

PUBLIC ACCOUNTS COMMITTEE
1951-52
FIRST REPORT
[APPROPRIATION ACCOUNTS (CIVIL) AND
(POSTS AND TELEGRAPHS) OF 1948-49
AND UNFINISHED ACCOUNTS (CIVIL)
OF 1947-48 (POST-PARTITION)]



सत्यमेव जयते

PARLIAMENT SECRETARIAT
NEW DELHI
February, 1952.

CORRIGENDUM

Report of the Public Accounts Committee (1951-52) on the Appropriation Accounts (Civil) and (Posts and Telegraphs) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition).

Page 20, para. 29, line 4; for "a cashier" read "certain clerks".

- (a) under col. 'Actual Expenditure' for the indistinct figure read "28,982".
- (b) under col. 'Excess' for the indistinct figure read "13,982".
- (iii) Against Item No. 3:
under col. 'Excess' for the indistinct figure read "1,16,567".
- Page 23, para. 34, line 3: Insert the words "Annexure II of" between the words "in" and "the".
- Page 46, para. 79, line 5: for "Rs. 1,29,534" read "Rs. 2,88,534".
- Page 50, under 'Witnesses' for "Shri B. S. Nakra" read "Shri D. S. Nakra".
for "Shri Rajkumar" substitute "Shri M. L. Chopra".
- Page 70, para. 113:
(i) line 9 delete comma after "largely".
(ii) line 11 for "The" read "the" and insert comma after "staff".
- Page 91, para. 154: heading for "Superintendence" read "Superintendent".
- Page 97, para. 166, line 4: for "Rs. 15,292" read "Rs. 10,644".
- Page 303, line 12: delete the words "in the form of Draft Paras." occurring between "in" and "by".
- Pages 307-308: for the existing paragraphs 3 and 4 of Appendix LI, substitute the matter enclosed—

CORRIGENDA

First Report of the Public Accounts Committee (1951-52) on the Appropriation Accounts (Civil) and (Posts & Telegraphs) of 1948-49 and Unfinished Accounts (Civil) of 1947-48.

- Page 1, line 5: *for "unifished" read "unfinished".*
- Page 6, para. 13:
- (i) Against Item No. 1,
 - (a) under col. 'Actual Expenditure': *for the indistinct figure read "5,57,496".*
 - (b) under col. 'Excess' *for the indistinct figure read "7,496".*
 - (ii) Against Item No. 2:
 - (a) under col. 'Actual Expenditure' *for the indistinct figure read "28,982".*
 - (b) under col. 'Excess' *for the indistinct figure read "13,982".*
 - (iii) Against Item No. 3:
 - under col. 'Excess' *for the indistinct figure read "1,16,567".*
- Page 23, para. 34, line 3: *Insert the words "Annexure II of" between the words "in" and "the".*
- Page 46, para. 79, line 5: *for "Rs. 1,29,534" read "Rs. 2,88,534".*
- Page 50, under 'Witnesses' *for "Shri B. S. Nakra" read "Shri D. S. Nakra".*
for "Shri Rajkumar" substitute "Shri M. L. Chopra".
- Page 70, para. 113:
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 - (ii) line 11 *for "The" read "the" and insert comma after "staff".*
- Page 91, para. 154:
heading *for "Superintendence" read "Superintendent".*
- Page 97, para. 166, line 4: *for "Rs. 15,292" read "Rs. 10,644".*
- Page 303, line 12: *delete the words "in the form of Draft Paras." occurring between "in" and "by".*
- Pages 307-308: *for the existing paragraphs 3 and 4 of Appendix LI, substitute the matter enclosed—*

"3. The Committee then proceeded with the further consideration of the next item on the Agenda, namely, the letter dated the 3rd March, 1951 (vid. Annexure II) from Professor K. T. Shah, a Member of the Public Account Committee, suggesting changes in the form and structure of the Report of the Committee and also extension of the scope of the functions of the Committee to the scrutiny of the accounts of the Revenues of Government borrowings, Public Debt, expenditure charged to Capital, etc. The Comptroller and Auditor-General pointed out that subject to certain minor exceptions, he was not at present responsible for the audit of Revenues and control over the due collection of revenues was now left entirely to the Administration. He further stated that in the existing circumstances it would be impossible for his Department to undertake any further extension of responsibilities in regard to Revenue audit for a considerable time. He was not, however, opposed to this in principle, but was only pointing out that it would take some years before the necessary machinery could be built up.

4. As regards Prof. Shah's Memorandum, the Comptroller and Auditor-General pointed out that the Finance Accounts of the Government of India which contained a complete picture of the Revenue and Expenditure of Government as well as of the Debt and Remittance Heads including Capital Accounts, was being presented to Parliament in addition to the Appropriation Accounts and Audit Report thereon which served a special purpose. The form of all these accounts is based more or less upon the British models and the requirements of Parliamentary control, but the Finance Accounts in India contain explanatory notes and comments which do not find a place in similar publications of the U. K. Treasury. The Comptroller and Auditor-General observed that Prof. Shah's desire seemed to be to extend the functions of the P.A.C. and to require it to go into every aspect of Revenue and Expenditure, such as the effect of taxation on the amount of Revenue over a period of years, Public Debt position and the policies of Government in regard to borrowing, the general growth of expenditure and so on. For this purpose, it appeared to the Comptroller and Auditor-General that what Prof. Shah desired was the provision to the Committee of elaborate reviews covering a number of years, of the various Revenue and Capital Heads. The Comptroller and Auditor-General stated that if this extension of functions was the considered decision of Parliament and the Public Accounts Committee, the latter would have to work for considerably longer periods than at present. Furthermore, in addition to the accounts that are now compiled and presented to Parliament by the Comptroller and Auditor-General, arrangements would have to be made for the preparation of various special accounts statistically, and their review from the various points of view mentioned by Prof. Shah. It should be primarily the function of Government to provide whatever additional information is required by the Committee. The Comptroller and Auditor-General stated that his own Organisation was not adequately equipped at present for the purpose, but he would endeavour gradually to include such additional data in the Finance Accounts as the Committee might desire in the light of experience.

5. In this connection the Comptroller and Auditor-General explained that the compilation of the Finance Accounts of the Government of India had been unavoidably delayed owing to the difficulties which have arisen due to Partition. He stated that the Accounts for 1946-47 were practically ready and were being put into final form. As regards the Accounts for 1947-48, the year of Partition of the country, he said that the main difficulty for the finalisation of the compilation of the Accounts was due to the non-settlement of the Debt-Head balances on the date of Partition with the Pakistan Government. He added that unless these Accounts were ready he could not take up the compilation of the Accounts of subsequent years as the balances under the various Heads were required to be carried forward.

6. While recognising the difficulty explained by the Comptroller and Auditor-General, the Committee suggested that until the compilation of the Finance Accounts was printed up-to-date, the Finance Ministry may be requested to furnish the Committee in an appropriate form to be devised in consultation with the Comptroller and Auditor-General an account of the Revenue-earning Ministries showing the various sources of income and the actual revenues. This account should also embrace the Borrowing and Debt Heads side of the Government activities for the year under review. Such a compilation, the Committee observed, would enable them to suggest measures for economising public expenditure".

CONTENTS

PAGES

	(i)
Composition of the Public Accounts Committee, 1951-52	(i)
CHAPTER I.—Introduction	1—3
CHAPTER II.—Financial Working of the Government of India—Civil Grants	4—7
CHAPTER III.—Budgeting and Control of Expenditure	8—15
CHAPTER IV.—Losses, Frauds, Nugatory Expenditure, Financial Irregularities, etc.	16—21
CHAPTER V.—Purchases	22—24
CHAPTER VI.—Audit and Audit Reports	25—27
CHAPTER VII.—Important Observations on Individual Ministries	28—34
CHAPTER VIII.—Posts and Telegraphs Department	35—38
CHAPTER IX.—Conclusion	39
CHAPTER X.—Proceedings of the Public Accounts Committee	40—114
<i>First Meeting.</i> —Ministry of Food and Agriculture, Ministry of Labour and the Ministry of Law	40—49
<i>Second Meeting.</i> —Ministry of Home Affairs, Ministry of States a the Ministry of Information and Broadcasting	50—58
<i>Third Meeting.</i> —Ministry of Education, Ministry of Health, Ministry of External Affairs and the Ministry of Rehabilitation	59—67
<i>Fourth Meeting.</i> —Ministry of Transport and the Ministry of Works, Production and Supply	68—79
<i>Fifth Meeting.</i> —Posts and Telegraphs Department	80—86
<i>Sixth Meeting.</i> —Ministry of Finance (including Revenue Division)	87—95
<i>Seventh Meeting.</i> —Ministry of Commerce and Industry and the Ministry of Communications	96—103
<i>Eighth Meeting.</i> —Ministry of External Affairs and the Ministry of Food and Agriculture	104—112
<i>Ninth Meeting.</i> —General Review of the Appropriation Accounts (Civil) and (P. & T.) for 1948-49 and unfinished Accounts (Civil) for 1947-48 (post-partition)	113—114

Appendices

APPENDIX I.—Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee	115—134
APPENDIX II.—Statement comparing Expenditure with Grants for 1948-49, Appropriation Accounts (Civil) and (Posts & Telegraphs)	135—141
APPENDIX III.—Note on the progress of Grow More Food Campaign during 1947-48, 1948-49 and 1949-50	142—152
APPENDIX IV.—Note on the Central Tractor Organisation	153—157

	PAGES
APPENDIX V.—Note on the Progress of the Grow More Food Campaign (since its inception)	158—177
APPENDIX VI.—Note relating to the reclamation of Tarai Areas in U. P.	178
APPENDIX VII.—Points on which the Public Accounts Committee called for written information—Para. 26 (c) of the Audit Report on the Appropriation Accounts (Civil) for 1948-49—Import of fertilizers in paper bags	179—183
APPENDIX VIII.—Note on the Import of Fertilizers in paper bags	184—187
APPENDIX IX.—Note on the Grow More Food Campaign	188—189
APPENDIX X.—Points on which the Public Accounts Committee called for written information—Import of skimmed Milk Powder	190—191
APPENDIX XI.—Points on which the Public Accounts Committee called for written information—Import of skimmed Milk Powder	192
APPENDIX XII.—Note on the recovery of arrears on account of imported foodgrains from Part 'B' States	193—194
APPENDIX XIII.—Note on Sugar—situation arising from the decontrol and its repercussions	195—197
APPENDIX XIV.—Note setting out the constitution of the Sugar (Temporary Excise) Fund, its administration and other salient fea- tures	198—201
APPENDIX XV.—Review on the Accounts of Indian Agricultural Research Institute	202
APPENDIX XV.—A. Note in respect of Government Research Cremery at Anand (in liquidation)	203
APPENDIX XVI.—Note in respect of Grow More Food Campaign	204—206
APPENDIX XVII.—Note on the scheme 'Purchase of Agriculture and Dairy Machinery' under Capital Outlay on Schemes of State Trading	207—209
APPENDIX XVIII.—Note on the Rebate in shipping freight on imported food- grains	210
APPENDIX XIX.—Memorandum No. F.10-1/51-A.4 dated the 8th August, 1951 from the Ministry of Education setting forth ex- planations as to why large re-appropriations were made in Demands Nos. 16 and 50 relating to the Appropriation Accounts (Civil) for 1947-48 (post-partition)	211—218
APPENDIX XX.—Memorandum from the Ministry of Finance regarding the delay in presentation to Parliament of the Appropria- tion Accounts of the Railways in India for 1947-48 (post- partition) and the Railway Audit Report, 1949	219—220
APPENDIX XXI.—Note <i>re.</i> revision of the selling rates of the India Security Press products	221—222
APPENDIX XXII.—Copy of Office Memorandum No. F.10(2)-B/51, dated the 14th June 1951 from the Ministry of Finance to all Ministries etc. <i>re.</i> delay in disposal of audit objections	223
APPENDIX XXIII.—Copy of Office Memorandum No. F10(1)-B/51, dated the 14th June, 1951 from the Ministry of Finance to all Minis- tries, etc. <i>re.</i> Debits for supplies and services	224
APPENDIX XXIV.—Note on the Small Savings Scheme and the National Savings Organisation	225—230
APPENDIX XXV.—Statement showing the cost <i>per capita</i> (of population) on Education in States in India (1948-49)	231
APPENDIX XXVI.—Note on the pilferage of opium from the Opium Factory, Ghazipur	232—233

APPENDIX XXVII.—Note on the control of production of opium and its manufacture	234—237
APPENDIX XXVIII.—Review of the Financial position of the Department of Insurance submitted by the Ministry of Finance	238—240
APPENDIX XXIX.—Statement showing the number of income-tax assesseses in Parts A, B, C States and merged territories	241—242
APPENDIX XXX.—Points on which the Public Accounts Committee called for written information from the Ministry of External Affairs	243—245
APPENDIX XXXI.—Note <i>re.</i> India's contribution to the U. N. O., F. A. O., and I.C.A.O. during 1947-48 and 1948-49	246—247
APPENDIX XXXII.—Copy of D. O. No. D/5/178, dated the 29th September, 1947 from the Principal Private Secretary to the Prime Minister to Shri S. Boothalingam, Joint Secretary, Ministry of Industry and Supply <i>re.</i> freezing of Disposals stocks.	248
APPENDIX XXXIII.—Note on the sale of Brass Rods by Disposals Organisation <i>vide</i> Para. 24 (j) of the Audit Report on the Appropriation Accounts (Civil) for 1948-49	249—250
APPENDIX XXXIV.—Note setting forth the position with regard to the outstanding sale accounts referred to in item 21 of the statement showing action taken on the recommendations of the Public Accounts Committee	251
APPENDIX XXXV.—Note <i>re.</i> standardization of contract forms submitted by the Ministry of Works, Production and Supply	252
APPENDIX XXXVI.—Rules for the chartering of Aeroplanes	253—255
APPENDIX XXXVII.—Points on which the Public Accounts Committee called for written information from the Ministry of Home Affairs Special Police Establishment	256—260
APPENDIX XXXVIII.—Note explaining the reasons for the increase in the expenditure under Grant No. 36 Police-(B)—Lumpsum charges paid to Provincial Governments—from year to year since the partition of India—furnished by the Ministry of Home Affairs	261—262
APPENDIX XXXIX.—Points arising out of the Commercial Appendix (Civil) for 1948-49 on which the Public Accounts Committee called for written information from the Ministry of Home Affairs	263—264
APPENDIX XL.—Note on the working of the Films Division submitted by the Ministry of Information and Broadcasting	265—269
APPENDIX XLI.—Note stating the measures adopted to reduce losses on All India Radio Journals	270—273
APPENDIX XLII.—Note submitted by the Ministry of Rehabilitation explaining reasons why savings under Demand No. 73 for 1947-48 (post-partition) could not be surrendered	274
APPENDIX XLIII.—Memorandum from the Ministry of Health explaining the reasons for variations in original Grant No. 72—Misc. P—Assam Relief Measures. P-2—Other Charges for 1948-49	275
APPENDIX XLIV.—Memorandum regarding examination of the procedure for the purchase and issue of stores submitted by the Director-General, Indian Posts and Telegraphs	276—278
APPENDIX XLV.—Copy of Memorandum No. F.I-1/50-Pt., dated the 15th June, 1951 from the Director-General, Indian Posts and Telegraphs to All Heads of Circles <i>re.</i> Disciplinary action for negligence or misappropriation of Government money.	279

APPENDIX XLVI.—Memorandum regarding items 1 and 40 of the statement of losses written off referred to in the Audit Report, 1948 (pre-partition)—Posts and Telegraphs	280—281
APPENDIX XLVII.—Copy of Office Memorandum No. 4668-A/51, dated the 22nd August, 1951 from the Ministry of Communications to the Parliament Secretariat <i>re.</i> financial results of the working of the agreement with the Air India International for the calendar years 1948 and 1949	282—283
APPENDIX XLVIII.—Note in respect of Para. 23 (d) of the Audit Report (Civil), 1950 <i>re.</i> financial settlement with U. K. Ministry of Transport in respect of Indian registered ships requisitioned by them during the last War	284—286
APPENDIX XLIX.—Proceedings of the Meeting of the Public Accounts Committee held on Wednesday, the 9th May, 1951	287—296
APPENDIX L.—Proceedings of the Meeting of the Public Accounts Committee held on Tuesday, the 22nd May, 1951	297—305
APPENDIX LI.—Proceedings of the Meeting of the Public Accounts Committee held on Tuesday, the 18th September, 1951	306—312
APPENDIX LII.—Proceedings of the Meeting of the Public Accounts Committee held on Thursday, the 20th September, 1951	313
APPENDIX LIII.—Proceedings of the Meeting of the Public Accounts Committee held on Friday, the 21st September, 1951	314
APPENDIX LIV.—**Proceedings of the Meeting of the Public Accounts Committee held on Saturday, the 29th September, 1951	315
APPENDIX LV.—Proceedings of the Meeting of the Public Accounts Committee held on Monday, the 4th February, 1952	316
APPENDIX LVI.—Proceedings of the Meeting of the Public Accounts Committee held on Saturday, the 16th February, 1952	317—318
APPENDIX LVII.—Statement showing particulars of the meetings of the Public Accounts Committee, attendance of the Members and subjects discussed etc.	319—320
APPENDIX LVIII.—Statement showing summary of the recommendations of the Public Accounts Committee on the Accounts (Civil) and (Posts and Telegraphs) for 1948-49 and unfinished Accounts (Civil) for 1947-48 (post-partition)	321—332

**Proceedings of the Meetings of the Public Accounts Committee held from the 25th to 27th September, 1951 relate to the Appropriation Accounts (Defence Services) and (Railways) for 1948-49 and these are contained in the Second Report.

Composition of the Public Accounts Committee, 1951-52

Shri B. Das (*Chairman*).

MEMBERS

Shri Bhaurao Sakharam Hiray.

Prof. K. T. Shah.

Shri M. L. Dwivedi.

Pandit Krishna Chandra Sharma.

Pandit Munishwardatt Upadhyay.

Shri Tribhuan Narayan Singh.

Shri H. S. Rudrappa.

Shri S. N. Das.

Shri B. N. Munavalli.

Shri T. H. Sonavane.

Shri Ram Chandra Upadhyay.

Dr. Mono Mohon Das.

Shri Gokul Lal Asawa.

Shri Murlidhar Vishvanath Ghule.

SECRETARIAT

Shri M. N. Kaul (*Secretary*).

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

CHAPTER I

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorized by the Committee, to submit the reports on their behalf, present this First Report on the Appropriation Accounts (Civil) and (Posts and Telegraphs) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition) relating to the Ministries of Food and Agriculture, Labour, Law, Home Affairs, States, Information and Broadcasting, Education, Health, External Affairs and Rehabilitation which were not examined last year for want of time.

2. The Accounts of 1948-49 were the first Accounts for a whole year of Independent India which were examined by the Committee, the previous Accounts being only for the post-partition period of 1947-48.

3. The Committee was elected on the 9th April, 1951. The Honourable Speaker delivered an address at the inaugural meeting of the Committee held on the 9th May, 1951.

4. The Committee held a meeting on the 22nd May, 1951 and drew up its programme for the examination of the Appropriation Accounts of 1948-49 and the unfinished Accounts of 1947-48 (post-partition) and Audit Reports thereon.

The Committee held meetings from the 9th July to the 18th July, 1951 and completed examination of the Appropriation Accounts (Civil) and (P. & T.) of 1948-49 and unfinished (Civil) Accounts of 1947-48 (post-partition).

5. The Committee noted that the Appropriation Accounts of the Railways for 1948-49 and the Audit Report thereon had not been placed on the Table of the House at the time of the meeting of the Committee with the result that these could not be examined. The Appropriation Accounts of the Defence Services for 1948-49 and the Audit Report thereon were not ready at the time of the July Session of the Public Accounts Committee owing to certain difficulties experienced by the Comptroller and Auditor-General in getting prompt replies from the Administration to communications sent by him. While appreciating the difficulties which have been experienced by the Comptroller and Auditor-General in having to undertake the preparation of the Appropriation A/cs. and the Audit Reports for several years beginning with 1945-46 during the past two or three years and the considerable progress which has been made

in accelerating the reports, the Committee desire that at a very early date a definite programme should be laid down for the presentation of the various accounts and the audit reports thereon to Parliament, due allowance being made for overtaking the brief time lag which still exists. In this connection, they emphasize the importance of the Government and the Administrative authorities under them cooperating to the maximum extent with the Audit Department by providing all the material required for audit and giving prompt answers to references therefrom.

6. At their meeting held on 26th March, 1951, the Public Accounts Committee decided that the examination of the Central Finance Accounts, which are 'Public Accounts' and are presented to Parliament, should also be taken up by them along with the Appropriation Accounts of the corresponding year. The Committee could not take up the examination of the Finance Accounts for 1947-48 (post-partition) and 1948-49, as they had not been compiled owing to non-finalisation of the accounts for the pre-partition period from 1st April 1947 to 14th August 1947, for want of balances under Debt, Deposit etc. heads which are to be furnished by the Accounts Officers now in Pakistan. The Committee understand that it is only after the balances as on 14th August 1947 have been arrived at and distributed between India and Pakistan as part of Debt settlement between the two Governments that the accounts for the post-partition period can be compiled. In the circumstances it has been suggested elsewhere in this Report that until the compilation of the Finance Accounts was brought up-to-date, the Committee might examine in greater detail the income-earning Ministries regarding the overall position of revenues of the Government. In order to enable the Committee to conduct an examination of the financial position of Government, a note containing an overall picture of the revenues, the balances under rupee and sterling debt and the cash balances, including sterling, of the Government should be submitted by the Ministry of Finance, in consultation with the Comptroller and Auditor-General for their consideration.

