here and there.

2. The Committee authorised the Chairman to present the above Report to the House on the 20th February, 1953.

APPENDIX LIX

Statement showing the particulars of the meetings of the Public Accounts Committee, the attendance of Members and the subjects discussed etc.

Date.	No. of Members attending the meetings	Duration	Business transacted
2-9-52	13	3 Hrs. 15 Mts.	<i>Ministry of Railways</i> (Appropriation Accounts of the Railways in India, 1949-50).
3-9-52	13	3 Hrs. 10 Mts.	Do.
4-9-52	13	3 Hrs. 15 Mts.	<i>Posts & Telegraphs Department</i> —Appropriation Accounts 1949-50 and the Audit Report, 1951.
11-9-52	9	2 Hrs. 50 Mts.	<i>Ministry of Railways</i> —(Appropriation Accounts of the Railways in India for 1949-50 and the Railway Audit Report, 1951).
3-11-52	9	1 Hr. 30 Mts.	<i>Ministry of Railways</i> —Examination of the Accounts of the Railways in India for 1949-50 and the Audit Report, 1951.
3-11-52	7	2 Hrs. 15 Mts. (Afternoon Sitting)	<i>Ministry of Railways</i> —(Examination continued).
6-2-53	10	2 Hrs.	Consideration of the Draft Report on the Appropriation Accounts (Railways) and (Posts and Telegraphs) for 1949-50 and Audit Reports thereon.
7-2-53	10	1 Hr. 45 Mts.	Do.
17-2-53	10	3 Hrs. 15 Mts. "	Further consideration and passing of the Draft Report <i>ibid.</i>

- NOTE. (1) The individual attendance of Members at each meeting has been shown at the commencement of the proceedings of the meeting concerned.
- (2) In addition to the above meetings, the Committee also held one informal meeting on the 1st September, 1952, lasting for 1 hour and 45 minutes.

APPENDIX LX

Summary of the main recommendations of the Fifth Report of the Public Accounts Committee on the Appropriation Accounts (Railways) and (Posts & Telegraphs), 1949-50 and Audit Reports thereon.

S. No.	Paragraph of the Report.	Ministry or Department concerned	Recommendations
1	2	3	4
1	7	Railways	The Railway Administrations should aim at closer estimating and exercise proper vigilance at the time of the preparation of the final estimates. It is essential that assumptions should approximate to facts as far as possible.
2	7	do.	<p>(i) It is a matter of great importance that high standards of budgeting should be attained by the Railway Administrations and the necessity of obtaining grants sufficient to cover expenditure which may be incurred within a year impressed upon them.</p> <p>(ii) The Railway Board should once again draw the attention of the Railway Administrations to the observance of financial checks and safeguards and the application of rigid financial control, as the immediate responsibility for seeing that the Budget is properly planned and expenditure is kept within sanctioned grants rests on the Railway Board.</p>
3	7	Railways All Ministries.	In pursuance of the standing instructions contained in the Office Memorandum from the late Finance Deptt. No. D. 6368-F, dated the 17th August, 1934 and as reiterated in the O. M. from the Ministry of Finance No. F. 10(10)-B/52, dated the 31st October, 1952, all notes/memoranda containing facts and figures which are susceptible of verification by Audit authorities should, in the first instance be referred to them before being submitted to the Committee.
4	8	Railways	The Railway Board should in future adhere to a prescribed programme for the compilation and submission of the Accounts to the Comptroller and Auditor-General of India.
5	9	do.	According to the provisions of Art. 150 of the Constitution, the Railway Board should have consulted the Comptroller and Auditor-General of India while introducing changes in the financial and accounting structure of the Railways with effect from the Accounts of 1952-53 as a result of the integration of the Indian Railways into a unified undertaking.