7. In their original programme, the Committee had set apart a day for the consideration of the working of the State Trading and Manufacturing Schemes regarding which the Committee had recommended last year that an overall review of all these schemes should be conducted and placed before the Committee for their further consideration *vide* para. 7 of their report for 1947-48 (post-partition) but they were informed that the Ministry of Finance had not completed such an overall review. The Committee, therefore, postponed the consideration of this subject to their next session.

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

9. The Committee also 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 staff, the Secretary to Parliament, the Officer on Special Duty and the staff of the Parliament Secretariat.

CHAPTER II

FINANCIAL RESULTS OF THE GOVERNMENT OF INDIA (CIVIL GRANTS)

10. During the year under review (i.e. 1948-49), the original schedule of expenditure as voted by the Constituent Assembly of India (Legislative) and that for charged appropriations (other than those for Posts and Telegraphs, Railways and Defence Services) amounted to Rs. 2,00,91,46,000 and Rs. 80,62,25,000 respectively, making a total of Rs. 2,81,53,71,000. The supplementary voted grants and the charged appropriations during the year amounted to Rs. 2,80,28,65,000 and Rs. 28,32,000 respectively, bringing the total of the final grants to Rs. 5,62,10,68,000. As against this the actual expenditure during the year was Rs. 4,61,65,83,232 only. There was thus a saving of Rs. 1,00,44,84,768 over the final grants.

The percentages of savings and excesses as compared with the original and the final (as modified by supplementary) grants or charged appropriations were as below:—

	Saving(—) or Excess(+) over	
	Original	Final
Voted	+92	—19·8
Charged	—5·9	—6·2

11. The following table shows at a glance the particulars of the original and final grants and appropriations and the expenditure actually incurred against them under the heads (i) Revenue, (ii) Capital and (iii) Loans and Advances:

	Original Grant or Appropriation.	Final Grant or Appropriation.	Actual expendi- ture.
(In lakhs of rupees)			
Expenditure met from Revenue (voted) .	93,70	142,95	131,32
Expenditure met from Capital (voted) . . .	85,39	316,43	240,87
Disbursements of Loans and Advances (voted) .	21,82	21,82	13,61
Total (voted) . . .	2,00,91,46	4,81,20	3,85,80

	Original Grant or Appropriation.	Final Grant or Appropriation.	Actual expenditure.
(In lakhs of rupees)			
Expenditure met from Revenue (<i>Charged</i>) . . .	42,61	42,89	44,49
Expenditure met from Capital (<i>Charged</i>) . . .	I	I	..
Disbursements of Loans and Advances (<i>Charged</i>) . . .	38,00	38,00	31,37
TOTAL (<i>Charged</i>) . . .	80,62	80,90	75,86
Total expenditure met from Revenue . . .	136,31	185,84	175,81
Total expenditure met from Capital . . .	85,40	316,44	240,87
Disbursements of Loans and Advances . . .	59,82	59,82	44,98
GRAND TOTAL . . .	281,53	562,10	461,66

12. *Excesses over voted grants.*—Notwithstanding the huge savings over the total final grant as stated in the preceding paragraph, the actual expenditure in several cases exceeded the voted grants, as shown below:

Item No.	Name of Grant.	Final Grant.	Actual Expenditure	Excess.
1	6-Stamps	1,24,25,000	1,27,21,330	2,96,330
2	19-Ministry of External Affairs and Commonwealth Relations.	48,86,000	50,48,984	1,62,984
3	20-Ministry of Finance	85,76,000	86,23,826	47,826
4	21-Ministry of Commerce	58,25,000	59,05,612	80,612
5	28-Ministry of Defence	36,36,000	36,72,898	36,898
6	29-Ministry of Industry and Supply.	23,66,000	23,80,583	14,583
7	36-Police	31,84,000	32,08,378	24,378
8	38-Lighthouses and Lightships	9,74,000	10,10,574	36,574
9	39-Ecclesiastical	2,86,000	3,14,003	28,003
10	41-External Affairs	2,72,66,000	2,76,17,266	3,51,266
11	42-Survey of India	69,45,000	69,97,582	52,582
12	57-B Telephone Factory	95,000	1,02,615	7,615
13	71-Stationery and printing	2,00,62,000	2,15,73,572	15,11,572
14	80-Miscellaneous adjustments between the Central and Provincial Governments	82,000	90,576	8,576
15	99-Commuted Value of Pensions	1,17,24,000	1,57,41,009	40,17,009

The reasons for the excesses are briefly explained below:

Item 1. Unexpected receipt of paper, increase in transport charges and cost of packing materials.

Item 2.—Appointment of officers on higher rates of pay late in the year, refixation of pay of displaced Government servants, late receipt of debits and unexpected expenditure on leave salary and deputation.

Items 3 and 5.—Creation of additional posts.

Item 4.—Expenditure in connection with the International Fair, Brussels and smaller recoveries on the basis of actual expenditure.

Item 6.—Creation of new sections.

Item 7.—Non-materialisation of the lump cut.

Item 8.—Extensive repairs to Light vessel 'Krishna'.

Item 9.—Grants-in-aid to the Church of India.

Item 10.—Non-settlement of recovery claims against Pakistan.

Item 11.—Payment of arrear claims.

Item 12.—Unanticipated adjustment of certain bills.

Item 13.—Purchase of paper at higher rates and paper supplied to Railways not correctly assessed.

Items 14 and 15.—Larger payments than anticipated.

As in the case of excesses in the Appropriation Accounts for 1947-48 (post-partition), no formal regularisation of the above excesses by Parliament is called for.

13. *Excesses over charged appropriations.*—The following statement shows the excesses over individual charged appropriations:

Item No.	Name of Appropriation	Final Appropriation	Actual Expenditure	Excess
1	34-Administration of Justice	5,50,000	5,57,475	
2	72-Miscellaneous	15,000	28,932	
3	82-A-Pre-partition payments	13,73,000	14,89,567	1,16, 7
4	83-Delhi	61,000	65,237	4, 23 7
5	86-Andaman and Nicobar Islands	42,000	42,787	787
6	Interest on Debt and other obligations, etc.	41,16,28,000	42,76,67,761	1,60,39,761
7	Staff, Household and Allowances of the Governor-General	20,17,000	22,95,197	2,78,197
8	Federal Public Service Commission	15,14,000	15,36,864	22,864

The reasons for the excesses are briefly explained below:

Items 1 and 2.—Provision made under voted.

Item 3.—Accurate estimating was not possible in the absence of requisite data.

Item 4.—Leave salary of late Chief Commissioner.

Item 5.—

Item 6.—Estimates based on past actuals proved low.

Item 7.—Unforeseen expenditure on 'Payment flights' of His Excellency the Governor-General and more expenditure on telephones, etc.

Item 8.—Non-materialisation of cut and larger expenditure on postage.

CHAPTER III

BUDGETING AND CONTROL OVER EXPENDITURE

14. The successive Committees over a number of years have laid considerable emphasis on the need for correct budgeting and urged that the control over expenditure should be as rigid as possible. As things had practically settled down during the year under review and normalcy had been restored, it was hoped that the Accounts would present a better picture than that disclosed in the preceding year relating to the post-partition period. But, contrary to expectations, it was noticed that no appreciable improvement in the standards of budgeting and control over expenditure had been attained. A marked tendency on the part of the spending Ministries 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 irregular reappropriations was much in evidence.

As stated in the preceding chapter, there have been voted excesses under 15 grants involving Rs. 66,77,000. The supplementary schedule of authorised expenditure included sixty-two supplementary demands for grants (other than those for Posts and Telegraphs, Railways and Defence Services) aggregating to Rs. 2,80,28,65,000 voted by the Constituent Assembly of India (Legislative). Savings occurred in 84 out of 101 Grants, but only 39.5 per cent. of the total actual savings under the voted grants was surrendered by the Controlling Officers and accepted by the Ministry of Finance. Similarly there were savings in 14 out of 23 charged appropriations. There were as many as 11 cases in which the supplementary grants obtained late in the year eventually proved to be unnecessary.

The above instances, as also the percentages of savings and excesses, serve as an index to the laxity of control over budgeting and control of expenditure.

It was expected that the Ministry of Finance would devise suitable measures against these serious defects and ensure that the administrative Ministries complied with those measures scrupulously. Not only have the administrative Ministries, whose responsibility is no doubt greater, been unmindful of the necessity of observing close control over their financial affairs, but the Ministry of Finance have

also failed in making the Ministries realize their responsibility and exercising a proper check centrally over the progress of expenditure of the various Ministries. It appears that at present the Ministries have freedom to budget for what they like, to ask for supplementary grants notwithstanding the fact that the funds are available with them or to incur expenditure over the sanctioned grants without caring for the consequences. This is a sad state of affairs and the Committee feel compelled to recommend that suitable action should be taken in cases in which it is established that the responsibility of framing budget estimates or controlling the expenditure has not been properly discharged.

15. *Laxity of control over budgeting or control over expenditure.*—The Committee have come across a large number of specific cases in which laxity of control over budgeting or control over expenditure was noticed. Some of the more important cases are mentioned below:—

(i) In the Appropriation Accounts of 1947-48 (post-partition) relating to the Ministry of Education, the Committee found that large savings amounting to about Rs. 4 lakhs were surrendered too late for acceptance. The representative of the Ministry stated that orders for the purchase of goods were placed abroad but the payment could not be made as the bills were not received in time. The Committee would in this connection draw once again the attention to the recommendation contained in para. 5 of the Report of the Public Accounts Committee of 1950-51 which enjoins that steps in such cases should be taken sufficiently in advance to ascertain from the suppliers whether the supply of goods was likely to materialize and that if the payment was not likely to be made in time, the amount should be surrendered. The Committee feel that if proper vigilance is exercised by the Ministries concerned, such instances of late surrenders can be obviated.

(ii) Again, under sub-Head A.2—Grant No. 50 relating to the same Ministry, several instances of excessive provision by re-appropriations from other heads came to notice. The same had been done in the case of Grants Nos. 16 and 50 in respect of 1948-49. On the other hand, large savings were shown under items E.5, E.1(2), E.8(4)(3) of Grant No. 83. The Committee would observe that it is a typical case of bad financial control where additional grants were asked for and taken but not utilized. The two cases mentioned above lead to the logical conclusion that the Ministry of Education have failed to exercise proper financial control and observe the standard maxims of budgeting.

(iii) While examining the Accounts relating to the Ministry of Health, the Committee came across some glaring instances of bad budgeting and lack of proper control over expenditure on the part of that Ministry. When questioned why in several cases the explanations of important variations shown in the Accounts of 1948-49 under Grants Nos. 51 and 52 and 102—Group heads L and O relating to that Ministry had not been furnished, the representative of the Ministry deposed that they did not exercise any direct control over the expenditure booked under these Grants which was incurred by the State Governments and adjusted later by book debit. The Committee are surprised that the Ministry should have overlooked this important function of controlling expenditure and cannot help observing that such a state of affairs is far from satisfactory. The Committee consider that some arrangements should be made whereby the Ministry of Health, which is ultimately responsible to Parliament for the control of these Grants, is in a position to know what the various State Governments were spending from time to time. As the delay in furnishing the explanations for variations for the Appropriation Accounts delays the compilation of these accounts and affects the examination thereof by the Public Accounts Committee, the Committee suggested that the Ministry of Finance should issue strict instructions in the matter. It is also desirable that 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 Governments. The Committee hope that next year the Ministry of Health would be able to furnish better explanations for variations and exercise better control over expenditure in consultation with its Financial Adviser.

(iv) It was noticed that the Ministry of Health obtained a supplementary Grant of Rs. 2,69,000 in March 1949 for making *ex-gratia* payments to villagers in Manipur but it proved unnecessary. The Committee regret to observe that the representative of the Ministry who appeared before them could not give any explanations for the necessity of this grant nor for the non-utilization of it and he did not seem to have any clear picture of the whole affair in his mind. The Committee should like that this matter is carefully examined by the Ministries of Health and External Affairs and a note submitted to them setting forth the exact position after consultation with the Ministry of External Affairs.

16. *Lack of Proper Appraisal of the Budgetary Methods by the Administrative Authorities.*—The above and similar other instances which we have not quoted here have led us to the conclusion that:

most of the administrative authorities are ignorant of proper budgetary procedure and lack knowledge and experience of financial control, over expenditure. While these functions in the main fall on the administrative authorities concerned, the Committee feel that the Ministry of Finance should not only devise measures for tightening financial control but their representative should also watch the administrative authorities *inter alia* in their control over the progress of expenditure.

17. *Tightening of Budgetary Control.*—There is at present a tendency on the part of the administrative authorities to inflate their budget by overestimating their requirements. This is so, because the Ministry of Finance impose arbitrary cuts on such estimates in the course of their scrutiny after the estimates are finally framed by the Ministries. Thus neither the administrative Ministry nor the Finance Ministry proceed on any planned basis and the resultant budget is mostly wide off the mark. In no sense does it represent the requirements of the Ministries in any accurate form nor is the picture complete as to the policies and plans which the Ministry must undertake during the year for which the money is sanctioned. Invariably, it happens that after the budget is settled by the Ministry of Finance, the administrative Ministries re-examine the position and alter their programme of activities on the basis of the approved estimates. It is quite clear that the planning and preparation of estimates proceed on a very unsatisfactory basis and the money asked for one purpose is spent on quite different activity or a major activity is allowed to be postponed and a minor Scheme or activity proceeded with. There is no real co-ordination between the activities which a Ministry proposes to undertake during the year and the financial side of such activities. The Committee are of the view that there is an urgent need for overhauling the present system of preparation and scrutiny of estimates and to devise more methodical and more systematic procedure whereby the budget is prepared on a more accurate data which is duly 'vetted' by both the administrative and financial authorities. The Ministry of Finance should associate itself with the administrative machinery from the very inception of the preparation of the budget and assist the Ministries in coming to proper decisions rather than sit in judgment over their proposals. This can be achieved if the Financial Adviser in consultation with the administrative Ministry first determines what policies, activities or Schemes are going to be undertaken by the Ministry during the year, assess their relative urgency and importance, work out their financial implications and then come to conclusions. After an agreement has been reached between the Financial Adviser and the administrative Ministry the matter should

be referred to the Budget Division of the Ministry of Finance for their advice as to the extent to which funds will be available, in respect of that Ministry, keeping in view the urgency or importance of the matters for which the money is required. After the budgetary figure is thus settled, the administrative Ministry and the Financial Adviser concerned should re-examine the position and revise their earlier estimates in the light of the funds available for the various purposes and come to final conclusions as to the activities which have to be pursued and the funds required for each such activity. If the budget is prepared in this manner there is little doubt that there will be any large scale savings in or excesses over the sanctioned expenditure. Moreover, both the Financial Adviser and the administrative Ministry concerned will have a clear idea of what they are required to do during the year within the money allotted to them and proceed with their schemes from the earliest date so that there is no uncertainty or last minute difficulty or postponement for want of funds.

18. *Excess Expenditure.*—The Committee understand that at present the procedure whereby the administrative Ministries keep a concurrent check over the expenditure incurred against allotments to see that they have not exceeded at any time during the year is not observed effectively. It is a grave matter if expenditure in excess of the sanctioned sum under a grant is incurred without Parliamentary sanction having been obtained in advance. It is immaterial whether there is justification for incurring such excess expenditure or whether it has happened through a deliberate or an innocent act. The fact remains that the Ministry runs a great risk if at any time during the year its sanctioned grant is exceeded by any amount without the Parliamentary sanction. It is a serious matter of which the Committee and subsequent Parliament are bound to take notice and to suggest drastic action. It is, therefore, important 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 and the progress watched by the authority administering the grant so that before incurring further expenditure under a head of the grant, it ensures 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.

19. *Reconciliation of Accounts.*—The Committee attach great importance to the periodical reconciliation of the figures of expenditure booked by the spending Departments concerned with those booked by the respective Accounts Officers. This is one of the potent methods by which the flow of expenditure can be regulated and the tendency to over-spend curbed. The responsibility for

maintaining the administrative accounts and for reconciling those with the figures booked in the Accounts Offices should rest with the Administrative Departments concerned. It was brought to the notice of the Committee that the omission on the part of the Ministries in not reconciling their figures with those booked in the Accounts Offices had become a regular feature in almost all the Ministries and this was one of the major causes for incorrect estimating and insufficient control over expenditure. To remedy this state of affairs, the first step to be taken is to ensure that the spending departments maintain their accounts properly. The Committee suggest that the Financial Advisers attached to the Ministries etc. should guide the Administrative Ministries concerned in regard to the maintenance of accounts and for watching the progress of expenditure. They should also look into the accounts of the Ministries concerned periodically in order to see that these are being maintained properly. This will serve as a check against any extravagances on the part of the Ministries and regulate their expenditure within the Grant voted by Parliament. The Comptroller and Auditor-General also brought to the notice of the Committee the system obtaining in this regard in the U.K. There, the responsibility for keeping the entire accounts rests with the departments concerned. The Committee consider that it should not be difficult to follow the same procedure in India and recommend that steps should be taken to introduce the changes gradually but effectively.

20. *Action against Delinquencies.*—A sense of consciousness of the responsibility for proper spending and accountal of money should pervade the mind of the Departmental Heads at all times and travel down to the lowest officials responsible for estimating, spending and accounting. Prompt action should be taken to haul up the peccant officials for any irregularity. It has been the experience of the Committee that at present little action is taken by the Ministries when such cases come to their notice. There is an effort more to explain the reasons why action could not or was not taken rather than to locate the defects and punish the defaulters. Thus, there being no fear or awe of the authority, the irregularities are on the increase, and more and more defects are creeping into the system. The Committee strongly recommend that Ministries should ensure that action against all delinquents is taken promptly and the Ministry of Finance should see that the Ministries have in fact initiated necessary action in each and every case in time and devised remedial measures against any defects that may have come to notice in the course of such investigation.

21. *Grants for Development Schemes.*—An important point that engaged the attention of the Committee during the examination of the Ministry of Finance was that there did not exist an adequate machinery at the Centre for ensuring that the Grants made to the

State Governments etc. for Development Schemes were properly utilized by them for the purpose for which these were intended. The Committee feel that while the responsibility for spending properly the monies allocated by the Centre or the scrutiny of individual items of expenditure should rest with the State Governments concerned, the Central Government should conduct broad checks to see that the objectives with which such allocations are made to the State Governments are achieved as intended and within the targets laid down. The Committee hope to re-examine the whole position after going through a note which the Comptroller and Auditor-General promised to incorporate in the next audit report.

22. *Defective budgeting by the Embassies and Missions abroad.*—The Committee came across some cases of irregular expenditure incurred in the Office of the High Commissioner for India in the U.K. The Ministry of External Affairs, which is expected to be in executive charge of the various Embassies and Missions abroad, expressed ignorance when questioned on facts mentioned in these cases. The Comptroller and Auditor-General stated that he would in future arrange to send copies of all draft paragraphs of Audit Reports relating to the High Commissioner's Office to the respective Ministries for verification of facts, with a copy to the High Commissioner. The Committee desire to have a detailed note outlining the financial powers at present enjoyed by the High Commissioner and whether any of the powers delegated to the Old India Office had been withdrawn and also whether the High Commissioner in the U.K. was exercising the same powers as were vested in the Ambassadors serving in other countries.

The Committee would also like to have a further note on the detailed scrutiny of the budget of the High Commissioner for India in the U.K. by the Ministry of External Affairs and on the action proposed to be taken on the copies of the audit objections with a view to see that they were answered promptly and the defects noticed as a result of such objections removed forthwith.

23. *Administrative Audit System.*—The Committee were informed by the Ministry of Finance that the question of the institution of the Administrative Audit System recommended last year, *vide* paragraph 10 of the report of the Public Accounts Committee of 1950-51 was under their active consideration. The Committee feel that any postponement of the introduction of this system merely on the ground of want of funds would not be an economical proposition in the long run. 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. It is, therefore, urgently necessary that a decision in the matter is taken early.

24. *Working of State sponsored Corporations.*—The Committee discussed with the representatives of the Ministry of Finance the propriety of transferring governmental activities to private Corporations—e.g. the Indian Telephone Industries, Bangalore, which had been formed into a Joint Stock Company, but capital of which had been invested by the Mysore and the Central Governments. The Committee feel that if such concerns are run independent of the control of Government or Parliament there is a danger that public money might be frittered away in frivolous investments. The Committee therefore consider that for the reasons indicated by them in paragraphs 8 and 104 of their report for 1950-51 State sponsored Corporations should be regulated by Statutes of Parliament and their finances subjected to audit by the Comptroller and Auditor-General and scrutiny of the Public Accounts Committee. While it is recognised that the day to day administration of a business concern should be regulated somewhat differently from ordinary public administration for which purpose it may be formed into an autonomous or semi-autonomous body it is important that such a body does not transgress the recognised rules of financial propriety and there is strict check over the public money which has been invested in such concerns.

CHAPTER IV

LOSSES, FRAUDS, NUGATORY EXPENDITURE, FINANCIAL IRREGULARITIES, ETC.

25. *Action against Delinquent Officials for Fraudulent Use of Public Monies etc.*—The Committee now proceed to deal with some of the important cases involving losses to the Exchequer on account of negligence of irresponsible officers, misappropriation of public funds, nugatory expenditure, financial irregularities etc., which they noticed during their examination of the Civil Accounts under review. There are two categories of such cases, viz., (i) of actual fraud, and (ii) those disclosing culpable negligence on the part of the responsible officers resulting in loss to Government. From the mass of disclosures made in the Audit Report in this respect and the evidence tendered before the Committee by the representatives of the various Ministries, the Committee felt perturbed over the increasing number of such cases. To countenance this state of affairs, the Committee urge emphatically that 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. The Administrative Ministry should not content itself merely with passing strictures against the Officers concerned but efforts should be made to take some positive action against them for the wastes in public funds caused through their wilful actions or contributory negligence. In cases where action should have been taken against the delinquent officials but was not taken in time the Officers responsible for omitting or delaying to take any action and treating the matter in a light-hearted manner should be suitably punished. The Committee feel that Officials found guilty of misappropriating public funds wilfully, spending them extravagantly or wasting them through their negligence deserve no mercy. In order, therefore, to tone up administrative integrity and efficiency it is absolutely essential that officials found guilty of such acts are dealt with promptly and severely.

26. *Improper use of public funds and facilities.*—The Committee refer below to some of the cases disclosed in the Audit Report 1950 regarding the improper use of public funds which they investigated during the examination of Accounts:

(i) In the case referred to in Para. 23 (a) of the Audit Report, it is stated that the officer concerned exceeded his powers of purchase and the Ministry of Finance refused to accord *ex post facto*

sanction to the expenditure. The representative of the Ministry of Commerce and Industry who appeared before the Committee stated that there was no question of *mala fide* in this case except that the officer concerned exceeded his financial powers. He further stated that he would, after looking into the matter personally, certify that the purchase of furniture, equipment etc. was essential and that in his view sanction would have been accorded if it had come up at the proper time. He also undertook to apprise the result of his examination to the Comptroller and Auditor-General who might then consider the expedience of waiving off the objection, and that the Committee would, in due course, be informed of the action taken in the matter.

The Committee would like to observe that it is a pity that the matter was not examined immediately after the irregularity had been pointed out in the Audit Report and a full statement of the case furnished to the Committee. The very fact that such matters are dealt with leisurely and passed over until they become the subject matter of criticism either in the audit report or in the report of the Committee shows how light-heartedly the Heads of Departments take such matters and this in turn is bound to reflect upon the working of their offices. The Committee would expect that whenever irregularities are mentioned in the Audit Report, action to rectify them is 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.

The Committee are also opposed to the tendency on the part of officers to exceed their financial powers and recommend that whenever any such case is noticed, the officer concerned should be made personally responsible for such excesses, if these are not covered by the sanction of the appropriate authority.

(ii) In the case referred to in Para. 23 (c) of the Audit Report a sum of £ 337 which was to be recovered from the Officer concerned for having utilized the cars from H.M.G.'s pool of cars was waived. After hearing the representative of the Ministry of Commerce and Industry the Committee came to the conclusion that the decision to require the officer to pay for the use of the car on Saturdays and Sundays only was not quite correct as there was evidence on record that the car had been used by his family during the period of his 3 months' leave and on other occasions when he was out of his headquarters for long periods. The Committee wish to express their dissatisfaction over the decision to waive the recovery of the amount and would observe that the officer has been treated leniently when there was a *prima facie* charge of malfeasance against him. The

Committee feel dissatisfied that audit objections should be disregarded by the High Commissioner for India in London and suggest that instructions should be issued to the High Commissioner to deal expeditiously with the audit objections. The Committee were also surprised to learn that in the light of his previous record apart from this irregularity he should again have been posted to an Embassy abroad. The Committee desire that a thorough investigation should be made by the Ministry in all the charges against this officer and a report submitted to them in due course.

(iii) The cases referred to in Paras. 24 (d) and 24 (e) of the Audit Report involving loss of cash and stores disclose that the officers responsible for such losses have been dealt with leniently. In the latter case, although a period of about 3½ years has elapsed, the C.P.W.D. has not furnished the Audit authorities with the further detailed report after departmental investigation has been completed by them. This instance which is by no means an isolated one is sufficient to show how the machinery of the Government especially the C.P.W.D. is working. The Committee suggest that 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 as to the action taken in each case.

(iv) In the case 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, it was deposed before the Committee that the transaction was intended to help the officer in getting an advance. The Committee feel that the advance should have been given in the manner prescribed under the rules and with the sanction of the competent authority and the rules themselves should not have been circumvented in the way it was done. The Committee consider that the Ministry of External Affairs should instruct the High Commissioner for India in the U.K. to observe strictly the rules in future.

(v) With regard to the case referred to in Para. 25 (c) of the Audit Report, the representative of the Ministry of External Affairs read out before the Committee the explanation sent by the High Commissioner for India in the U.K. stating that the loss of £106-8-5 occurred because the contents of the consignment of Gandhi Memorial Stamps had not been counted in his office. The Committee feel that the plea that because of the shortness of time the stamps were not counted is not a sufficient ground for waiving the recovery of the loss. This case bears an adequate testimony to the fact that

there had been laxity in the administration of the High Commissioner's Office. Early steps should, therefore, be taken to prescribe a proper procedure whereby adequate administrative and financial control in the office of the High Commissioner for India in the U.K. is ensured. A note stating the results of the investigation made by the Director-General, Posts and Telegraphs in the matter and action taken, if any, against the officials responsible for the loss should also be submitted to the Committee in due course.

(vi) Para. 27 of the Audit Report reveals how the negligence of the Officer-in-Charge in the Ministry of Transport facilitated the fraudulent use of Government money. The Committee regard it 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. Matters should greatly improve if Ministries take a very serious view of such defalcations and irregularities and bring the offender to book without allowing him to take shelter under technicalities. It would also act as a deterrent if no leniency is shown to the supervising officers for lapses of this kind. The Committee understand that the rules which have been prescribed in this regard are adequate but what is lacking is control on the part of the administrative authorities and the willingness of the Heads of Departments to inculcate a sense of responsibility in the subordinates under them by resorting to disciplinary measures as soon as any irregularity comes to their notice.

(vii) Para. 24 (h) of the Audit Report discloses how a defective contract resulted in a financial embarrassment to Government. The representative of the Ministry of W.P. & S. who appeared before the Committee admitted that it was a bad contract. He, however, stated that as none of the persons responsible for this deal was in service, no action could be taken. In this connection, the Committee would invite the attention of the Ministries concerned to the recommendations contained in Para. 6 of the Report of the Committee of 1950-51 and urge that while drawing up the contracts, the officers responsible should exercise due prudence to safeguard the interests of Government.

27. Expeditious Action against Defaulting Officials.—To sum up, the Committee regret to observe that the laxity in supervision by responsible officers and the unjustifiable leniency shown towards them by the Heads of Departments have resulted in these financial irregularities. The Committee view with disfavour any tendency on the part of the Ministries to bring forward general pleas that the officer concerned has 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 such irregularities.

The Committee wish to emphasize in this connection that time factor in dealing with such cases is of the real essence and if action is delayed it is tantamount to action not taken. It must be noted that procrastination always helps the offender to escape the tyranny of punishment or punitive action. The first step towards putting down such irregularities is to deal with them promptly and on the spot as it were and to take such corrective measures as the occasion may demand.

28. *Ex post facto sanctions*.—During the course of the examination of the Accounts, the Committee discussed with the representatives of the Ministry of Finance and the Comptroller and Auditor-General the implications in actual practice of the refusal to accord *ex post facto* sanctions. Explaining this, the Comptroller and Auditor-General informed the Committee that the action of the Ministry of Finance in refusing to accord sanction was meant to require the Department or Ministry concerned to explain its position before the Public Accounts Committee. While the Committee appreciate the motive, they apprehend that long delays in settling such cases might result in the officers found guilty of negligence escaping necessary punishment. To make the action of the Ministry of Finance in refusing *ex post facto* sanction more effective, the Committee view that pending consideration of the matter by the Public Accounts Committee, the Ministry of Finance as well as the administrative Ministry concerned should jointly 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 Committee in connection with the discussion of such items. The Comptroller and Auditor-General stated that he would arrange that such cases should not be removed from the Objectionable Items Register maintained in the Accounts Office until they have been discussed and commented upon by the Public Accounts Committee.

29. *Use of Postal Franking Machines and Railway Credit Notes*.—Para. 23 (b) of the Audit Report 1950 disclosed cases in which a sum of Rs. 15,292 was fraudulently drawn and misappropriated by a cashier in the Ministry of Commerce and Industry 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. To counteract against the recurrence of such frauds the Committee recommend that in all Offices where the system of using the Postal Franking Machines and Railway Credit Notes does not exist, it should be introduced forthwith.

30. *Losses*.—In the course of the examination of the Accounts relating to the Ministry of Health, the Committee found that the loss of Rs. 1.15 lakhs incurred by the Factory attached to the Madras

Medical Stores Depot was due to recoveries for repairs of instruments undertaken by it having been made at lower rates than the actual cost of labour. The Committee cannot help feeling that if proper vigilance had been observed and labour charges had been ascertained before billing for repairs, the loss would not have occurred. It is clear that the Ministry of Health acted in a 'lackadaisical' manner and has been quite oblivious of the recognised principles of commercial accounting. The whole affair has been managed in an unbusinesslike manner and no promptitude had been shown by the Ministry to revise the rates of charges for repairs as soon as they noticed that there was a corresponding increase in the labour charges. The Committee wish to express their displeasure at the light-hearted manner in which the Ministry has handled the matter and caused a loss to the Exchequer.

31. *Principles for the recovery of charges on account of work done for State Governments, Private Bodies, etc.*—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 allowances of the staff, depreciation charges etc., should invariably be kept in view while enforcing recoveries from private bodies, State Governments etc. on account of the work done or services rendered. In case the accepted commercial principles are infringed, the officers concerned should be held responsible for loss of public money resulting from short recovery from those to whom services are rendered or supplies made.

CHAPTER V

PURCHASES

32. *Whisky deal in the U.K.*—The audit report brings out the fact that a compensation of £400 which was paid unnecessarily could have been avoided if the High Commissioner for India in the U.K. had not entered into a contract with a particular firm which obviously could not implement the contract. The High Commissioner resorted to the purchase in this case without calling for tenders and also did not approach the Government of India for obtaining their sanction to an exemption from the operation of the normal rules. The representative of the Ministry of External Affairs told the Committee that it was useless to call for tenders when the article was in short supply and also that it was never done before. He further added that the High Commissioner did not accept the statement of facts as stated in the audit report that whisky could have been obtained from normal sources. The Comptroller and Auditor-General pointed out that the draft paragraph had been shown to the High Commissioner before it was incorporated in the audit report and he had good reasons to believe that the facts had been stated correctly. The Committee on the suggestion of the Comptroller and Auditor-General agreed that the matter should be examined by the Ministry of External Affairs along with an officer nominated by the Comptroller and Auditor-General and the result of their findings reported to the Committee in due course. In the meantime the Committee reserved their judgment on the merits of the case.

33. *Import of Fertilizers in paper bags.*—The Committee have carefully considered the observations made in para. 26 (c) of the Audit Report 1950 regarding import of fertilizers in paper bags and also the note submitted in this connection by the Ministry of Food and Agriculture (*Appendix VII*). The Committee were anxious to know whether the loss which accrued in this case was attributable to the failure of the Purchasing Mission abroad or due to the lack of vigilance and supervision exercised by the late Ministries of Industry and Supply and Agriculture. After hearing the evidence tendered before the Committee—by the representatives of the Ministries viz. Food and Agriculture and Works, Production and Supply, the Committee have come to the conclusion that there has obviously been some endeavour on the part of the either Ministries to shift responsibility for this huge loss caused to the Exchequer on the other. The Committee note with regret that there is a tendency on the part of

the various Ministries to function compartmentally and that there is apparently want of co-ordination between them. Furthermore, although a period of two years had elapsed, the Ministry of Works, Production and Supply have not so far been able to elicit any reply from the India Stores Department, London to the suggestion made by Government for exploring the possibility of recovering the loss from the suppliers. This is a deplorable state of affairs that our Missions abroad should take so long in replying to communications from the home Government. It is strongly urged that action should be taken by the Ministry concerned against the Officers responsible for such delays. The Committee also desire that the Ministry of Food and Agriculture should immediately investigate the matter further in consultation with the Ministry of Works, Production and Supply and after fixing responsibility in the matter take suitable action against the officers concerned. In order to avoid such 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 the specifications should be taken up immediately with the Ministry of Works, Production and Supply. If in any case it becomes necessary to change specifications after orders have been placed, the financial effect of such changes in specifications should be taken into account before a decision is arrived at. In any case, it should be ensured that by changing the original specifications, there is no undue loss to Government. The Committee also endorsed the suggestion of the Comptroller and Auditor-General that there should be a close co-ordination between the indenting and purchasing Ministries.

34. The Committee noted with deep concern that the purchase of milk powder from abroad had resulted in a loss of about Rs. 21 lakhs to the Exchequer as revealed in the Appropriation Accounts of 1947-48 (post-partition) relating to the late Ministry of Food. It was explained that at the time the offer for the supply of milk powder came from the British Ministry of Food, the variety actually asked for was not available and in regard to the product available, it was stated that it was just as nutritious though a little less soluble. It was added that the order for the supply of the milk powder was placed by the then Secretary of the Department of Food, in consultation with the Viceroy and Governor-General of India, and it was not possible to fix responsibility upon any particular officer. The Committee feel that as the stuff originally ordered was not available, it was logical that Government should have obtained a sample of the substitute variety and actually tried it before placing huge orders for a different variety of the utility of which they were not sure. The Committee also feel that as the supplies were ordered on behalf of the Government of Bombay, their prior approval should

have been obtained before the supply of a variety other than the one originally asked for was agreed to. The Committee while disapproving the unbusinesslike manner in which the whole transaction was carried out, have no desire at this late stage to explore the remote past but would urge that with regard to similar transactions in future, care should be taken that the mistake is not repeated.

CHAPTER VI

AUDIT AND AUDIT REPORTS

35. The Committee now proceed to consider some of the important aspects relating to the conduct of audit, expeditious disposal of Audit Notes and preparation and presentation to Parliament of the Audit Reports and other cognate matters that came to light during the examination of the Accounts for the years under review.

36. *Audit of Grants-in-aid paid by the Government of India to the Central Universities.*—During the course of examination of the Accounts relating to the Ministry of Education, the Committee were told that Government were contemplating to bring forward before Parliament a measure regulating control over the grants paid to the Universities and the conduct of audit thereof through the agency of the Comptroller and Auditor-General of India. The Comptroller and Auditor-General informed the Committee that his own feeling in this matter was that in consonance with the provisions of the Constitution, he should, under the proposed arrangements, submit his Audit Reports to the President who should cause them to be presented to Parliament. The Committee agreed with this view of the Comptroller and Auditor-General and desired that Government should carefully consider the matter and 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.

37. *Audit Reports.*—The Committee noticed a tendency on the part of some Ministries to refute the facts embodied in the Audit Reports which are, as the Committee were told by the Comptroller and Auditor-General, included therein after the statement of facts had been verified by the Executive. This procedure is designed to prevent a subsequent waste of time of the Public Accounts Committee or Parliament owing to any disagreement on facts. Ministries are expected to send their comments on facts within a time limit prescribed by the Comptroller and Auditor-General. The Committee agree with the Comptroller and Auditor-General that it is his duty to call the attention of Parliament through the Public Accounts Committee to any facts which appear to him to indicate an improper expenditure or waste of public money, and it necessarily follows that, for the performance of his duty satisfactorily, he is fully justified in

asking the department for its explanations as may be proper. The Committee strongly disapprove of the failure of certain officials to 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 Ministries to contradict any statement contained in the Audit Reports at the time they appear before the Public Accounts Committee. This can only impede the work of the Committee and defeat the object of Audit and Parliamentary control.

38. *Expeditious disposal of Audit Notes.*—The Committee reiterate the recommendation made in para. 9 of the Report of the Public Accounts Committee for the year 1950-51 in regard to the expeditious disposal of Audit Objections and Audit notes. The Committee further suggest that 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 in the various Ministries and their attached and subordinate Offices and to 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 and the improvements effected in the procedure as a result thereof.

39. *Separation of Treasury functions.*—The Committee were glad to learn from the representatives of the Ministry of Finance that Government had accepted in principle the recommendation made in para. 11 of their report from 1950-51 and that action was being taken to set up an Organisation for treasury work in Delhi. The Committee endorse the views of the Comptroller and Auditor-General in this connection that 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. The matter should, therefore, be expedited and a Central Treasury in Delhi set up without further delay.

40. *Audit of Receipts.*—In regard to the examination by the Committee of the receipt side of the Budget, the Comptroller and Auditor-General stated that as his establishment was inadequate and also as he was confronted with more urgent problems in connection with Part B States, he did not expect that it would be possible for him to undertake the audit of receipts in the near future. He added that in the present circumstances the Committee might examine in greater detail the income-earning Ministries based on the Audit Report on the general financial position of such Ministries, as it

would enable the Committee to have a fair idea of the receipt side of the Government Accounts. The Committee are anxious to apply themselves to the scrutiny of the Receipt and Borrowing sides of the Accounts, and with that end in view, shall be glad if the Ministry of Finance will present to them, in due course, 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 them to make an early start in this connection.

CHAPTER VII

IMPORTANT OBSERVATIONS ON INDIVIDUAL MINISTRIES

41. In the following paragraphs, the Committee shall refer to some of the important questions that they considered in the course of the examination of the Accounts of the various Ministries:—

MINISTRY OF FOOD & AGRICULTURE

42. *Shipping, Clearing and Storage of Imported Food-Grains.*—The attention of the representative of the Ministry of Food and Agriculture was drawn to para 14(c) of the Report of the Economy Committee on the late Ministry of Food and he was asked to state the action that had been taken regarding the appointment of a small committee of experts to overhaul the existing procedure and to suggest improvements in regard to shipping, clearing and storage of imported foodgrains. The representative of the Ministry promised to furnish the Committee with a note outlining the action taken in this respect.

43. *Expenditure on 'Grow More Food Schemes'.*—The representative of the Ministry of Food and Agriculture explained to the Committee why the roseate picture of the working of the G.M.F. Schemes as outlined in the report placed before the Committee by the Ministry could not be reconciled with the actual food situation which had worsened in some of the States *vide* para 2 of the Minutes of the proceedings of the Committee. The Committee feel that 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 and desire that this question should be considered by the Finance Commission.

44. *Sugar (Temporary Excise) Fund.*—The Committee apprehend that the principle underlying the grant of subsidy to the sugar factories as enunciated in the note (*Appendix XIV*) setting out the constitution of this Fund, which was placed before the Committee by the Ministry, is fraught with serious repercussions in the future, both on the trade and the labour. The Committee feel that compensation should not be given for loss of profit, but it should be given only if there was loss on other grounds for which adequate justification existed. It is a matter of satisfaction that the Comptroller and Auditor-General intended asking his Accountant-General to conduct a special audit of this Fund in order to seeing whether the cess which was levied in this case was in consonance with the wishes

of the Legislature. The Committee suggest that the question of costing, calculation of profits and other cognate matters should also be studied by the Accountant-General and his comments, if any, included in the Audit Report.

MINISTRY OF HOME AFFAIRS

45. *Air Travel by the Ministers.*—With reference to the observations made in paragraph 22(c) of the Audit Report, 1950, the Committee were informed that the rules regulating the chartering of planes by the Ministers and other Officers of the Government of India had since been framed. A copy of such rules was also furnished to the Committee and after going through them, the Committee consider that the following provision contained therein was open to abuse:—

“In case a Minister certifies that it is necessary for the purpose of his visit on Government duty to take any other person with him that person too will be treated as an ‘entitled person’.”

The Committee are of the view that Government is not competent to regulate such matters under Executive Orders, and suggest that it would constitutionally be a proper course if they are regulated by legislation. Government should, therefore, introduce necessary legislation in the matter as early as possible.

The Committee also place on record their disapproval of the action taken to waive the recovery of the amounts due from two Ministers who were responsible for allowing some non-entitled persons travelling with them on certain journeys.

46. *Payment of fees to High Court Judges.*—The Committee fully endorse the views expressed by the Comptroller and Auditor-General in paragraph 24(p) of the Audit Report 1950 that it is improper to grant any emoluments to Judges not provided by law. The Committee were glad to learn that Government had accepted the views of the Comptroller and Auditor-General. In the opinion of the Committee payment of fees to the Judges of the Supreme Court or High Court or any other Court or to other Officers who are independent of the Executive Government, viz., the Members of the Union Public Service Commission, Chief Election Commissioner, etc. is likely to lead 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. The Committee consider that any attempt to repeat the instance brought out in the Audit report should be deprecated.

47. *Secret Service Expenditure.*—The Home Secretary informed the Committee that he certified the expenditure incurred on Secret Service only after he had satisfied himself that the money was spent on a proper purpose. The Committee feel that in order to tighten control over Secret Service Expenditure, the Minister of Home Affairs should countersign such certificates after satisfying himself that the check conducted by the Home Secretary has been properly and adequately carried out. It is he who is ultimately responsible for the administration of the Fund to Parliament and it is logical that he should have more direct knowledge of the expenditure and its propriety before he gives an assurance to Parliament that the money spent has been properly accounted for.

48. *Revision of the Classification, Control and Appeal Rules.*—The Committee discussed at some length with the Home Secretary the desirability of amending as early as possible the existing Classification, Control and Appeal Rules, in order to ensure that prompt disciplinary action was taken against Government servants responsible for committing breaches of discipline, irregularities, etc. There is ample evidence that the present elaborate procedure is very procrastinating and it results in affording more protection to a bad Government servant. It was also distressing to know that the U.P. S.C. took several months to consider the disciplinary cases referred to them. In order to put down existing evil or to avoid its spread, it is necessary that prompt action is taken and summary methods are adopted as any undue delays in such cases may tend to undermine the morale of the Government servants as a whole. The Committee attach considerable importance to maintaining the highest integrity of character among Government servants and at the same time to dealing with cases of bad character promptly and in a ruthless manner. The Home Secretary stated before the Committee that a small Committee consisting of a few Senior Secretaries of the Government of India had been appointed to consider the question of simplifying the existing procedure for dealing with such cases. It was added that they had also in view a proposal to appoint an Administrative Tribunal on the lines of the one existing in the U.P. or Madras to deal with disciplinary cases. The Committee suggest that the process of simplifying the existing procedure should be expedited so that such cases are dealt with expeditiously and Government servants maintain a proper standard of efficiency, honesty, integrity of character and impartial outlook. The Committee desire that as soon as the Report of the Special Committee is ready, a further Memorandum suggesting measures for remedying the situation should be submitted to the Committee by the Ministry of Home Affairs.