1	2	3	4
6	10	<u>Railways</u> <u>Defence</u>	A conference should be arranged between the Ministries of Railways and Defence in order to arrive at an agreement for the final adjustment of the sum of about Rs. 8 lakhs which is outstanding for recovery from the Ministry of Defence on account of the rent for the land leased to the late Defence Department in the Vizagapatam Port.
7	11	Railways	It was a mistake on the part of the Railway Administration to have referred to arbitration the two cases in respect of which the contractors had signed 'No claim' certificates. The Officers, especially the senior Officer of the rank of Deputy Controller of Stores through whose negligence the pilferage of stores was facilitated especially at a time when commodities like cement and steel were in great demand in the market in view of controls then prevailing, have not been properly dealt with. The act of conveying mere displeasure of the Railway Board to him does not, in the opinion of the Committee, constitute an adequate punishment.
8	12	do.	(i) The Investigating team appointed by the Railway Board at the instance of the Public Accounts Committee to investigate into a number of typical cases where open tenders were not called for on the Assam Rail Link Project should continue their work on the lines suggested by the Committee. The existing Members of the Investigation Team may continue with the exception of the Engineer Member who should be replaced by a retired Engineer of the status of a Chief Engineer, Indian Railways.
		<u>Railways</u> <u>All Ministries</u>	(ii) In future, all cases where works are required to be carried out in an emergency, special procedure should be prescribed by a competent authority taking into account all the circumstances of the emergency. It is undesirable that a general permission to the authorities executing the work 'to take all necessary measures to ensure that the project is fulfilled' should be given (as was stated to have been done in the case of Assam Rail Link Project). The extent to which the normal Code rules are to be relaxed should also be precisely stated. Further, the authorities exercising such extended powers should be directed to leave sufficient contemporary record of facts to enable the investigation authorities in future to judge whether such powers have been judiciously exercised.
9	13	<u>Railways</u> <u>All other Ministries.</u>	'Cost plus' contracts should be avoided except when they are inevitable.
10	13	Railways	The following defects have been found in the agreement with the Swiss firm 'Schlieren' for the manufacture of all-metal light-weight coaching stock in India and its working : (i) Entering into an agreement even before the site of the factory was decided upon.

- (ii) Entering into a commitment binding Government to purchase a certain number of coaches from the firm over a period of years.
- (iii) Making of payments which amounted to financial assistance to the concern without security or banker's guarantee not only in the first year but also in the second year even though the first orders had not been complied with.
- (iv) Undertaking of a financial liability of an undefined nature, without time-limit based on a 'cost-plus' contract. Such defects should be avoided in any future contracts to be entered into with suppliers.

The above comments should be immediately taken into account in carrying out revision in the contract with the 'Schlieren' which, it is understood, is already under consideration of the Railway Board.

A memorandum setting forth the progress made in the maintenance of the Store Accounts at the Chittaranjan Locomotive Works should be submitted to the Committee, in due course, after getting it scrutinised by the Director of Railway Audit.

(i) The Railway Board should impress upon the various Railway Administrations to effect recoveries of the outstanding debits from the station staff expeditiously and no consideration should be shown to them in the matter of postponement or write-off of such recoveries.

(ii) The Government should explore the possibilities of recovering the heavy station outstandings amounting to about Rs. 12 lakhs, if necessary, by amending the Payment of Wages Act, 1936.

(i) It is most unsatisfactory that payments made to TELCO over a period of 7 years are still treated as provisional and actual cost of production of locomotive boilers has not yet been worked out and accepted by Government. If there are difficulties in reaching agreement on cost, the matter must be referred for arbitration.

(ii) As the TELCO manufacture also road-rollers, under-frames, etc. the need for an efficient and accurate cost-accounting and their check on behalf of Government is all the more necessary so that the costs are properly allocated among the several contracts.

(iii) In the case of an Industry which caters entirely for Government purposes, such as the Locomotives or the Ammunition factory, there is obviously a strong case for the State ownership and management of such Industry.

Government should come to an early decision on the advisability of their taking over from TELCO the manufacture of boilers and locomotives, and running it as a State-owned industry. If necessary, Government can invite participation of private capital in such State-owned concerns in the shape of Debentures.

11 15 Railways

12 16 do.

13 17 do.