MINISTRY OF INFORMATION & BROADCASTING

49. *Losses on All India Radio Journals.*—The Committee viewed with great concern the losses sustained in the publication of the various Radio Journals as revealed in the Commercial Appendix to the Appropriation Accounts (Civil) 1948-49 and desired to know what remedial measures had been taken by the Ministry to reduce them. The Ministry of Information and Broadcasting has furnished a Memorandum stating the various measures since adopted by them to counteract the losses sustained in the publication of the Journals named *Indian Listener*, *Betar Jagat*, *Vanoli* and *Nabhovani* (Appendix XLI). While the action taken by the Ministry in the matter is appreciated, it might be considered whether by making a nominal increase in the Radio Licence Fee, and in lieu thereof, supplying a copy of the Journal (published in one of the Regional languages) *gratis* to the licensee, a portion of the losses at present sustained will be met.

50. *Commercialisation of the accounts of the A.I.R.*—The Committee were alarmed to learn that the working results of the A.I.R. showed a net loss of Rs. 91,87,502 in the year 1948-49 against Rs. 57,45,720 in 1947-48. In the light of these continuing and increasing losses, Government should examine urgently the suggestion made by the Public Accounts Committee of 1945-46 that the accounts of the A.I.R. should be commercialised. In addition to this, a vigorous economy campaign should be launched so that all superfluous expenditure in any shape or form is eliminated. The Committee would like that the results of the consideration and examination of these suggestions are placed before them as early as possible.

MINISTRY OF LAW

51. *Chief Election Commission.*—During the course of the evidence tendered before the Committee, the Secretary, Ministry of Law stated that that Ministry was administratively concerned with the running of election. The idea of setting up the Election Commission under the Constitution was to secure its independence from political influence and even Governmental interference. The Committee are anxious that the independence of the Commission should be safeguarded and no Ministry of the Government should normally act as a supervisory administrative authority over its affairs.

MINISTRY OF EXTERNAL AFFAIRS

52. *Recovery of Pakistan's share of combined contribution to the U.N. International Organization.*—A note showing India's contributions to the U.N.O., F.A.O. and I.C.A.O. during the period under review was submitted to the Committee (Appendix XXXI). It was

stated by the representative of the Ministry of External Affairs that according to the International Organisation Order, 1947, India was given the position of the successor Government to the undivided Government of India and had therefore to take on both the assets and the liabilities. Until a decision on the share of contributions of Pakistan and India was arrived at, India Government had to pay the whole amount which was being paid by the undivided Government of India. Although Pakistan had accepted the liability in some cases for her part of the contributions while in others she had not done so, she was not yet prepared to discharge it until the main question of the overall financial settlement between the two countries had been decided. The Committee feel that since these payments were made after the Partition, it is illogical that the Government of Pakistan should postpone payment on the pretext that a settlement of the financial question relating to the period before Partition has not yet been reached. The Committee, therefore, desire that steps should be taken to effect from the Pakistan Government the recovery of the amounts due from them without waiting for the final debt settlement. The Committee should also be furnished with a statement showing the total amount paid by India to the U.N.O. and other international Organisations on behalf of Pakistan.

53. *Administration of the scheme of Assistance.*—The Committee considered the note (*Appendix XXX*) showing the administration of the Scheme of Assistance to the evacuees from Burma, Malaya, etc. furnished by the Ministry of External Affairs with reference to Note 8 at page 355 of the Appropriation Accounts (Civil) 1948-49. The Committee were informed by the representative of the Ministry that the chances of recovery of the advances were very slender and that actually the position had come to such a stage that the recovery would be less than the cost involved in its collection. As the expenditure which was being incurred on the running of the organisation for effecting recoveries was proving infructuous, the Committee suggest that Government should consider the expediency of writing off the outstanding amount and winding up the organisation dealing with this work. The Ministry should also ask the State Governments concerned to render proper accounts by the 30th September, 1951 of the total amounts advanced by them under the scheme. A report showing action taken in the matter should be submitted to the Committee in due course.

MINISTRY OF TRANSPORT

54. *Financial settlement with U.K. Ministry of Transport in respect of Indian registered ships requisitioned by them during the last war (Referred to in para. 23(d) of the Audit Report 1950).*—The Committee were informed that as a result of discussions between

the two Governments the difference between the India Government's claim and the U.K. Government's figure had narrowed down to Rs. 33 lakhs but no payment had so far been received. In view of the delay that has already taken place in the settlement of this matter, it is suggested that the Government of India should obtain early payment of what the Government of the U.K. has at present agreed to without prejudicing the question of the final settlement. The Committee also desire that an early settlement should be reached with the Government of the U.K. 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.

55. *Ports and Pilotage*.—The Committee noted that the expenditure under the head 'Ports and Pilotage' was more than the receipts. In order to arrive at a balanced account, the Committee suggest that the Ministry should consider in consultation with the Accountant-General, Central Revenues and the other Accounts Officers concerned 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 i.e., separate Accounts should be prepared for the various Heads, viz., Shipping Officers, Mercantile Marine Department, Training Ship, etc. It is also suggested that Government should consider the desirability of so regulating the pilotage charges, shipping charges, etc. that the deficit is wiped off and this Department made self-supporting.

56. *Accounts of Port Trusts*.—The Comptroller and Auditor-General informed the Committee that he was looking into the relevant Acts relating to the Port Trusts in order to see whether the Audit Reports on their accounts should be submitted to Parliament so that it may have an opportunity of appraising their financial position. A report on the subject should be submitted to the Committee in due course.

MINISTRY OF WORKS, PRODUCTION & SUPPLY

57. *Disposal of brass rods, bars, etc. referred to in para 24 (i) of the Audit Report 1950*.—The Committee wish to observe that the whole transaction mentioned in this para. had been conducted in a most unbusinesslike manner. They fail to understand why the brass rods, bars, etc. were not offered to the highest bidder. After carefully considering the evidence tendered before them by the representative of the Ministry, the Committee are led to the conclusion that the position was unsatisfactory. They apprehend that the deal is not free from suspicion and needs further investigation. The

Committee recommend that the question of fixing responsibility in this case should be carefully gone into and a report showing action taken in the matter submitted to them in due course.

58. *Losses owing to the exposure of salt stocks.*—The Committee noted with much concern that losses to the tune of Rs. 60,000 a year were incurred due to the lack of covered accommodation for the storage of salt as a result of which certain quantity of salt got washed away. To remedy this state of affairs, it is suggested that the question of capitalising the amount of losses by providing covered accommodation for the storage of salt should be examined.

59. *Central Public Works Department.*—After examining the accounts relating to the C.P.W.D. and the evidence tendered before them, the Committee desire to place on record their observation that they were dissatisfied with the unsatisfactory state of affairs prevailing in this Department. As regards the particular instances of irregularities which came to their notice attention is invited to paras 45, 47 and 58 of the minutes of the proceedings.

MINISTRY OF FINANCE

60. *Expenses of the Ministry of Commonwealth Relations, U.K.—Contribution to His Majesty's Treasury (cf. page 127 of the Accounts, Note 3).*—The Committee were informed by the representative of the Ministry of Finance that it had since been decided to take over the work relating to payment of military pensions from the U.K. Government and that the taking over process would start from October, 1951. It was hoped that by April, 1952 the Government of India would have taken over the entire work. The Committee shall be glad to know, in due course, the progress made in the matter. The Committee also desire to know whether the Commonwealth Relations Office is 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 takes over the work relating to payment of pensions.

MINISTRY OF COMMUNICATIONS

61. *Subsidy to Air-line Companies.*—The Committee discussed briefly with the representative of the Ministry regarding the working of the Air-India International and Air India Ltd. It is suggested that the Ministry should examine whether it would be more advantageous for the Air-India International to make its own arrangements for booking.

As regards the general question regarding the grant of subsidy to other Air-line Companies, Government should evolve some commercial principles for regulating such payments. The Committee shall be glad to know, in due course, the action taken in the matter.

CHAPTER VIII

POSTS AND TELEGRAPHS DEPARTMENT

62. *Financial working of the P. & T. Department.*—The following table shows the original and final grants and charged appropriations and the expenditure actually incurred against each during the year 1948-49:—

(In lakhs of rupees)

		Original grant or Appropriation	Final grant or Appropriation	Actual expenditure
Total expenditure met from Revenue	(Charged) (Voted)	97 24,85	97 24,85	95 26,20
Total expenditure met from Capital		3,61	3,61	3,92
Grand Total		29,43	29,43	31,07

There was thus an excess of Rs. 164 lakhs or 5.5 per cent. over the final grant.

63. *Excess over voted grants.*—In the following cases, actual expenditure exceeded the voted grants:—

Item No.	Name of Grant	Final Grant	Actual Expenditure	Excess
1	9-Indian Posts and Telegraphs Department.	24,34,73,000	25,20,44,359	1,35,71,859
2	90-Capital Outlay on Indian Posts and Telegraphs.	3,50,95,000	3,83,31,953	22,35,953
3	91-Indian Posts and Telegraphs Stores Suspense (outside the Revenue Accounts).	1,000	9,05,855	9,04,856

As already recommended by the Committee in paragraph 12, no formal regularisation of the above excesses by Parliament is called for.

64. *Budgeting and control over expenditure.*—The suggestions made by the Committee in regard to the raising of the standards of budgeting, etc. in Chapter III will also apply *mutatis mutandis* to the Posts and Telegraphs Department.

The Committee noticed some glaring instances of defective budgeting and control over expenditure in the P. & T. Department, as brought out in para. 12 of the Audit Report. Attention of the representatives of the Department was drawn to Grants Nos. 9, 90 and 91 under which the expenditure had exceeded both the original and the final grants and no supplementary grants were obtained to cover the excesses over the voted provisions under any of these three Grants. The Committee express their strong dissatisfaction over the manner in which the Department has exercised control over expenditure and also over the laxity of the Ministry of Finance in not giving proper advice to the Department or in not keeping an eye over their financial affairs. Greater importance should be attached to the correctness of budgeting in the P. & T. Department which is a commercial department. It is imperative that measures should be devised in consultation with the Ministry of Finance (Communications) whereby the P. & T. Department is constantly in touch with the figures of progressive expenditure so that no expenditure in excess of the sum voted is incurred. The Committee shall be glad to know, in due course, of the action taken in the matter.

65. *Renewals Reserve Fund.*—The Committee were glad to know that the Posts and Telegraphs Department had accepted the recommendations made in para. 75-P of the report of the Public Accounts Committee for the year 1945-46 for the appointment of a Committee to determine the average life of the assets of the P. & T. Department so as to evolve a scientific and rational basis for contribution to the Renewals Reserve Fund in accordance with the accepted commercial practice. Further action in the matter should be expedited and the findings of the Committee proposed to be constituted in this connection and the decisions of Government on such findings should be placed before the Committee in due course.

66. *Mechanisation of Stores Accounting in the P. & T. Department.*—The Committee should be informed, in due course, of the final decision arrived at by the Department in introducing this system.

67. *Avoidable recurring expenditure on free supply of meals and tea to a section of the staff of the Calcutta Telephone District.*—The Committee feel that the continued grant of free meal concession to only one section of the telephone staff recruited between April, 1943, and December, 1947, even after the introduction of the new scales of pay, while it has been denied to other similar staff employed in the same building and for doing the same kind of work, is not justified. The Committee would like to comment that at the time the staff of Bengal Telephone Corporation was brought on the New Scales of Pay promulgated by the Central Government, the loss on

account of stoppage of such amenities should have been evaluated in terms of money and the staff concerned compensated to that extent by fixing their pay at an appropriate stage in the new scale instead of continuing the old practice. The Committee do not approve of the principle of discrimination in the grant of concessions between particular sections of the staff and suggest its discontinuance. The Ministry of Communications should, in the light of the above observations, examine the whole matter *de novo* in consultation with the Ministry of Finance and the Comptroller and Auditor-General. A note setting forth the position and the decisions arrived at in the matter should be submitted to the Committee in due course.

68. *Loss by fire in the Calcutta Exchange.*—During the course of the evidence tendered before the Committee by the representative of the Ministry of Communications, it was admitted that the fire-fighting equipment in the Calcutta Exchange was not adequate at the time of the fire and the periodic fire drills were not being held. It was also stated that the head of the administration there had been censured by Government and strictures were also passed on a few other officers for their negligence in not ensuring that the fire-fighting appliances were kept in order. The Committee are constrained to observe that mere censuring or passing of strictures against officials found guilty of gross negligence is not an adequate punishment, considering that apart from the inconvenience caused to the public, it had resulted in a loss of Rs. 12 lakhs to Government as a result of the fire. The Committee should be furnished with a summary of the report of the Departmental Committee appointed by the Government to investigate into this matter, together with a statement showing action taken by Government to locate the cause of the fire, as also the action taken against the officers found negligent in their duties. The Committee also suggest that the Government of India should issue strict instructions to all the Ministries and their attached and subordinate offices, that every inspecting officer should keep a continuous watch that the instructions issued by Government in regard to fire precautions are being observed properly and adequate action should be taken in cases in which it is found that instructions have not yet been obeyed or the inspection properly carried out.

69. *Postal Life Insurance Organisation.*—The Committee desire that consequent on its transfer from the Audit Department to the Posts and Telegraphs Department under the Ministry of Communications, the Postal Insurance Organisation should be run on commercial lines and that a balance sheet in respect thereof duly countersigned by the Audit Officer concerned appended to the Commercial Appendix to the Appropriation Accounts. The Committee also recommend that it should not be run as an ordinary Government department, but on sound business lines.

70. *Demand for a separate Press for the P. & T. Department.*—It was brought to the notice of the Committee that there was a general complaint regarding the shortage of postal forms which was causing great inconvenience to the public at large especially in rural areas. The Comptroller and Auditor-General informed the Committee that apart from the shortage of forms required for public use, there was also a shortage of the Accounts forms. The accounts were coming in all sorts of scrappy manuscript forms and there was a grave risk of the preparation of bogus accounts and returns resulting in frauds. It is important that no kind of parsimony or inefficiency should be tolerated in regard to stocking of adequate numbers of forms of all kinds and their distribution to proper quarters. Explaining the main hurdle in their way, the representative of the P. & T. Department told the Committee that they had no direct control over the printing of forms and they had to depend on the Controller of Printing and Stationery in this matter. It was pleaded by him that the P. & T. Department, which was a commercial Department, should be allowed to make their own arrangements for their printing requirements as in the case of Railways. The Committee take a serious view of the grave shortage of forms which, they agree are due to the difficulties experienced by the P. & T. Department in their dealings with the Printing and Stationery Department. The Committee recommend that the whole matter should be examined carefully and urgently and any defect noticed in the course of such examination removed forthwith. The Committee strongly support the demand of the P. & T. Department that they should either be provided with a separate printing 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 P. & T. Department should be permitted to make necessary arrangements for the printing of their forms with private presses and they should not be required to send their work to Government Presses. This procedure, if adopted, will have the advantage of relieving the Government Presses which are already hard pressed from this enormous printing task and enable them to execute other pressing printing work promptly and efficiently. The Committee shall be glad to know, at an early date the remedial measures taken by the Government to resolve the difficulties experienced by the P. & T. Department and putting this matter on a satisfactory basis in the immediate future.

CHAPTER IX

CONCLUSION

71. *Minutes of proceedings.*—The Committee append the Minutes of the Proceedings which they desire to be regarded as part of the Report.

72. *Presence of the representatives of the Ministries at the Meetings of the Public Accounts Committee.*—The Committee would like to reiterate the recommendations made by the Committee of 1943-44 in Para. 57 of their Report (Proceedings portion) that the Secretaries to the Ministries or Heads of Departments should invariably appear before them at the time of the examination of the Accounts relating to their Ministries or Departments. The Financial Advisers accredited to the Ministries should also appear in person and not depute their subordinate officers.

The Committee while appreciating the assistance rendered to them in the examination of the accounts by the Secretaries and other Officers of the various Ministries and Departments who appeared before them, wish to observe that some of them were not thoroughly prepared and lacked full knowledge of the working of their Ministries and attached and subordinate offices under their control. The Committee desire that the Secretaries of the Ministries and Heads of Departments, on whom the final and undivided responsibility rests for the efficient and proper administration of their Ministries and Departments, should be fully conversant with and properly briefed on the various matters concerning their Departments so that when they appear before the Committee they are more helpful in the expeditious disposal of their work.

B. DAS,
Chairman,
Public Accounts Committee.

NEW DELHI;
The 26th February 1952.

CHAPTER X

PROCEEDINGS OF THE FIRST MEETING OF THE PUBLIC ACCOUNTS COMMITTEE HELD ON MONDAY, THE 9TH JULY, 1951.

The Committee met from 9 A.M. to 1 P.M.

Those present were:

Shri B. Das—*Chairman*.

Shri M. L. Dwivedi

Pandit Krishna Chandra Sharma

Pandit Munishwardatt Upadhyay

Shri Tribhuan Narayan Singh

Shri H. S. Rudrappa

Shri S. N. Das

Shri B. N. Munavalli

Shri Ram Chandra Upadhyay

Dr. Mono Mohon Das

Shri M. V. Ghule.

} *Members*

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues.

Shri R. P. Sarathy, Accountant-General, Food, Rehabilitation
and Supply.

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

WITNESSES

*Present during the examination of the Appropriation Accounts
relating to the Ministry of Food and Agriculture:—*

Shri K. L. Punjabi, I.C.S., Officer on Special Duty, Ministry of
Food and Agriculture.

Shri P. A. Gopalakrishnan, I.C.S., Joint Secretary, Ministry of
Food and Agriculture.

Shri C. V. Narasimhan, I.C.S., Deputy Secretary (L.R.) and
Chairman, Central Tractor Organisation.

Shri J. Banerjee, I.F.S., Deputy Inspector General of Forests,
Ministry of Food and Agriculture.

Shri T. Prasad, Officer on Special Duty (Sugar), Ministry of
Food and Agriculture.

Shri J. S. Raj, Under Secretary, Ministry of Food and
Agriculture.

Shri G. Mathias, Deputy Secretary, Ministry of Finance. —

*Present during the examination of the Appropriation Accounts
relating to the Ministry of Labour:—*

Shri V. K. R. Menon, I.C.S., Secretary, Ministry of Labour.

Shri S. N. Roy, Acting Director-General, Resettlement and
Employment.

Shri A. K. Roy, Joint Secretary, Ministry of Finance (I. & C.
Division).

*Present during the examination of the Appropriation Accounts
relating to the Ministry of Law:—*

Shri K. V. K. Sundaram, I.C.S., Secretary, Ministry of Law.

Shri K. N. Nair, Deputy Secretary, Ministry of Finance.

SUPREME COURT

Shri S. N. Sharma, Assistant Registrar, Supreme Court.

Ministry of Food and Agriculture

73. At the outset, the Committee took up consideration of the various items relating to the Ministry of Food and Agriculture outstanding in the 'Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee'. The Committee first took up item 35-A of the statement and considered the note showing the clearance of the outstanding recoveries on account of food-grains supplied to the Provinces (now States) submitted by the Ministry. It was pointed out by the Comptroller and Auditor-General that there were a number of discrepancies between the figures given by the Ministry and those worked out in the books of the Accountant-General. The representative of the Ministry stated that while such a state of affairs should not exist, it was due to the fact that there was always a time-lag in the adjustment of accounts in the books of the Accountant-General owing to various causes. The Comptroller and Auditor-General stated, however, that it was not a question of time-lag, but that it was due to the lack of adequate information being supplied in good time to the Accountant-General. The Committee felt that the primary responsibility for the adjustment of amounts due from the States rested

with the Ministry itself and in order to ensure an early clearance of the outstandings, it was suggested that an experienced officer from the Ministry and another officer from the Accountant-General's office should in consultation with each other settle this matter at an early date. The Committee in this connection desired to know from the representative of the Ministry of Finance as to how he viewed the situation. Explaining the latest method, the spokesman of that Ministry stated that the present position was that accounts were settled every three months. The Accountant-General, Food also informed the Committee that under the present system the States had got to make payment within a fortnight after the supply had been made. The Committee also noted that the representative of the State concerned was always present at the port to take charge of the food-grains allocated to the State concerned and this facilitated the settlement of accounts quickly.

74. The Committee then drew the attention of the representative of the Ministry to Para. 14(c) of the Report of the Economy Committee on the late Ministry of Food and desired to know what action had been taken on the recommendation regarding the appointment of a small committee of experts to overhaul the existing procedure and to suggest improvements in regard to shipping, clearing and storage of imported foodgrains. The representative of the Ministry promised to furnish to the Committee a note outlining the action taken in this respect. The Committee also wanted to know what steps had been taken to secure rebate from the foreign shippers for foodgrains imported from abroad and desired to be supplied with a note on the subject. The Committee considered the question of loss of foodgrains in transit and desired to be furnished with a note showing the percentage of loss of foodgrains from the place of origin to the destination and whether Government had made any claims on the Railways and the insurance companies for such losses and, if so, with what result. The Committee then proceeded to consider the report on 'Grow More Food Schemes' submitted by the Ministry pursuant to item 35-B of the statement of outstanding recommendations. The representative of the Ministry informed the Committee that since the Economy Committee had examined this question, they had examined it further at great length and one improvement which they had introduced was the conducting of random sample surveys for assessing the results of the G.M.F. schemes. This was done partly under the auspices of the State Governments and partly under the Central Government, and as a result of this survey, they had come to the conclusion that altogether there was an over-estimate by only 15 per cent., that is to say, if the increase was reported as 100 tons, the actual increase was only 85 tons, which meant that the increase was not correct by about 15 per cent. The Committee desired to

know the reasons why the roseate picture of the working of the G.M.F. schemes as outlined in the report could not be reconciled with the actual food situation which had worsened in some of the States in India. The representative of the Ministry attributed it to two factors—first, the increase in population and, secondly, increase in consumption standards. He further said that the G.M.F. work would have shown good results had not there been bad agricultural seasons and visitation of natural calamities during the year 1949-50. Explaining the method of the calculation, of the increase due to the G.M.F. schemes, it was stated that in some cases this was assessed on the basis of the reclamation of 'kans' land, that is to say, land which was once under cultivation and had gone out of cultivation because of the infestation by weeds, and in other cases, it was appraised on the basis of the net result arrived at by comparing the production from the adjacent land which had not been reclaimed with that from the land reclaimed. In some cases, it was assessed on the basis of the quantity of good seeds and manure supplied to the peasants. The Committee characterised this method as 'very empirical' and apprehended whether this kind of assessment did not really undermine the responsibility of the State Governments. The Committee felt that the Central Government should not take direct responsibility in matters of agricultural development which had better be left to the State Governments. The Committee wished that this question should be considered by the Finance Commission in the near future. The Committee also desired to be furnished with a statement showing the total amount of loans given to the State Governments on account of G.M.F. schemes, the amount recovered up-to-date and the balance.

75. The Committee then proceeded to consider the financial and administrative aspects of the review on the working of the Central Tractor Organisation submitted to them pursuant to item 36 of the Statement referred to above. The Chairman of the C.T.O. informed the Committee that a Senior Officer of the Indian Audit and Accounts Service had been put on the job and accounts up-to 31st March, 1950, had been brought up-to-date and checked by the A.G.C.R. Another step taken to remedy the discrepancies in the store-accounting was the introduction of two inventory systems and stock-taking whereby at the end of the season it could be known whether the stock in hand reconciled with the opening balance *plus* receipts *minus* issues. The Committee was assured that the accounts of C.T.O. would be as satisfactory as those of any commercial concern by the end of the financial year 1952. In reply to a question whether the C.T.O. was working at a loss or gain, it was stated that it was supposed to run on a no-profit no-loss basis and all expenditure incurred on its working had

to be recovered from the State Governments on whose behalf ploughing and reclamation was undertaken by the Central Tractor Organisation. It was further stated by him that the present accounting year which ended on 31st March was very inconvenient as it was a date on which their work had been in progress for three months with more than two months still to go. To regulate the recovery they had suggested that their year should be reckoned from 1st July to 30th June. As regards the basis on which the States were charged for work with the old D:7 machines, it was stated that the sum of Rs. 12/8/- per working hour charged for represented the net amount on account of depreciation, hiring of the machine and wages of the operators. In addition, the State Governments had to pay for all direct charges—petrol, oil, etc. The Committee was told that on the basis of this rate they were short of Rs. 7 lakhs up to the 31st March 1950 and it had accordingly to be raised to Rs. 16 per hour which the State Governments had agreed to pay as the original rate of Rs. 12/8/- was only a provisional one. Even on the basis of this increased rate, viz., Rs. 16 per tractor per hour for work with the old units, the total did not come to more than Rs. 52 per acre. Now that these old tractors were proving uneconomical, ploughing by them had been stopped. The Ministry were now concentrating on the work by the new machines purchased with the proceeds of a loan from the International Bank. These new machines cost about Rs. 39 lakhs to run during the operation season 1950 and the actual acreage reclaimed was so low that the recovery from the States concerned would have to be made at the rate of Rs. 82 per acre. It was estimated that there would be a loss of about Rs. 10—12 lakhs over the working during the last season at the reduced rate of Rs. 52 an acre over approximately 39,000 acres. The Committee hoped that this year the rates would be settled. Replying to the charge that a number of tractors had been kept idle, it was stated that this applied only to the old machines, and the average did not exceed 10—15 per cent. in each case. So far as the new machines were concerned, they did not work for the full period last year when they did only 40,000 acres. They had done 225,000 acres this year. As regards the position regarding spare parts, it was admitted that it was not satisfactory, and the Organisation had undertaken a detailed scrutiny to arrive at a safe balance. The Committee noted the improvement made in the working of the Central Tractor Organisation since they last reviewed the position and hoped that by the time the Accounts were taken up next year, things would have stabilized.

76. As regards reclamation of terai areas of U.P. in respect of which a report had been called for by the Committee (*vide* item 36A of the Statement of outstandings) it was stated that there was going to be a meeting of the State Governments the following week and

the F. & A. Ministry would impress on them the importance of anti-erosion measures. The Committee desired to be apprised in due course of the action taken in the matter.

77. The Committee then proceeded to consider the Appropriation Accounts (Civil) of 1947-48 (post-partition).

Grant No. 85-Sub-head B.1(1)-Account 1.

In reply to a question as to why a saving of Rs. 4,10,097 under this Grant could not be surrendered in time to avoid lapse of funds, it was stated that the saving occurred as a result of non-purchase of certain equipments—sawmill equipment from England and non-purchase of elephants. It was stated that the contemplated purchase of elephants did not materialize and they were expecting that the equipment from England would arrive before the end of the year. The Committee commented on the lack of proper control over expenditure and observed that had this amount been surrendered in time, Government would have utilized it in some other useful direction. The Committee urged the necessity of tightening the procedure for control over expenditure.

78. The Committee noted that purchase of milk powder from abroad resulted in a loss of about Rs. 21 lakhs to the Exchequer. It was admitted that at the time the offer for the supply of "spray processed" milk came from the British Ministry of Food, the then Food Department was informed that the "roller" variety was just as nutritious as the "spray" variety, the only difference being that it was less soluble than "spray processed" milk powder. The Department of Food indicated on reply that "spray processed" milk powder would be preferable and the "roller" variety could be accepted only if "spray processed" milk powder was not available. As "spray processed" milk powder was not available, the Government of India were supplied with 1,507 tons of "roller" milk powder. It was only later the British Government reported that it was difficult to make milk out of "roller" milk powder. It was explained that as the order for the supply of milk powder was placed by the then Secretary of the Department of Food in consultation with the Viceroy and Governor-General of India, it was not possible to fix any responsibility upon any particular officer or officers. The Committee observed that in such cases, before huge orders were placed, Government should have got a sample of the stuff and actually tried it. They commented adversely upon the unbusinesslike manner in which the whole transaction had been carried out. The Committee was constrained to remark that it was a criminal waste of public funds. They desired to be furnished with a detailed note surveying the

various stages of the deal leading up to the loss. The Committee desired to know whether any such losses had occurred subsequently and also what steps had been taken to prevent recurrence of any such losses.

79. The Committee next took up the examination of the Appropriation Accounts (Civil) 1948-49 and Audit Report 1950. They first took up para. 26(a) of the Audit Report wherein it was stated that the Chairman of the C.T.O. had made purchases of machinery, stores etc. of the value of Rs. 1,29,534 though his power was limited to Rs. 1,000 only. The Committee desired to know the circumstances, which, in disregard of the rules, made it possible for the Chairman of the Central Tractor Organisation to make such huge purchase under his own powers. The Spokesman of the Ministry stated in reply that all the purchases were made in the public interest to get the spares as quickly as possible. At present there is a system of running-rate contract under which the indent is being placed with the D.G.S. & D. At that time this system did not exist. The Committee was told that the limit of financial power for the purchase of spares vested in the Chairman, Central Tractor Organisation, had since been raised to Rs. 10,000. It was, however, admitted that irregularities had been committed in this case.

The Committee then took up para. 26(b) of the Audit Report and desired to know the results of the investigations of the irregularities and suspected misappropriation of money referred to therein. As the time for the examination of the Accounts of the Ministry was over, the Committee desired that they should be furnished with written replies to the points that were not covered in the meeting. (The replies sent by the Ministry of Food and Agriculture to the various points raised by the Committee are contained in *Appendices VII to XI, XIV and XV* to this Report).

Ministry of Labour

80. The Committee first took up item 53 in the 'Statement showing action taken on the recommendations of the Public Accounts Committee'. The representative of the Ministry of Labour informed the Committee that the matter was under correspondence with the Government of Bihar and that Government had agreed with the Government of India that disciplinary action should be taken against the Officer concerned.

81. With reference to the comments contained in para. 23 of the Audit Report 1949 (Post-partition) regarding the infructuous expenditure of approximately Rs. 70,000 having been incurred as a result of the delay in deciding the future of the Training Centre, it was

admitted by the representative of the Ministry that the delay could have been shortened if a decision in the matter had been arrived earlier. The Committee observed that the mere reason that the Government delayed its decision to wind up the training Centre did not constitute an adequate justification for having incurred an infructuous expenditure of Rs. 2,500 per month for more than two years. The Committee further observed that the instance showed a lack of perception and proper planning on the part of the Ministry.

82. The Committee then took up group-head B.1(2)—page 364 of the Appropriation Accounts (Civil) 1948-49—'Employment and Re-settlement Organisations'. The Committee desired to know how far the expenditure on the organisation had been justified in so far as employment had been secured for persons in non-Government Organisations as that alone constituted the real test for the existence of the Organisation. The Committee was informed that the Employment Exchanges were becoming increasingly popular with non-Governmental organisations. Over 6,000 industrial undertakings were taking advantage of the Employment Exchange Organisation and that placements of the unemployed persons among the non-Governmental undertakings were going up daily. The Committee wanted to know what percentage of the unemployed had obtained jobs in non-Governmental organisations through the Exchange. The representative of the Ministry said that they had got the necessary data and promised to furnish the Committee a copy of the fortnightly and other reports.

The Committee commented at the huge expenditure incurred on the publication of a periodical by the Ministry of Labour, namely, Employment News and desired to know the total number of copies printed and the cost involved annually. The Committee were promised to be furnished with this information. On a question being raised whether the expenditure incurred was commensurate with the results achieved, it was stated that the expenditure incurred on the publication of the periodicals was fully justified to make the Exchanges popular.

• 83. The Committee then proceeded to deal with Group-head C. 15 (page 372 of the Accounts) and desired to know the working of the scheme of Technical and Vocational Training for Adult Refugees (expenditure about Rs. 39 lakhs in 1948-49). The Committee was informed in this connection that the training scheme for adult refugees was being administered by two Ministries viz., Labour and Rehabilitation. There were certain trades or occupations for which the Ministry of Rehabilitation were not in a position to provide the necessary training facilities without incurring a larger expenditure. The Ministry of Labour, on the other hand, had got those facilities

in their Training Centres. So the Ministry of Rehabilitation sanctioned the training of refugees at the Training Centres of the Ministry of Labour.

Explaining the reasons for the surrender of the amount provided for under sub-head C-9—Grant No. 81 (page 371), it was stated that this was due to the fact that the Ministry of Labour could not provide training facilities in that year. Therefore, they had to surrender the entire amount. In reply to another question about the total number of trainees who had completed their training, it was stated that the figure stood as 31,900 including displaced persons, and 90 per cent. of them were employed.

Ministry of Law

84. The Committee desired to know the budgetary control, if any, exercised by the Ministry of Law over the Supreme Court. The spokesman of the Law Ministry informed the Committee that they were really not administratively or in any other sense in charge of the Supreme Court. Even their Budget did not come to that Ministry but was sent direct to the Ministry of Finance. Somehow or other, it was included in the Grants under the Ministry of Law just for moving the Grants in the House. Apart from that they had nothing to do with the Budget or the expenditure of the Supreme Court.

85. As regards the constitution of the Election Commission, the Committee was informed that the Law Ministry was administratively concerned with the running of elections. But the functions of the Election Commission had been defined in the Constitution itself. For financial sanctions, the Commission had to approach Government through the Ministry of Law. The expenditure incurred by the Election Commission was of two kinds *viz.*, expenditure on the Commission itself, that is, administrative expenses of the Commission, and expenses on running the elections, such as preparation of the electoral rolls, printing of ballot papers etc.

86. On a point being raised by the Comptroller and Auditor-General whether any agreement regarding apportionment of election expenses between the Centre and the States had been reached, it was stated that there was an agreement with all the State Governments that all additional expenditure incurred by them for running the elections as well as for preliminary work like preparation of electoral rolls, etc. would be shared equally between the Centre and the States concerned. The entire expenditure, it was stated, would in the first instance be incurred by the State Governments. It was added that a copy of the comprehensive instructions issued in the matter had been sent to the Comptroller and Auditor-General and the Accounts Officers concerned.

Supreme Court

87. The Committee then proceeded to examine the Accounts relating to the Supreme Court. It, however, observed with regret that the Registrar of the Court could not appear before them as he was on leave and a junior officer had been deputed to appear before the Committee. The Committee decided to postpone the examination of these Accounts.

The Committee in this connection desired to reiterate the recommendation made by a previous Committee that the heads of Ministries or Departments should invariably appear before them personally in connection with the examination of their Accounts.

In case they were not able to come personally for any unforeseen reasons, a senior officer should be deputed, with the permission of the Chairman, to attend the meetings of the Committee. The Committee further desired that if the head of the Department was not able to attend the meetings of the Committee an intimation to that effect should in any case be sent to them well in advance so that they could revise their programme accordingly, if considered necessary.

PROCEEDINGS OF THE SECOND MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 10TH
JULY, 1951.

The Committee met from 9 A.M. to 1 P.M.

Those present were:—

Shri B. Das—*Chairman.*

Shri M. L. Dwivedi
Pandit Krishna Chandra Sharma
Pandit Munishwardatt Upadhyay
Shri Tribhuan Narayan Singh
Shri H. S. Rudrappa
Shri S. N. Das
Shri B. N. Munavalli
Shri T. H. Sonavane
Shri Ram Chandra Upadhyay
Dr. Mono Mohon Das
Shri Gokul Lal Asawa
Shri M. V. Ghule.

} *Members.*

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

Shri B. N. Sen Gupta, Accountant General, Central Revenues.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

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

WITNESSES

*Present during the examination of the Appropriation Accounts
relating to the Ministry of Home Affairs:—*

Shri H. V. R. Iengar, I.C.S., Secretary, Ministry of Home-
Affairs.

Shri K. N. Nair, Deputy Secretary, Ministry of Finance.

Shri B. S. Nakra, Deputy Secretary, Ministry of Finance,
Delhi Province.

Shri Rajkumar, Under Secretary, Ministry of Finance (re-
presenting Delhi Administration).

Present during the examination of the Appropriation Accounts relating to the Ministry of States:—

Shri N. M. Buch, I.C.S., Secretary, Ministry of States.

Shri G. Swaminathan, Joint Secretary, Ministry of States.

Shri K. N. Nair, Deputy Secretary, Ministry of Finance.

Present during the examination of the Appropriation Accounts relating to the Ministry of Information and Broadcasting:—

Shri P. C. Chaudhuri, I.C.S., Secretary, Ministry of Information and Broadcasting.

Shri C. B. Rao, I.C.S., Deputy Secretary, Ministry of Information and Broadcasting.

Shri R. Narayanaswami, Joint Secretary, Ministry of Finance (Communications Division).

Ministry of Home Affairs

88. The Committee took up consideration of the note submitted by the Ministry of Home Affairs pursuant to item 55 of the 'Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee' in which the previous Committee had suggested that the review of the Classification, Control and Appeal Rules should be considered as early as possible in order to ensure that prompt disciplinary action was taken against Government servants responsible for committing irregularities, etc. The Committee was not satisfied with the conclusion arrived at in the note from the Ministry wherein it was stated that the existing rules relating to disciplinary conduct did not require any material modification.

Elucidating the matter the representative of the Ministry drew the attention of the Committee to Article 311 of the Constitution according to which no government servant could be dismissed or removed from service, except after a reasonable opportunity of explaining his conduct had been given to him. Referring to the proviso under the above Article, relating to the security of the State, he stated that Government had promulgated the National Security Service Rules under which the normal provisions were abrogated and Government had summary powers for dispensing with the services of Government servants. Thus with the exception of the powers vested under the above Rules, the Ministry of Home Affairs were completely hamstrung by the main provisions under that Article referred to in the Constitution, viz., that reasonable opportunity had to be given to a person against whom action was proposed to be taken. It was added by the representative of the Ministry that he was in entire agreement with the Committee's

view that the existing provisions in the Constitution were very elaborate and they actually operated, in practice, in favour of a bad government servant, and that something much more than summary action was really desirable. It was further stated that in order to simplify the procedure, the Ministry of Home Affairs had appointed a small Committee consisting of a few Senior Secretaries. The Comptroller and Auditor-General had also been invited to be a Member of that Committee. The Ministry of Home Affairs was preparing a note for the use of that Committee. So far as procedure was concerned, he thought, that anything less than the existing procedure would not be regarded as giving a reasonable opportunity to a Government servant. Their advice to this Committee was, therefore, to consider the changes, not in the actual rules which were considered to be quite reasonable, but the manner in which the rules were to be applied in practice. He further stated that they had also in view a proposal to appoint an Administrative Tribunal on the lines of the one existing in the U.P. or Madras to deal with disciplinary cases. It should be possible for this Tribunal to dispose of such cases very expeditiously. It could then be possible also to cut out a reference to the U.P.S.C., who usually took several months to consider such cases. Another matter that was under consideration was that Government should have the right to ask an Officer of the Civil or other Service to quit if they were not satisfied with his service or if there were allegations of corruption against him. It was also mentioned that some of the State Governments too were experiencing the same difficulties and they had set up Administrative Tribunals for the purpose of expeditious disposal of cases. The Committee desired to be furnished with a Memorandum containing a resumé of the evidence tendered before them by the representative of the Home Ministry touching on the constitutional, administrative and other aspects of the matter. They also desired that as soon as the Report of the Special Committee was received, a further Memorandum suggesting measures for remedying the situation should be submitted to them.

89. The Committee then turned to the examination of the Appropriation Accounts (Civil) 1947-48 (post-partition).

Page 360—Grant No. 85-Sub-head D. 2(3)—Other Charges.—A saving of Rs. 2,88,090 occurred in the final grant due to non-receipt of bills. Then again under 'Sub-Head B. 6(1) of the same Grant (page 364)—Compensation for loss of property', out of a total saving of Rs. 2,81,709 in the final grant, a sum of Rs. 2,62,675 was surrendered too late for acceptance by the Ministry of Finance. The Committee desired to know why these amounts could not be surrendered in time so as to avoid lapse of funds. The representative of the Ministry told the Committee that so far as the first

item was concerned, the amount could not be surrendered by the Andamans Administration as the Bills for the supply of coal for one of the steamers chartered by them were not received in sufficient time for payment to be made to the firms concerned that year. As regards the second item, it was stated that all the rehabilitation schemes prepared by Government after taking over the Andamans Islands from the Japanese, could not be put through in time because enquiries about the correctness of the claims conducted by the Chief Commissioner could not be completed in time. The Committee, however, observed that had a careful watch been kept over the pace of expenditure by some Officer in the Ministry of Home Affairs during the months of January or February, the amount in question could have been surrendered in time to the Ministry of Finance to avoid its lapse.

90. The Committee then proceeded to the consideration of the Appropriation Accounts (Civil) of 1948-49 and Audit Report, 1950.

(a) *Para. 22 (a) of the Audit Report.*—The Committee wanted to know whether any action had been taken against the Officers responsible for the verification of cash in the sub-treasury concerned during the period of six years from 1943 to 1948. In reply, the Committee was informed that a departmental enquiry was held against all the officers who had held charge of the sub-treasury during the period in question. This departmental enquiry had revealed that there had been neglect on the part of all the officers inasmuch as periodical checks prescribed under the rules had not been conducted by them. It had not, however, been possible to prove to what extent the neglect had actually contributed to the defalcation during the tenure of a particular officer. Thus, the responsibility could not in any precise form be fixed on different officers. Nevertheless, it was stated, Government had taken a serious view of the matter and instructed the Chief Commissioner, Ajmer, for imposing suitable punishments on the sub-treasury Officers concerned.

(b) *Para. 22(c)—Chartering of planes by the Honourable Ministers.*—The Committee was informed that the rules regulating the chartering of planes by the Honourable Ministers and other Officers of the Government of India had since been framed. The Committee desired to be furnished with a copy of such rules. **The Committee felt that the provision contained in the existing rules that Honourable Minister after certifying that it was necessary for the purpose of his visit on Government duty to take any other 'non-entitled person' was open to abuse. The Committee further held the view that it was not competent for Government to regulate

**Since furnished to the Committee (cf. Appendix XXXVI).

such travel by air under Executive Orders, and suggested that it would constitutionally be a proper thing that a matter of this sort should be regulated at the earliest opportunity by legislation. The Committee, therefore, desired to recommend that Government should introduce necessary legislation in the matter as early as possible. The representative of the Ministry assured the Committee that Government would certainly implement the recommendation of the Committee in this behalf. The Committee, expressed its dissatisfaction over the waiver of recovery of the sums involved in the cases referred to in the para. *ibid.*

(c) *Para. 22(d) of the Audit Report.*—The Committee desired to know the action taken against the officer whose contributory negligence was responsible for the theft. It was stated in this connection that having regard to the very difficult situation that existed in Delhi in 1947 at the time this theft took place, it was considered that the only appropriate punishment was to warn him and advise him to be more careful in future.