14	18	Railways.	The Railway Board should issue instructions to the Railway Administrations for ensuring that while sanctioning the waiving of demurrage and wharfage charges, the interests of the Exchequer are duly safeguarded.
15	19	do.	The danger of growth in Suspense Balance is one which should be jealously guarded against.
16	23	do.	The Railway Board should issue specific instructions to the Railway Administrations in regard to the handling of Government money by the Railway Staff and fixing of responsibility in the event of losses as recommended by the P. A. C. in their report of 1951-52.
17	24	Posts & Telegraphs	Though variations within a Grant are less important than variations in the Grant as a whole, large variations are to be deprecated as showing a certain degree of indefiniteness in estimating. Persistent over-budgeting which still exists under a number of items in the Accounts under review indicates that severe pruning is required.
18	25	do.	The Posts & Telegraphs Department may consider the desirability of adopting the Stores system existing on the Railways with necessary modifications to suit their set-up.
19	26	do.	Action taken by the Department towards the adoption of a scientific method for the fixing of the annual contribution to the Renewals Reserve Fund as recommended by the Special Committee set up by them to determine the average lives of assets should be intimated to the Committee.
20	27	do.	Where the agency of contractors is employed for the handling of treasury work in the Post-Offices, adequate measures should be taken to ensure that in the event of misappropriation or loss of money which might exceed the amount of the security held by the Government, the entire amount could be recovered from them through a decree granted by the Civil Court.
21	28	<u>Posts & Telegraphs</u> <u>Finance</u>	The infructuous expenditure to the tune of Rs. 3 1/2 lakhs incurred in connection with the issue of National Savings Certificates to Industrial Workers in the Bombay State displays a lack of foresight and imagination on the part of the Government in the formulation of policy which proved to be a failure, and did not yield any tangible result in any way beneficial to the Government.
22	29	<u>Posts & Telegraphs</u> <u>Communications</u>	The Department should take suitable disciplinary action against the Officer at fault.

13	30	do.	(i) The findings of the U. P. S. C. in the case of the Divisional Engineer responsible for the irregularities disclosed in Para. 27 of the Audit Report should be reported to the Committee.
			(ii) The Committee deprecate the tendency of the Department to promote Officers to higher posts during the pendency of the disciplinary cases against them.
		All Ministries Posts & Telegraphs	(iii) In order to eliminate any element of delay in instituting disciplinary action against an Officer, the Department concerned should invariably keep photostat copies of all documents which have an important bearing on the disposal of the case before filing them with a Court.
24	31	• Posts & Telegraphs	With a view to preventing the recurrence of thefts of telegraph wires, the Department should investigate into the existing procedure for receipt, issue and custody of stores by the Telegraphs Linemen and ensure that there is no loophole which facilitates theft, pilferage, misappropriation, fraud, etc.
25	33		As a first step towards improving the state of affairs in the Telegraphs and Telephone workshops, suitable machinery should be devised for the training of the subordinate staff in the methods of workshops and store-accounting systems.
26	34	do.	(i) In all cases of major works, the Audit authorities should be apprised of the financial and other aspects thereof so as to enable them to organise their own accounting and audit arrangements in time.
			(ii) The Committee do not find adequate justification for the maintenance of a large establishment consisting of 32 gazetted officers and 313 non-gazetted officers for dealing with the affairs of the projects, when most of the work has so far been executed by outside agencies. The Department should without further delay chalk out a definite plan for the training of the staff in the automatization work and also assess the magnitude of the work connected with planning and, thereafter, retrench the unnecessary staff to effect economy in expenditure. The progress of the project should be reported to the Committee in the next Audit Report.
27	35	do.	The Memorandum explaining the circumstances that led to an infructuous expenditure of Rs. 42,148 in the opening of a Public Call Office in Jawhar State now merged in the Bombay State should be submitted to the Committee through the Accountant-General, Posts & Telegraphs.
28	36	do.	The Department should formulate a more rational and integrated policy in the matter of construction of buildings for accommodating Executive, Administrative and Audit Offices and gradually as the funds permit, embark upon the construction of essential buildings.
29	37	P. & T. Deptt. W. H. & S. Ministry	The decision taken in the matter of providing the P. & T. Deptt. with a separate Press should be reported to the Committee in due course.

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30	38	All Ministries P. & T. Dept.	Early action should be initiated on the recommendations of the Committee soon after their Reports are made available and all notes/memoranda should be submitted to the Committee after getting them verified by Audit well in advance of the date on which the examination of the next year's Accounts relating to the Ministry concerned are put down.