91. The Committee then proceeded to take up consideration of the Commercial Appendix to the Appropriation Accounts (Civil), 1948-49 and Audit Report thereon.

Page 79, Para. 113—Supply Department, Andamans.—As regards the losses in the working of the Government Dairy Farm during the period under review, the Committee was informed that recently a visit to the Andaman Islands of Sardar Datar Singh, an expert on dairies and cattle breeding, was arranged. Sardar Datar Singh, it was added, had made certain concrete proposals for continuing the dairy farm and preventing losses and these suggestions were under the consideration of the Chief Commissioner, Andamans. As regards the Government Butchery, the spokesman of the Home Affairs Ministry stated that he had no precise information and promised to look into the matter.

92. The Committee then drew attention to Para 24(p) of the Audit Report, 1950 relating to the appointment of the Honourable Chief Justice of a certain High Court as an umpire in an arbitration case between a firm and Government for which Government had sanctioned a sum of Rs. 10,000 as Umpire's fee and another sum of Rs. 1,175 on account of the expenses of his staff. The Committee felt that it was improper to grant extra emoluments to the High Court Judges not provided by law and that the emoluments of the Judges should be regulated by law and not by executive orders. The representative of the Ministry of Home Affairs informed the Committee in this connection that the preparation of a

legislation on the subject defining the extent to which Judges of High Courts should carry out functions not directly associated with their purely judicial work in the High Courts was in process. He agreed with the Committee that it should be a cardinal principle that a High Court Judge should not look up either to the Government or to a private party for any reward for his services. He assured the Committee that the conclusions reached by Government would be more or less the same as those stated by the Committee.

93. While replying to a point raised by the Committee whether the certificate from administrative Officers was adequate to show that expenditure incurred on Secret Service was intended for *bona fide* purposes, it was stated by the Comptroller and Auditor-General that the main thing was to lay down the limits of such expenditure and to designate fairly senior officials to issue certificates after conducting an administrative audit. While recognising the need for this expenditure and the trust imposed in the Secretary, Ministry of Home Affairs for issuing the necessary certificate, the Committee emphasised the existing economy aspect to be borne in mind by the officers concerned in incurring this expenditure.

94. Owing to lack of time, the Committee could not cover the remaining points arising out of the Accounts relating to the Ministry of Home Affairs. It was decided that the Parliament Secretariat should furnish a list of the outstanding points to that Ministry for written answers.

[The information supplied by the Ministry in this connection is contained in *Appendices XXXVII to XXXIX* to the Report].

Ministry of States

95. At the outset, the Committee was apprized of the various measures adopted by the Ministry of States to cut down its expenditure. The representative of that Ministry informed the Committee that that Ministry had the direct responsibility of administering large areas in Part C States which was not vested in the Ministry until these States came into existence. Under Article 371 of the Constitution, the Ministry had undertaken upon itself certain duties, e.g., scrutinising budgets and legislation etc. of the Part 'C' States under their control. It also exercised general supervision of the administration of Part B States. The Committee desired that as the States Ministry progressively transferred the responsibility in regard to provision of expenditure under Education, Health etc. in so far as Part 'C' States were concerned to the respective Ministries of the Government of India, they should constantly keep in

view the possibilities of reduction in staff. The Committee desired to know the extent of control, both financial and administrative, exercised by the Ministry over the Part B and Part C States. In reply it was stated that in Part B States, their budgets had to be passed by their Legislatures, and in their case the control was, more or less, nominal, except that before the budget was framed, the Ministry was consulted and they gave their comments in consultation with the Ministry of Finance. As regards the other States, where there were no legislatures, the Ministry of States were consulted regarding the general framework of the budget before it was prepared and they finally approved it. As regards Part C States, the Budgets were passed by Parliament and the Ministry were completely responsible.

As regards the introduction of Indian rates of Income-tax in the Part B States, it was stated that it was contemplated to be done on a graduated scale over a period of five years. In regard to the "merged" States and Part C States, it was stated that it was found impracticable to levy lower rates than in the rest of India, but concession was given whereby all incomes earned upto the date of merger would be exempted. Any industrial corporation which had enjoyed tax exemption before the merger would be allowed to retain it for a period ranging upto ten years according to the merits of each case. Referring to the overall financial commitments undertaken by the Centre consequent on the new set-up in the States, it was stated that so far as Part B States were concerned, with regard to those which had financially integrated with the Union, economies had been effected by dissolving their State Forces. In the case of Part C States, the responsibility of the Ministry was not only confined to the Central but also to the provincial sphere.

Ministry of Information and Broadcasting

96. The Committee drew attention to the losses sustained in the publication of the various Radio Journals as revealed in the Commercial Appendix to the Appropriation Accounts (Civil) 1948-49 and Audit Report 1950 (cf, pages 181—83) and desired to know what remedial measures had been adopted to reduce them. The representative of the Ministry informed the Committee that apart from the decrease in the advertisements, the main reasons for these losses were higher rates of pay and allowances of staff, decrease in the number of subscribers after the partition, and the rise in the cost of paper and printing; the latter factor being the real problem. The Committee felt that there was something radically wrong with

the present arrangement for the publication of the Radio Journals especially in view of the fact that at one time the *Indian Listener* was running at a profit. It was suggested that the prices of these journals, as also the advertisement charges, should be increased in order to cover these losses. The Committee was informed that this was being done. The representative of the Ministry of Finance also informed the Committee that the question of reduction of expenditure was already under their consideration and that, at their instance, a Committee had been appointed which was now trying to develop advertisements, on the one hand, and to effect economy on the actual expenditure, and at the same time to suitably re-adjust the prices of the various journals. The Committee suggested that the agency commission on the advertisements should be reduced as a measure of cut in expenditure. They also desired to be furnished with a comprehensive Memorandum outlining the various measures adopted by Government to make good the losses incurred in this behalf. The Committee was further informed that the Ministry was trying to cut down expenditure on the publications. But as it was, they had a free distribution list and a greater part of their publications were intended for foreign publicity which was undertaken on behalf of the External Affairs Ministry. The Committee desired that all expenditure incurred on the publication of books, pamphlets, journals etc. for foreign publicity should be debited by book transfer against the estimates of the External Affairs Ministry and in this manner the expenditure under the Ministry of I. & B., would be reduced.

97. The Committee then took up para. 273 of the Commercial Appendix which disclosed that the working results of the All India Radio Stations as well as those of the Radio Publications showed a net loss of Rs. 95,65,683 during the year under review. To tide over the deficit, it was stated that the Ministry were examining the suggestion made by the previous Committee regarding commercialisation of the Accounts of the All India Radio and had further initiated one 'million licences drive'. Further, it was stated that the licences were increasing at 12,000 to 13,000 a month. The target of 'million licences' when reached would give the Ministry an income of Rs. 1½ crores. It was suggested by the Committee that the avenue for debiting the cost of external publicity through the medium of A.I.R. to the estimates of the External Affairs Ministry should also be explored.

98. The Committee then turned to the examination of Appropriation Accounts (Civil) 1947-48 (post-partition) and took up Grant No. 4—Information Films of India—Note 4, which showed that the expenditure on the Films Division, revived in January, 1948, was Rs. 23,809 during 1947-48 (post-partition) and Rs. 10,16,464 during

1948-49. The representative of the Ministry stated that they had been cutting down the expenditure gradually; for instance, in 1949-50 they cut it down by about Rs. 2½ lakhs. He further said that by increasing the rate of rental, they had increased the revenue which was now estimated*to be over Rs. 20 lakhs. The representative of the Ministry of Finance told the Committee that their aim was to make this branch self-sufficient and that they were doing this gradually and they anticipated to balance the two sides of the budget in the course of another two or three years. The Committee desired to be furnished with a note on the working of the Films Division, showing *inter alia* the expenses incurred by it on behalf of other Ministries.*

*Since furnished to the Committee (cf. Appendix XL).

**PROCEEDINGS OF THE THIRD MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 11TH
JULY, 1951.**

The Committee met from 9 A.M. to 1 P.M.

Those present were:

Shri B. Das—*Chairman.*

Shri M. L. Dwivedi

Pandit Krishna Chandra Sharma

Shri Tribhuan Narayan Singh

Shri S. N. Das.

Shri B. N. Munavalli

Shri T. H. Sonavane

Shri Ram Chandra Upadhyay

Dr. Mono Mohan Das

Shri M. V. Ghule.

} *Members.*

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

Shri B. N. Sen Gupta, *Accountant-General, Central Revenues.*

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

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

WITNESSES

*Present during the examination of the Appropriation Accounts
relating to the Ministry of Education:—*

Dr. Tara Chand, *Secretary, Ministry of Education.*

Syed Ashfaque Husain, *Deputy Secretary, Ministry of
Education.*

Shri G. Mathias, *Deputy Secretary, Ministry of Finance.*

*Present during the examination of the Appropriation Accounts
relating to the Ministry of Health:—*

Shri M. R. Kothandaraman, *Joint Secretary, Ministry of
Health.*

Dr. A. S. Sen, *Assistant Director-General of Health Services.*

Shri J. N. Saksena, *Under Secretary, Ministry of Health.*

Shri C. S. Menon, *Deputy Secretary, Ministry of Finance.*

Present during the examination of the Appropriation Accounts relating to the Ministry of External Affairs:—

Shri B. N. Chakravarty, I.C.S., Acting Secretary, Ministry of External Affairs.

Shri K. N. Nair, Deputy Secretary, Ministry of Finance.

Present during the examination of the Appropriation Accounts relating to the Ministry of Rehabilitation:—

Shri V. D. Dantyagi, Joint Secretary, Ministry of Rehabilitation.

Shri C. S. Menon, Deputy Secretary, Ministry of Finance.

Ministry of Education

99. The Committee first took up consideration of the Appropriation Accounts (Civil) 1947-48 (post-partition) and Audit Report 1949.

*Grant No. 16—Sub-heads B.1 and B.3—Office of the Director of Archives (page 68):—*Large savings were surrendered too late for acceptance. The Committee desired to know whether any proper control over expenditure was exercised either by the Ministry of Education or the Financial Adviser attached thereto with a view to seeing that timely intimation of savings was sent to the Ministry of Finance. The representative of the Ministry of Education did not give any reply to this*.

With regard to item B.3, it was stated that orders were placed abroad but the payment could not be made as the bills were not received in time. The Committee commented on such a lapse on the part of the Ministry as 'very unsatisfactory' and drew attention to the previous Committee's recommendations that steps should be taken in such cases to ascertain whether the supply of goods was likely to materialise and that if the payment was not likely to be made in time, the amount should be surrendered. The Committee further desired to know whether any steps had been taken to prevent such things from happening again in future. It was stated in this connection that the Ministry while placing the orders asked the suppliers to specify firm dates by which the supplies would be made and that was all that they could do. The Committee also drew pointed attention to the various instances of over-budgeting under Sub-Head A.2-Grant No. 50. The Committee desired to be furnished with a note outlining the causes for such excessive provision by re-appropriations from other heads under Grants Nos. 16 and 50 relating to this Ministry in respect of 1948-49.

*A self-contained note giving explanations why large re-appropriations were made since furnished by the Ministry of Education (cf. Appendix XIX).

100. The Committee then turned to the examination of the Accounts relating to 1948-49.

*Grant No. 83—Group-head E.—Pages 393-395:—*The Committee noted that explanations for important savings and excesses under this group-head were not furnished in time for incorporation in the Appropriation Accounts. The Committee drew attention to the large savings shown under items E.5, E.1(2), E.8(4)(3) and observed that it was another case of bad financial control where additional grants were asked for and taken but not utilized. The Committee also felt that huge expenditure was being incurred by the Ministry of Education in respect of Delhi State as compared with other Part 'C' States and desired to have statement showing the *per capita* expenditure on Education incurred by the various States *vis-a-vis* the Delhi State.

The Committee asked whether any check was exercised by the Government of India over Grants-in-aid paid to the Universities and whether the accounts of those Universities were subject to audit by the Comptroller and Auditor-General of India. It was explained that the Universities appointed their own auditors and the audited report was submitted to Government, but the Ministry contemplated making provision in the new bills, which they would shortly place before Parliament, that the auditing of the Central Universities should be done by the Comptroller and Auditor-General. The Comptroller and Auditor-General informed the Committee that the accounts of some of the Universities in the States were already subject to audit by 'consent arrangements'. As regards the proposed provision to be made in the new bills for the conduct of audit of Universities through his agency, his own feeling was that the reports should be submitted to Parliament through the President and not to the Universities. The Committee desired that Government should consider the matter carefully and clearly define the powers and responsibilities of the Comptroller and Auditor-General in so far as the audit of the Universities was concerned without impinging upon the autonomous character of the Universities.

Ministry of Health

101. The Committee then proceeded to examine the Appropriation Accounts, 1948-49 and Audit Report 1950 relating to the Ministry of Health.

*Grants Nos. 51 and 52—pages 505-507 and Grant No. 102—Group-heads L & O.—*The Committee wanted to know why in several cases the explanations for important variations were not furnished. Explaining the reason, the representative of the

Ministry of Health stated that generally such adjustments were intimated to them by the State Governments long after the close of the year. It was explained that the Ministry did not exercise any direct control over this expenditure which was incurred by the State Governments and adjusted later by book debit. The Committee were surprised that the Ministry should have divested themselves of this vital responsibility of controlling expenditure and observed that such a state of affairs was far from satisfactory. The Committee considered that arrangements should be made whereby the Ministry of Health was in a position to know what the various State Governments were spending from time to time as ultimately that Ministry was responsible to Parliament for the control of the Grants. The Committee hoped that next year the Ministry of Health would be able to furnish explanations for variations and exercise stricter financial control over expenditure in consultation with their Financial Adviser.

102. *Group-Head P.—page 350.*—A supplementary grant of Rs. 2,69,000 obtained in March 1949 for *ex-gratia* payments to villagers in Manipur proved unnecessary, as no claims were received against it. Explaining this, the representative of the Ministry stated that owing to some unforeseen circumstances, the work could not be completed during the year 1947-48 and this had to be carried over to 1948-49. This work, he said, was being done on behalf of the Ministries of External Affairs and Defence. Later, as a result of an afterthought, he told the Committee that item P.1 referred to above was not under the control of their Ministry but was the concern of the Ministry of External Affairs. The Committee felt that the representatives of the Ministry of Health had not got any clear picture of the thing and desired that a note setting forth the exact position should be submitted to them in due course, after consultation with the Ministry of External Affairs.

103. The Committee then proceeded to take up the Commercial Appendix (Civil) 1948-49. Referring to Para. 126(a) thereof, which mentioned that the loss of Rs. 1.42 lakhs in the Medical Stores Depot, Madras was mainly due to a loss of Rs. 1.15 lakhs in the Factory attached to that Depot. The loss incurred by the Factory was due to recoveries for repairs of instruments having been made at lower rates than the actual cost of labour and also to the decrease in the value of manufactured stores delivered to the Depot. The Committee felt that since this concern was run on commercial lines, it was unbusinesslike that proportionate recoveries to meet the increased cost were not being made to avoid such losses. The representative of the Ministry stated, however, that strictly speaking, it was not a commercial undertaking except that they were trying to

run it at no-profit no-loss basis. The Committee observed that the Ministry had not exercised proper vigilance inasmuch as it did not ascertain the increase in the labour charges by maintaining labour indices and thereby failed to increase the cost of repairs of instruments recoverable from the parties concerned. The Committee commented at the lackadaisical manner in which the Ministry of Health had handled the situation thus causing a loss of Rs. 1.15 lakhs to the Exchequer. The Committee was of the view that the whole affair had been managed in a most unbusinesslike manner and no promptitude had been shown by the Ministry to revise the rates of charges for repairs as soon as they noticed that there was a corresponding increase in the labour charges. The Committee was, however, assured by the representative of the Ministry that they would try to show better results in the next year's accounts.

104. *Para. 126(d)-Medical Stores Depot, Karnal.*—There was a loss of about Rs. 1 lakh in the Karnal Medical Stores Depot stated to be due to insufficient sales to cover the expenditure incurred on the maintenance of the Depot establishment and on handling stores. In 1947-48, there was a loss of Rs. 25,000 due to there being practically no sales. The Committee desired to know the necessity of maintaining the establishment in this Depot at the existing strength particularly as the sales were low resulting in losses to Government. It was explained in this connection that the Karnal Depot started functioning as a supplying depot only recently and the loss that was shown in the Accounts was for the period the depot was building up stocks. There was always a time-lag between placing an order for stores and the time of the receipt of the Stores in the depot. The supply of stores could be commenced only when they were stocked. The Committee was told that now that the Depot had started functioning as a supplying unit, the Ministry would examine whether it was functioning satisfactorily. The Committee desired to be furnished with a report in this respect in due course.

Page 89—Para 141—Medical Stores Depot, Calcutta.—There were stocks worth Rs. 23.69 lakhs on the 31st March, 1949 against the total sales of Rs. 17.79 lakhs during 1948-49. The Committee desired to know what steps had been taken to reduce the excessive stocks. It was explained that the excess stock which was shown as such was not really 'excess stock' but it comprised of certain items which had gone into disuse as a result of which the stocks had accumulated.

Para 140, Medical Stores Depot, Delhi (p. 87).—The stock balances in this Depot (since closed from the 15th December 1950) were heavy as compared with the magnitude of annual turnover. The Committee was informed that the drop in price from Rs. 63 to

Rs. 28 per hundred tablets in the case of one drug had resulted in a loss of Rs. 27,000. The Committee wanted to know why such heavy balances were kept in stock. It was stated that this drug called chloromycetin was a new remedy for the treatment of typhoid. Its supplies were being obtained from abroad and the market prices fluctuated rapidly. The loss had resulted on account of circumstances over which the Ministry had no control.

105. The Committee then referred to Sub-head 'O' under Grant No. 92—Government Housing Factory (page 455) in the Appropriation Accounts 1948-49 and wanted to know why, in the first instance, a supplementary grant of Rs. 1,000 was obtained and then additional funds of Rs. 89,000 were asked for but ultimately there was a saving of Rs. 80,675. The Committee adversely commented upon the remissness on the part of the Health Ministry in having failed to exercise proper financial control and for not surrendering the money to the Ministry of Finance. The Committee expressed its utter displeasure at the light-hearted manner in which the Ministry had handled its finances. The representative of the Ministry explained that the sole responsibility in this respect rested with the Director of Housing who had since retired before the expiry of his contract.

Ministry of External Affairs

106. The Committee first took up consideration of the Appropriation Accounts (Civil) 1947-48 (post-partition) and the Audit Report, 1949.

Grant No. 41—Sub-head M.3—(page 133).—Provision for recoveries from Provincial (now State) Governments on account of share of the High Commissioner's Establishment was inadvertently made in the original budget under Grant No. 55—Industries and Supplies sub-head M.7(2) instead of this grant. The Committee was informed that the contributions to be recovered from the State Governments were mainly on account of leave salaries and other dues of the Secretary of State's Officers and other Officers employed in those States going to England on leave. Neither the Government of India nor the State Governments could estimate accurately the provision on this account. The Committee desired to know whether there was proper co-ordination between the Ministry of External Affairs and other Ministries at the time of the framing of the Budget Estimates and thereafter and what steps did the Ministry contemplate taking to prevent the recurrence of such instances of defective budgeting. The Committee further observed that since the High Commissioner knew that recoveries were coming, he should have taken necessary action so as to avoid such a

lapse. They also desired that the attention of the Chief Accounting Officer to the High Commissioner in U.K. should be drawn by the Ministry to this patent example of bad budgeting. The Committee desired that the whole position should be examined and a note submitted to them.

107. The Committee then wanted to know the progress of recoveries to be made from the Pakistan Government of its share of contributions to the U.N.O., F. & A.O. and International Civil Aviation Organisation. The Committee was informed that an Act was passed before partition that the liabilities and assets of all these international organisations would fall on the Dominion of India, because India was the natural successor of the old Government of India. So all the assets and liabilities of these organisations fell on India. As regards recovery from Pakistan, it was stated that in some cases they had admitted their liability to pay, while in others they had not done so. Ultimately, all these things would be settled along with the final Debt Settlement between the two countries. The Committee desired to be furnished with a note stating the up-to-date position regarding India's Contribution to these Organisations and the amount recoverable from Pakistan Government on account of their share.**

108. The Committee then turned to the examination of the Accounts of 1948-49 and Audit Report 1950. They first took up Para 25(b) of the Audit Report. The Committee felt that the loss referred to therein could have been avoided in this case had the High Commissioner approached the Whisky Association in the first instance, instead of entering into a contract with a firm of agents who were found later not in a position to supply the goods. The Committee wanted to know why the High Commissioner disregarded the general financial principles in not having invited tenders and in case he had to deviate from the observance of the prescribed rules, why did he not obtain prior approval of the Government of India before he finalized this deal. It was explained by the representative of the Ministry that the High Commissioner had followed the ordinary procedure and he would not have broken away from Bensons (the firm with whom he first signed the contract) but for the fact that later on he discovered that due to certain restrictions on export, the Company might not be able to supply the whole quantity. The representative of the Ministry further added that the only factor that motivated the High Commissioner to break off the contract was to secure the supplies which he, at a later stage, discovered that owing to certain restrictions placed on the export of whisky, it was not possible to get that large stock except without

**Since furnished to the Committee (cf. Appendix XXXI).

direct Governmental help. In regard to the Committee's observation that the Whisky Association should have been approached in the very beginning, instead of approaching a particular Company, it was stated that the Association was not the proper body for the sale of whisky. They were just like the Indian Tea Marketing Board, merely controlling the market. The Committee was informed that the Ministry did not have full facts of the case and had called for further information from the High Commissioner in London. The representative of the Ministry read out a telegram from the High Commissioner wherein he had registered his emphatic protest against the Auditor's statement. He further mentioned to the Committee that the one point on which there was disagreement between the Auditor, Indian Accounts and the High Commissioner was that the latter was not accepting the statement that before the contract was signed, he had received an indication that whisky might be available from the normal sources. It was said that that was contrary to facts. The Comptroller and Auditor-General took strong exception to the High Commissioner's Statement. He informed the Committee that whatever facts were included in the Audit Report had previously been shown to the High Commissioner.

The Committee observed that if the High Commissioner after agreeing with the Auditor in London made a contradictory statement, the position was most unsatisfactory. The Committee also deprecated the language used by the High Commissioner.

As regards Para 25(a) *ibid*, the representative of the Ministry informed the Committee that in this case too he was not aware of the facts and that the High Commissioner had been asked telegraphically to furnish the same. The Committee desired that as soon as the High Commissioner's reply was received, they should be apprised of the full facts of the case.

108-A. The Committee then drew attention to para. 31 of the Audit Report and desired to know what action had been taken by the Ministry to set right the defects and irregularities noticed in the accounts of Embassies and Legations abroad. The representative of the Ministry of External Affairs stated that all that he could say by way of making a general statement was that most of those irregularities took place at a time when the staff was not trained and no rules had been framed. Now that the I.F.S. rules had been framed and were under issue, the situation had considerably improved. Further, every officer who was now sent abroad as the head of a Chancery knew the rules and regulations and there should be no excuse on the ground of ignorance.

As the Committee could not conclude examination of the Accounts relating to the Ministry of External Affairs, they decided to resume further consideration thereof at 10 A.M. on the 17th July, 1951.

Ministry of Rehabilitation

109. The Committee took up consideration of the Accounts of 1947-48 (post-partition):

Grant No. 73.—Out of the total saving of Rs. 19.28 crores on the original budget, Rs. 9.12 crores were surrendered. The Committee desired to know why the balance of the saving, i.e., Rs. 10.16 crores, could not also be surrendered in time so as to avoid lapse of funds. The spokesman of the Ministry of Rehabilitation informed the Committee that he had not come prepared for the year under review as he was under the impression that the explanations asked for by the Committee had been furnished. As desired by the Committee, he promised to send a note explaining the whole matter.*

110. The Committee heard an account of the efforts made by the Government of India for the rehabilitation of refugees coming from East Pakistan. The Committee desired that care should be taken in selecting officers to be put in-charge of Refugee Transit Camps. They urged that apart from being good administrators, these officers should be able to take a realistic view with a humane touch in dealing with masses of people.

While discussing the arrangements made by the Central Government for granting subsidies to the State Governments for the education of the refugee children, a question was raised whether any regular reports in this connection were being obtained from those Governments in order to ensure that there was sufficient co-ordination between the activities of the States and the Centre. It was stated that the Ministry of Rehabilitation had approached the Ministry of Finance for sanctioning the post of a Special Officer of the Joint Secretary level for inspection purposes. As regards the machinery devised by the Centre to ensure that proper accounts were kept of all the monies advanced and recoveries made, it was stated that the Government of India gave loans to the State Governments on clear terms and subsequently the recovery was a matter between them and the individual displaced person.

111. On a point being raised as to how long it would take to wind up the Ministry of Rehabilitation when most of the work could be transferred to other Ministries, it was stated that until a quasi-permanent allotment for urban property had been made, there would be no satisfaction among the displaced persons.

*Since furnished to the Committee (cf. Appendix XLII).

**PROCEEDINGS OF THE FOURTH MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON THURSDAY, THE 12TH
JULY, 1951.**

The Committee met from 9 A.M. to 1 P.M.

Those present were:

Shri B. Das—*Chairman.*

Shri M. L. Dwivedi

Pandit Krishna Chandra Sharma

Shri Tribhuan Narayan Singh

Shri S. N. Das

Shri B. N. Munavalli

Members.

Shri T. H. Sonavane

Shri Ram Chandra Upadhyay

Dr. Mono Mohon Das

Shri M. V. Ghule.

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues.

Shri R. P. Sarathy, Accountant-General, Food, Rehabilitation and Supply.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

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

WITNESSES

Present during the examination of the Accounts relating to the Ministry of Transport:—

Shri Y. N. Sukthankar, I.C.S., Secretary, Ministry of Transport.

Shri H. C. Sarin, I.C.S., Deputy Secretary, Ministry of Transport.

Shri T. S. Parasuraman, Deputy Secretary, Ministry of Transport.

Shri H. P. Mathrani, I.S.E., Consulting Engineer, Roads, Ministry of Transport.

Present during the examination of the Appropriation Accounts relating to the Ministry of Works, Production and Supply:—

Shri C. C. Desai, I.C.S., Secretary, Ministry of Works, Production and Supply.

Shri M. P. Pai, Joint Secretary, Ministry of Works, Production and Supply.

Shri S. Ranganathan, I.C.S., Joint Secretary, Ministry of Works, Production and Supply.

Shri K. P. Mathrani, I.C.S., Deputy Secretary, Ministry of Works, Production and Supply.

Shri B. S. Puri, Chief Engineer, C.P.W.D.

Shri T. Sivasankar, I.C.S., Director-General of Supplies and Disposals.

Shri E. V. Gregory, Controller of Printing and Stationery.

Shri N. G. Mitra, Deputy Salt Controller.

Shri A. K. Roy, Joint Secretary, Ministry of Finance.

Ministry of Transport

112. The Committee took up consideration of the Appropriation Accounts (Civil) 1948-49 and Audit Report thereon.

Para 23(d): The Committee desired to know the present position regarding the progress of recoveries from the United Kingdom Government. The representative of the Ministry of Transport informed the Committee that there was a good deal of difference of opinion between the U.K. and India Governments as regards the payments due to the Indian Registered vessels requisitioned by Government on behalf of the U.K. Ministry of Transport during the War. The main point, he said, was that their costs were rather high as compared with the cost of managing ships in the U.K. and the Dominions. Negotiations had been going on between the Government of the U.K. and the representatives of the old Ministry of Commerce and the Ministry of Transport.

The original claim of the Government of India was for Rs. 548.15 lakhs. The U.K. Ministry of Transport's counter-offer was for Rs. 542.50 lakhs and India Government's latest proposal formulated on the basis of further information that became available later was for Rs. 575 lakhs, which includes expenditure of about Rs. 48 lakhs on certain items not mentioned in the original proposals. Thus the difference between India Government's claim and the U.K. figure had now narrowed down to Rs. 33 lakhs but no payment had so far been received. It was suggested by the Committee that the Government of India should take what H.M.G. had offered without

prejudice to the rest of the claim in order to save interest being lost. The Committee was informed in this connection that the High Commissioner in London had already been asked to obtain payment on all items where the U.K. Government had accepted the proposals of the Government of India. The Committee desired to be furnished with a comprehensive Memorandum dealing with the various aspects of the question.* The Committee felt that since the Government of the U.K. derived benefit by having owned such a large sum of money for such a long period, this point of view should be impressed upon them to ensure speedy settlement of the claim put forward by the Government of India.

113. *Para. 27 of the Audit Report.*—The Committee desired to know the action taken against the officer-in-charge whose defective control and negligence rendered possible the irregularities referred to in this para. The Secretary, Ministry of Transport, informed the Committee that the total amount involved in this case was about Rs. 400 to 500. He stated that there was one Under Secretary and one Deputy Secretary in charge of establishment and they had many other things to do, with the result that they could not look into every item. He added that the position created was largely, due to the aftermath of the war year, as also due to deterioration in the quality of staff both gazetted and non-gazetted. In regard to the question of negligence on the part of the supervising officer concerned, it was admitted that he had never examined the cash book as the practice of checking the cash book had gone out of vogue for the past 20 years. The Secretary Ministry of Transport added, however, that he had personally gone into the matter and was satisfied that there was no ground for disputing the integrity of the officers concerned. The Committee observed that the state of affairs revealed before them was very unsatisfactory. They felt that in the administration of an office, the control of expenditure was an essential matter and that an officer put on this job should in no case have occasion to plead as an excuse that he could not attend to this work properly as he had some other duties to perform. The Committee stressed that in each office a Gazetted Officer, preferably an Under Secretary should be made responsible for being in-charge of the Cash Book and it should be his responsibility to check it personally as prescribed under the rules. The Committee strongly urge that all the Ministries should take a very serious view of such defalcations and irregularities and bring the offender to book without taking shelter under technicalities and that no leniency should be shown to the supervising Officers for lapses of this nature.

*Since furnished to the Committee (cf. Appendix XLVIII).

114. *Note 2 on page 140 of the Accounts.*—The Committee desired to know why the expenditure under 'Ports and Pilotage' was more than the receipts. The Secretary, Ministry of Transport stated that this related largely to the Bengal Pilot Service, which was a Secretary of State's Service at that time and that the high expenditure was due to the high rates of salaries and allowances of the officers. Steps were taken later to increase the pilot dues by 25 per cent. in order to meet the additional expenditure. He added that the Service had since been handed over to the Port Commissioners, Calcutta and they were now managing it as at other ports. As regards the deficit at other ports, the Committee was informed that it related to Port Establishments Shipping Officers etc. In reply to a question whether it could not be a balanced account, by making recoveries from the revenues, the representative of the Transport Ministry stated that they had also to be careful about the repercussions on the Industry. They did not want to raise charges to the extent that it became unduly burdensome to the shipping interests, commerce and trade. The Committee, however, suggested that the Ministry should consider whether by a proper regulation of the pilotage charges, shipping charges and so on, this deficit could not be wiped out so that this Department became self-supporting and the net expenditure to Government on this account was nil. It was added that any subsidy that Government desired to give to the shipping industry should be given in a different manner. The Committee desired to be apprized of the reactions of the Ministry in this respect.

The Committee further suggested that the Ministry should consider in consultation with the Accountant General, Central Revenues and the other Accounts Officers concerned 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 *i.e.*, separate Accounts should be prepared for the various Heads, *viz.*, Shipping Officers, Mercantile Marine Department, Training Ship etc.

A suggestion was made that the Ministry should examine the question of reducing the charges especially on the Hooghly. The Committee desired that the result of examination of this point should also be included in the note to be submitted to them.

The Committee also desired that the Audit Reports on the Accounts of the various Port Trusts be brought within the purview of the Commercial Appendix to the Civil Accounts so that Parliament may get an opportunity of appraising their financial position and working. The Comptroller and Auditor-General stated that he was looking into the Acts relating to the Port Trusts in order to see whether these reports should be submitted to Parliament.

Ministry of Works, Production and Supply

115. The Committee took up consideration of the Appropriation Accounts (Civil) 1948-49 and Audit Report 1950

Para. 24(a) of the Audit Report.—The Committee wanted to know the reason for the delay in effecting recoveries of rent of Government residential buildings in occupation of the staff of the local Municipal Committee. The representative of the Ministry of Works, Production and Supply stated that the Municipal Committee had objected to the rent being charged under F.R. 45(b) and that after discussion it was decided to charge them under F.R. 45(a) and a sum of Rs. 28,467 had accordingly been recovered from them.

It was explained that because the Municipal employees were strictly not Government servants it was originally proposed to charge them under F.R. 45(b) and the total rent amounted to Rs. 1 lakh. The Comptroller and Auditor-General stated that the Municipal employees were in a sense public servants and if they occupied Government quarters there was no objection to the rent being recovered under F.R. 45(a) in their case also, provided that if a Municipal building was made available to a Government servant, there should be the same sort of reciprocity. The Committee accepted his suggestion that if this principle of reciprocity was accepted, the recovery of the full rent under F.R. 45(b) should be waived.

116. *Para. 24(b) of the Audit Report.*—The Committee desired to know why a sum of Rs. 14,05,000 was paid as an advance to the State Government for the acquisition of certain lands long before it was required for actual disbursement. The representative of the Ministry of Finance explained that the normal procedure adopted in such cases was that the State Government concerned first paid the amount and then recovered the amount from the Government of India. He admitted that it was by mistake that the amount was first credited to the State Government and assured the Committee that the mistake had been committed inadvertently.

117. *Para. 24(c) of the Audit Report.*—The Committee desired to know the disciplinary action taken against the officials, other than the S.D.Q. who was stated to be dead, responsible for the misappropriation of funds referred to in this para. The Committee was informed that two increments of the clerk concerned charged for misappropriation were withheld for not keeping the books properly and this punishment was considered to be adequate. The cash, it was added, was actually in the custody of the S.D.O. who died during the course of the proceedings. The Committee was not, however, satisfied with the explanations offered.

118. *Para. 24(d) of the Audit Report 1950.*—The Committee desired to know the disciplinary action taken against the official responsible for the loss of Government money amounting to Rs. 43,629. In reply, it was stated that the matter was still under examination by the Ministry in consultation with the Ministry of Finance. The security of the Cashier who had absconded with the Government money, it was stated, had been attached and action was being taken against the officer responsible for not observing strictly the rules in regard to the proper maintenance of the cash book, verification of cash balance etc. The Secretary of the Ministry agreed with the Committee that there had been delay in this case and he undertook to complete the enquiry at an early date and submit a report to them in due course.

119. *Para. 24(e) of the Audit Report 1950.*—The Committee heard an account of the circumstances that led to the loss of stores which was attributed to the action of the refugees of a particular community who had been accommodated in the Purana Qila Camp, New Delhi during the disturbances in September, 1947. The Committee observed that no adequate steps were taken to keep stores of such huge value at a safer place and that no action had been taken against the persons responsible for the loss. It was stated by the representative of the Ministry that certain allegations made against the officials of the Central Public Works Department were being investigated by the Police. The Committee accepted the suggestion of the Comptroller and Auditor-General to await the result of the investigation, but desired that in the meantime the ground balance should be reconciled with the balance of the stores shown in the registers as in certain cases very important and serious discrepancies had been disclosed as a result of physical stock-verification. They also stressed that if there was a continued discrepancy between the stock accounts and the actual stocks, that should be gone into and put right without delay. The Committee desired to be furnished in due course with a report stating the action taken by the Ministry in the matter.

120. *Para. 24(f) of the Audit Report 1950.*—The Committee noted that the ban imposed by the Cabinet on behalf of the Ministry of Rehabilitation on the disposal of surplus stores had resulted in a huge loss to Government. It observed that during the period of 21 months, when the ban was in operation, not only that Ministry did not make full use of the stores available with the Disposals Organisation, but they also prevented their sale to others. The purchases of the Ministry of Rehabilitation during this period, which were of the value of Rs. 1,43,00,000 only, were very meagre as compared to the total value of the stores frozen. In the meantime, enormous expenditure estimated at about Rs. 1 crore per annum, was being incurred on the maintenance of huge Disposals Organisation and losses were sustained due to the deterioration of stores on account of bad storage and weather

conditions. The Committee commented at the lack of foresight on the part of the Ministry of Rehabilitation in not referring the matter back to the Cabinet for revising their previous decision when they themselves were not making full use of the surplus stores.

The Committee noted that the Estimates Committee had gone into this matter thoroughly last year. They, however, desired to be furnished with a comprehensive note giving a review of the latest up-to-date position of the surplus stores, together with a comparative chart showing the strength of the Organisation last year, and that of the nucleus staff existing at present.

121. *Para. 24(h) of the Audit Report 1950.*—In this case, the defective contract had resulted in a substantial loss to the Government. The Committee desired to know the latest position in regard to (i) recoveries made from the Company, (ii) the balance still outstanding and (iii) the action taken against the officials responsible for entering into such defective contracts. The Committee was informed that on the basis of the sale price agreed to, the Ministry had still to recover the cost of about 6,000 tons of cement which amounted to about Rs. 1,20,000. Apart from that, a sum of Rs. 7,06,000 had already been recovered from the Company. It was added that the freight paid to the Company for transporting reconditionable cement to its factories amounted to about Rs. 3 lakhs, and when all the amounts were settled, the net recovery would be about Rs. 5 lakhs. The Committee observed that it was worthwhile paying freight on the good cement and getting the control price, which was much higher than the contract price. They also commented that it was certainly a bad contract detrimental to the interests of Government. The representative of the Ministry of Works, Production and Supply admitted that it was obviously a bad contract but it was not a case of *mala fide*. The Committee was informed no action could be taken against the persons responsible for this as none of them were now in service.

122. *Para. 24 (i) of the Audit Report 1950.*—The Committee observed that the whole transaction had been conducted in a most unbusiness-like manner and wanted to know why the brass rods, bars etc. were not offered to the highest bidder. In reply, it was stated that the highest bidder wanted only a small portion; he did not want to take the whole lot. It was pointed out by the Committee that the stipulation that the brass rods and ingots in question would be used solely for the manufacture of brassware or other cognate cottage industries was omitted in the contract drawn up by the Central Government and this omission facilitated blackmarketing in this commodity. The representative of the Ministry stated that it was not a deliberate omission. The Committee wanted to know the name of the Officer who was responsible for the recommencement of the sales in January,

1948 in spite of the failure of the purchaser to satisfy the terms of the contract in making deposits and removing the stores, which the representative of the Ministry of Works, Production and Supply promised to supply. He added that the recommencement was ordered because the firm had represented that due to riots in Calcutta, they could not raise the necessary finance and clear off the goods. The Committee was also told that the scheme for the disposal of brass rods etc. was formulated by the Central Government by way of assistance to the Cottage Industries. The Committee did not feel satisfied with the explanations furnished and desired that the matter should be further investigated. They also observed that it was an instance of careless work on the part of the Officer concerned which resulted in a loss to Government. He had sold articles which could have been sold at a higher price and the same individual who had defaulted once had been able to make larger profits by being able to purchase the materials second time. It was clear that the officer concerned had been guilty of gross neglect of duty. The Committee desired that the question of fixing responsibility in this case should be carefully gone into and a report submitted to them, in due course, about the action taken in the matter. -

123. *Para. 24(j) of the Audit Report, 1950.*—The Committee desired to know whether any disciplinary action had been taken against the officer who caused the Government a loss of Rs. 10,000 by not having obtained from the defaulting firm any security deposit from which the loss could be made good. It was stated by the representative of the Ministry that a departmental enquiry into this case had been held and the report had been sent to the Union Public Service Commission whose recommendations were awaited by them. It was admitted that one of the charges against the officer concerned was that no deposit had been taken from the firm. The Committee observed that it was an ordinary precaution to obtain a security deposit which the officer concerned ought to have taken in order to safeguard the interests of the Government and, therefore, action should have been taken against the officer concerned immediately. They desired to be furnished with a copy of the rules regulating the sale of disposal stores that obtained during the year 1946 and as they stood now. The Committee, however, agreed to await the decision of the Union Public Service Commission in the matter.

124. *Para. 24(p) of the Audit Report, 1950.*—With regard to the payment of Rs. 10,000 to the Honourable Chief Justice of a certain High Court as the umpire's fee, it was stated by the representative of the Ministry of Works, Production and Supply that the concurrence of the Ministry of Home Affairs was obtained by them while making this commitment.

125. *Para. 24(q) of the Audit Report 1950.*—The Committee pointed out that the shipping commission at the high rate of 5 per cent. was paid in the case reported in this para. though in the later deals a commission of $\frac{3}{4}$ per cent. only was given, and this had resulted in a loss of Rs. 33 lakhs to Government. It was stated by the representative of the Ministry of Finance that this deal was agreed to before the Devaluation—about August, 1949. After that the Devaluation came in and then came the Jute Control Order. Under that order, prices were fixed not only *ex-mill*, but also the commission @ 5 per cent. At that time, it was added, Government were faced with two alternatives—either to requisition the goods with the shippers or to make an agreement. In the latter case, they might have had to pay the price of the jute goods plus the 5 per cent. commission because that was permissible under the law. So instead of requisitioning, Government thought that for this lot, they would pay at the rate of 5 per cent. and subsequently they reverted to the normal rates. Concluding their arguments, the representative of the Ministry stated that that was the only way to divert Argentina goods which had already been sold to other countries. The Committee observed, however, that it was an instance where Government had not got the best bargain.

126. *Para. 24(r) of the Audit Report, 1950.*—In this case, *ex post facto* sanction was refused by the Ministry of Finance. The representative of the Ministry of Finance informed the Committee that they refused to sanction write off when from the look of the case they had a feeling that there was a possibility of a further enquiry leading to the recovery of the amount from the officer concerned. The Comptroller and Auditor-General while appreciating the action of the Ministry of Finance observed that the Finance Ministry probably found itself in a difficult position to enforce their views on the administrative Department and so they resorted to this process of refusing to accord sanction so that audit might take up the issue. He apprehended, however, that long delays in such cases might render their action ineffective. He, therefore, suggested that the Ministry of Finance should not leave the matter there but should pursue it with the administrative Departments concerned as much as they could.

127. *Para. 24(s) of the Audit Report, 1950.*—The Committee desired to be furnished with a report stating the disciplinary action taken against the officer responsible for the loss.

128. *Para. 32 of the Audit Report, 1950.*—This sets forth a large number of cases of inordinate delay in the submission of Sale Accounts to the Audit Office thereby defeating the very purpose of audit of those Accounts. The Committee desired that this matter should be dealt with at high level between the Accountant-General, F.R. & S. and the Director General, Disposals and that a procedure should be

evolved in consultation with the Ministry of Finance and the Accounts authorities in order to secure more co-ordination whereby the sale accounts could be submitted to Audit Officers with utmost promptitude. The Committee desired to be furnished with a report stating the action taken in the matter.

129. *Page 273 of the Appropriation Accounts (Civil)—Note 8—Coal Production Fund.*—The Committee desired to know the up-to-date balance in the Fund and how it was proposed to be utilized. The representative of the Ministry stated that they had not considered that question yet. A suggestion was made that the Ministry might consider the desirability of contributing this amount to the Coal Mines Stowing Board.

130. *Page 299 of the Accounts—Notes 4, 5, 7 & 8.*—The attention of the representative of the Ministry of Works, Production and Supply was drawn to para. 37 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1945-46 wherein it was stated before the Committee that "the position had since improved, the accounts had been brought up-to-date and the balances were being verified in accordance with the rules". But such a statement, it was pointed out was contrary to the position as revealed in these Notes. The Committee was informed that from last year onwards, actual verification of stock had been done and the Accounts of the Central Public Works Department were in perfect order. As regards the stock accounts relating to the war years where irregularities had been discovered, it was suggested by the Comptroller and Auditor-General that the Central Public Works Department should make out an analysis of the discrepancies which should be written off with the sanction of the Government. He further suggested that if the discrepancies were far too serious, some investigation might be made to see whether it was a genuine case of accounting or anything worse than that. The Committee was informed that no fraud had been discovered and that no discrepancies existed for the simple fact that the accounts were incomplete. It was further stated that the books were not complete and every year stock verification was being done by an officer not in charge of the Stores.

131. *Page 315, Note 3.*—The Committee urged that the principle that the detailed estimate should be sanctioned before expenditure was incurred should invariably be followed.

132. The Committee then turned to the examination of the Commercial Appendix (Civil) 1947-48 (post-partition). Explaining the reasons for the sale of waste paper at lower rates to the Paper Mill,

referred to in para. 309 of the Accounts, resulting in a loss of Rs. 14,600 it was stated by the Controller of Printing and Stationery that under the orders of the then Ministry of Industry and Supply, preference had to be given to Paper Mills in regard to the sale of waste paper which the mills would pulp and give back to Government in the form of paper. It was added that the underlying idea in selling waste paper to Paper Mills at a lower rate was to give them some kind of assistance by way of supplying the raw material.

133. The Committee then proceeded to take up Commercial Appendix (Civil) 1948-49.

Para. 154.—The Committee was informed that one of the causes for the loss of Rs. 19,835 in the Engineering Section was the supply of electric current to the B.B. & C.I. Railway and the Sambhar City Electric Supply Company at the rates agreed to in the agreements executed with these parties. The Committee desired to know what steps had been taken to prevent a recurrence of such losses. In reply, it was stated that the agreement with the B.B. & C.I. Railway had since been revised and they had agreed to make good the loss by paying at the new rates with retrospective effect. As regards the Sambhar Electric Supply Company, it was stated that they too had agreed to pay certain increased rates; but that would not cover the whole deficit.

134. *Para. 187.*—The Committee expressed concern over the continued losses owing to the exposure of salt stocks. Explaining the position, the representative of the Ministry of Finance stated that unfortunately they had no proper system of cost-accounting in any of the Salt Organisations. The results of the working of all those commercial establishments came to them long after the event and they could take action in the matter only somewhat belatedly. To countenance this state of affairs, it was suggested by the Committee that apparently all such losses were due to the fact that no covered accommodation for the storage of salt had been provided and every year a certain quantity got washed away. It was suggested that the Ministry of Works, Production and Supply should consider whether instead of losing about Rs. 60,000 every year, they could not capitalise it and provide covered accommodation for the storage of salt. It was stated that considering the size of the godowns to be put up for the storage of about 4.7 million maunds of salt, it might be an economical proposition. The Ministry, however, promised to examine the suggestion made by the Committee.

135. The Committee then took up consideration of the outstanding items contained in the 'Statement showing action taken on the recommendations of the Committee':

● *Item 4.*—The Committee desired to know whether the Ministry of Works, Production and Supply had sanctioned the introduction of the 'administrative audit system' in the Central Public Works Department. The Committee was informed that the scheme had not yet been sanctioned for want of funds. The Comptroller and Auditor-General expressed the view that the institution of such a system would greatly strengthen the hands of the Audit Department and that the setting up of a small organisation of this nature would ultimately prove to be more economical. The Committee endorsed the views of the Auditor-General. The representative of the Ministry of Works, Production and Supply assured the Committee that they would pursue that suggestion in consultation with the Ministry of Finance with all earnestness.

Before concluding, the Committee observed that their own feeling was that so far as the Central Public Works Department was concerned, the things were unsatisfactory from the overall national point of view.

PROCEEDINGS OF THE FIFTH MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON FRIDAY, THE 13TH
JULY, 1951.

The Committee met from 9 A.M. to 12-30 P.M.

Those present were:

Shri B. Das—*Chairman*.

Shri M. L. Dwivedi

Pandit Krishna Chandra Sharma

Shri Tribhuan Narayan Singh

Shri S. N. Das

Shri B. N. Munavalli

Shri T. H. Sonavane

Shri Ram Chandra Upadhyay

Dr. Mono Mohon Das

Shri M. V. Ghule.

} *Members.*

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

Shri S. Sivaramakrishnan, Accountant-General, Posts and Telegraphs, Simla.

Shri P. C. Das Gupta, Controller of Commercial Audit.

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

WITNESSES

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

Shri K. V. Venkatachalam, Deputy Secretary, Ministry of Communications.

Shri H. L. Jerath, Director-General, Posts and Telegraphs.

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

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

Appropriation Accounts (Posts & Telegraphs) 1948-49 and Audit Report, 1950.

136. The Committee first took up para 8 of the Director-General's Financial Review dealing with the Renewals Reserve Fund and desired to know what steps had been taken to implement the suggestion to prepare an overall physical inventory of the Departmental assets existing in the Indian Union after partition as well as those taken over from the ex-Indian States after their merger and

to replace the present system of *ad hoc* contribution to the Fund by a more scientific method as suggested by the previous Committee. The Committee was informed that the Posts and Telegraphs Department had accepted the recommendation regarding the appointment of a committee to consider this question. They had already initiated action in the matter and had asked the Heads of Circles to bring their statements of assets up-to-date. It was added that the terms of reference and the selection of personnel of the proposed committee were under discussion with the Ministry of Finance and it was hoped that the Committee would be appointed within a period of two or three months. The representative of the Ministry of Finance further informed the Committee that the results of the work of the proposed Committee would be reflected in the next year's Budget.

137. The Committee then proceeded to consider the Audit Report, 1950:

Paras. 9-12.—The Committee noted some glaring instances of defective budgeting and control over expenditure, as brought out in para 12 of the Audit Report. It drew attention to Grants Nos. 9, 90 and 91 relating to the Posts and Telegraphs Department under which the expenditure had exceeded both the original and the modified appropriations and no supplementary grants were obtained to cover the excesses over the voted provisions under any of these three Grants. The Committee observed that the year under review was not an abnormal one and they could not advance any adequate justification for this defective budgeting. Explaining the reasons, the representative of the Ministry of Communications stated that the excesses were due to about 60 per cent. of the assets not being adjusted in that year. It was partly due also to the new pay-scales and the putting into effect of the automatisisation scheme in Calcutta consequent on the outbreak of fire in the Calcutta Telephone Exchange. In regard to the point that supplementary grants were not asked for, the representative of the Ministry of Finance stated that such grants generally followed the revised estimates which were based on actual figures for 7 or 8 months and for the remaining 4 months of the year, it had to be based on approximate anticipated expenditure. The Committee expressed dissatisfaction over the manner in which the Department had exercised control over expenditure and also over the laxity of the Ministry of Finance in not giving proper advice to the Department or in not keeping an eye over their financial affairs. The Committee desired that some measures should be devised in consultation with the Ministry of Finance (Communications) whereby the Department kept in touch with the figures of progressive expenditure. The Committee urged that steps should be taken to ascertain the amount of adjustments anticipated to be made during the last two months of the financial year in order to

ensure that provision was made for all such debits. It was admitted that both the Administration and the Financial Adviser were equally responsible for the unsatisfactory state of affairs during the period under review. The Committee was, however, assured that the Accounts of 1950-51 would show an improvement in this respect.

The Comptroller and Auditor-General pointed out in this connection that the fault was really of the system, as the Administrative Departments did not know exactly where they stood before the close of the year. A point was raised whether it would improve matters if the budget was presented to Parliament in the month of April, instead of on the last day of February as at present. The representatives of the Ministry of Communications agreed that such a change would be very helpful, as they could then have a better picture before them and which could ultimately result in a better financial control.

138. *Para. 18 of the Audit Report, 1950.*—The Committee wanted to know the present state of affairs in regard to Store Accounting. In reply, it was stated that the Posts and Telegraphs Department had appointed a special Audit Officer whose services had been lent by the Comptroller and Auditor-General to look into this question, and the latest report from this officer was very encouraging. Most of the arrears had been cleared and there was a small balance left. It was anticipated that in the next few months' time all the arrears would be completely wiped out. As regards the working of the mechanised system (Hollerith System), the Committee was informed that it had yet to be seen whether the experiment proved successful. The Committee desired to know, in due course, the final decision arrived at by the Department in regard to the mechanisation of the accounting system.

139. *Para. 20 of the Audit Report, 1950.*—The Committee observed that the continued grant of free meal concession to only one section of the staff recruited between April, 1943 and December, 1947, even after the introduction of the new scales of pay, while it was denied to other similar staff employed in the same building and for doing the same kind of work, was not justified. The Committee was informed by the representative of the Posts and Telegraphs Department that considering the two factors *viz.*, the bad condition of Calcutta Telephone Exchange and that the Telephone Operators there had on an average to handle more work, than the Operators in other cities, the continuance of the grant of such additional amenities was felt justified. It was further stated that under the terms of their appointment, the Operators recruited between the 1st April, 1943 and the 18th December, 1947 were entitled to the grant of free lunch and tea during their duty period. The Committee, however,

commented that at the time the staff in question was brought on to the New Scales of Pay promulgated by the Central Government the loss on account of stoppage of such amenities should have been evaluated in terms of money and the staff concerned compensated to that extent by fixing their pay at an appropriate stage in the new scale instead of continuing the old practice. The representative of the Posts and Telegraphs Department stated that they had no objection to the grant of monetary compensation, but their apprehension was that it was likely that the money given to this staff might not be spent for the purpose for which it was intended, with the result that it would not add to the efficiency of their work. The Committee did not approve of the principle of discrimination in the grant of concessions to a particular section of the staff only and suggested its discontinuance. They desired that the Ministry of Communications should, in the light of their observations, examine the whole matter *de novo* in consultation with the Ministry of Finance and the Comptroller and Auditor-General and submit to them a note in due course, setting forth the decision arrived at in the matter.

140. *Para. 22 of the Audit Report, 1950.*—The Committee desired to have fuller particulars of the Calcutta Telephone Fire disaster, the results of the investigations made by the departmental committee and if negligence or any other charge was established against certain officials, the disciplinary action taken against them. It was stated by the representative of the Ministry of Communications that on the basis of the report, submitted by the committee which enquired into this matter, Government came to the conclusion that the cause of the fire could not specifically be established. It was, however, admitted by the representative of the Posts and Telegraphs Department that the fire-fighting equipment was not adequate at the time of fire and the periodic fire drills were not being held. In view of this, the head of the administration was censured by Government and strictures were also passed on a few other officers for their negligence in not ensuring that the fire-fighting appliances were kept in order. The Committee observed that mere censuring or passing of strictures against officials found guilty of gross negligence was not adequate punishment, considering that it had resulted in a loss of Rs. 12 lakhs to Government apart from the inconvenience caused to the public as a result of the fire. The Committee desired to be furnished with a summary of the report of the Departmental Committee appointed by the Government, together with a statement showing action taken by Government to locate the cause of the fire and the action taken against the officers found negligent in their duties. The Committee also suggested that the Government of India should issue strict instructions to all the Ministries and their attached and subordinate offices, that every inspecting officer should

keep a continuous watch that the instructions issued by Government in regard to fire precautions are being observed properly.

141. *Para. 23 of the Audit Report, 1950.—Wasteful expenditure on purchase of land surplus to requirements.*—The Committee wanted to know when the site for the proposed construction was likely to be finally selected. It was stated that the matter would be decided after the Chief Engineer, Posts and Telegraphs had visited the place the following month and discussed the matter with representatives of the local Chamber of Commerce. It was added that the whole thing was expected to be finalized shortly. The Committee commented at the lack of proper initial planning as displayed by the Posts and Telegraphs Department in this case and characterised the state of affairs as 'unsatisfactory' and desired that this should be avoided in future. The Committee wanted to have a note after the final decision was reached in the matter.

142. *Para. 27 (b) of the Audit Report, 1950.*—The Committee desired that the matter referred to in this para. should be investigated by the Department and the results reported to them.

Para. 27 (c) (iii) of the Audit Report, 1950—Defective maintenance of service records and retrenchment registers.—The Committee was informed that on receipt of the report, general instructions had been issued by the D.G., P. & T. to all the P.Ms.G. In this particular case, it was stated that there had been no laxity on the part of the persons concerned. The Committee 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.

143. *Para. 28—Outstanding Audit Objections and Inspection Reports.*—The Committee was informed that the number of outstanding objections had now been reduced from about 54,000 to about 6,000 and that of the Inspection Reports had also gone down. Explaining the causes for the delay in disposal thereof it was stated by the Departmental representative that these were the aftermath of the last war and partition. They were, it was stated, thrown out of gear for a while but they had now rehabilitated themselves to a very large extent.

144. *Para. 32 of the Audit Report, 1950 (as inserted by C.S. No. 13).*—The Committee desired that consequent on its transfer from the Indian Audit Department to the Posts and Telegraphs Department, the Postal Insurance Organisation should be run on commercial lines and that a balance sheet in respect thereof duly countersigned by the Audit Officer concerned appended to the Commercial Appendix. The Committee also recommended that it should not be run as an ordinary Government department, but on sound business lines

145. *Page 109 of the Accounts—Note 2.*—In the case of Major Works, out of a total outlay of about Rs. 1.60 crores, Rs. 1.11 crores was incurred without any budget provision. The Committee observed that it was irregular and wanted to know why funds were not obtained in time. It was stated in this connection that most of the works under the development plan commenced in the year 1947-48 could not be completed according to schedule during that year owing to certain difficulties and readjustments as a result of partition etc. The refugee problem caused serious transport bottleneck and the stores etc. could not be carried to the sites. A considerable number of unfinished works was thus carried over from 1947-48 to 1948-49. Further they had not provided for these works in the budget for the year 1948-49 as it was not expected that they would be able to complete these according to the provision made and would have to carry over to the next year. It was, therefore, decided to execute these works as 'non-budget works' during the said year with the approval of the Standing Advisory Committee of the Ministry of Communications and Standing Finance Committee. It was added that funds were obtained by reappropriation with the sanction of the Ministry of Finance.

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

Item 29.—As the Memorandum sent by the Department was received very late, this item was allowed to stand until the matter had been examined in detail.

Item 30.—It was agreed that this item may stand over till the report of the committee proposed to be appointed to examine this matter was received and considered.

Item 31.—The Committee was satisfied with the general instructions issued by the Departmental in this behalf and it was decided to drop this item.

Item 32.—The Committee was informed by the Departmental representative that the relevant rules had been amended and now in addition to the person who took cash, the Treasurer would also be responsible for defalcations. The Committee agreed to drop this item.

147. *Indian Telephone Industries, Bangalore.*—The Committee was informed that since last year this concern had been made a private limited company and its Board of Directors consisted of the Secretary, Ministry of Communications, Financial Adviser, Communications, Chief Engineer, Posts and Telegraphs and two non-officials. The Committee expressed concern over the policy of Government in diverting large sums of State money for the formation of a company without having framed any laws to regulate the whole affair.

148. It was brought to the notice of the Committee that there was a general complaint regarding the shortage of postal forms which had become a feature of the working of the Post Offices especially in the rural areas. The Comptroller and Auditor-General informed the Committee that apart from the shortage of forms required for public use, there was also a shortage of the accounts forms. The accounts were coming in all sorts of scrappy manuscript forms and there was a grave risk of the preparation of bogus accounts and returns resulting in frauds. The Committee urged that no kind of parsimony or inefficiency should be tolerated in regard to stocking adequate number of forms of all kinds and their distribution to proper quarters. Explaining the main hurdle in their way, the representative of the Department told the Committee that they had no direct control over the printing of forms and they had to depend on the Controller of Printing and Stationery in this matter. It was pleaded by him that the Posts and Telegraphs Department, which was a commercial Department, should be allowed to make their own arrangements for their printing requirements as in the case of the Railways. The Committee was assured, however, that in order to rationalise the whole thing the Department was trying to have the forms printed on a regional basis and in order to meet the immediate shortage they were getting the forms printed locally at Madras. The Committee took a serious view of the grave shortage of forms which they thought, must be due to some difficulties that the Posts and Telegraphs Department might be experiencing in their dealings with the Printing and Stationery Department, lack of co-ordination, or the capacity of that Department and recommended that the whole matter ought to be gone into and this defect removed in a manner that might be found suitable by the administrative Ministry. The Committee desired that a comprehensive note setting forth the existing procedure regarding the printing and distribution of the Posts and Telegraphs forms, the inherent defects in this system and the remedial measures proposed to resolve the difficulties, should be furnished to them.

PROCEEDINGS OF THE SIXTH MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON SATURDAY, THE 14TH
JULY, 1951.

The Committee met from 9 A.M. to 12-30 P.M.

Those present were:—

Shri B. Das—*Chairman*.

Shri M. L. Dwivedi

Pandit Krishna Chandra Sharma

Shri Tribhuan Narayan Singh

Shri S. N. Das

Shri B. N. Munavalli

Shri T. H. Sonavane

Shri Ram Chandra Upadhyay

Dr. Mono Mohon Das

Shri M. V. Ghule.

} *Members.*

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues.

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

WITNESSES

Shri K. R. K. Menon, Secretary, Department of Revenue and Ex-
penditure, Ministry of Finance.

Shri K. G. Ambegaokar, I.C.S., Secretary, Department of Econo-
mic Affairs, Ministry of Finance.

Shri M. V. Rangachari, Joint Secretary, Department of Economic
Affairs, Ministry of Finance.

Shri J. Dayal, Joint Secretary, Department of Revenue and Ex-
penditure, Ministry of Finance.

Shri H. S. Negi, Deputy Secretary, Department of Economic
Affairs, Ministry of Finance.

Shri P. L. Uppal, Member, Central Board of Revenue and *ex-*
officio Joint Secretary.

Shri T. S. Ramaswami, Under Secretary, Central Board of
Revenue.

Ministry of Finance (including Revenue Division)

149. The Committee took up consideration of the Appropriation Accounts (Civil) 1948-49 and Audit Report, 1950.

Para 2 (ix) of the Audit Report.—The Committee drew the attention of the representatives of the Ministry of Finance to the omission on the part of the Ministries in not reconciling their figures with those booked in the Accounts Offices and observed that it had become a regular feature in almost all the Ministries. The Committee was informed that the Ministry of Finance had issued instructions to all the Ministries etc. in 1949 asking them to reconcile their accounts with those maintained in the Accounts Offices. It was added that so far as that Ministry was concerned they had laid down a procedure and that the responsibility for maintaining the administrative accounts and for reconciling those with the figures booked in the Accounts Office rested with the Administrative Departments concerned. The Committee observed that the matter needed further examination from the point of view of control over expenditure. The primary responsibility for seeing that the grants were not exceeded rested with the respective Administrative Departments. The Committee felt, however, that the spending departments had in recent years been failing to appreciate the importance of framing their budgets accurately and observing strict control over their expenditure. They thought that the first step to be taken was to ensure that the spending departments attached due importance to this matter and kept the accounts up-to-date. The Committee also thought that it would be very helpful if the Financial Advisers attached to the various Ministries etc. could check up their departmental accounts at regular intervals in order to see that they were being maintained properly and also to guide the Administrative Departments in the matter. The Comptroller and Auditor-General also informed the Committee that a proper remedy was the introduction of the system obtaining in the United Kingdom, subject to adjustments on account of local variations, whereby the responsibility for keeping the entire accounts rested with the departments concerned. The Committee considered that Government should take up this matter notwithstanding the fact that it might involve some extra expenditure. They further desired that pending consideration of the suggestion made by the Comptroller and Auditor-General, the proposal regarding the Financial Advisers rendering assistance to the respective Ministries to which they are attached should be tried, and its efficacy watched. The representative of the Ministry of Finance assured the Committee that they would consider the suggestions carefully.

150. *Para 17 of the Audit Report, 1950.—Control over expenditure.*—This para detailed instances of defective budgeting and

control over expenditure. The representative of the Ministry of Finance stated that one of the methods they had adopted to implement the recommendation on the subject made by the previous Committee, *vide* para 4 of their Report for the year 1947-48 (post-partition) was that in case a particular Ministry overspent, they had been told that until the extra money required by the Ministry had been voted by Parliament the Ministry of Finance would not sanction it unless it was proved that delay in sanctioning the expenditure would be dangerous. The Committee, however, observed that the Ministry of Finance should shoulder the responsibility of ensuring stricter control over the total expenditure and assist the administrative Ministries in the matter in the various ways by showing them how the Ministries could keep a proper check over their expenditure. It was not sufficient to rely on promises or assurances from the Ministries to issue instructions of a general character but the Ministry of Finance should devise practical methods whereby this important aspect of their duties was properly and adequately realized by the various Ministries. The function of the Ministry of Finance was not only to scissor the proposals from the administrative Ministries but to give them proper guidance in the financial matters. The Ministry of Finance should ensure that the money was properly spent, accounted for in time, booked in the books at regular intervals, and properly controlled by the officers in-charge; and that the system of submitting progress reports was instituted so that both the Head of the Department concerned and the Financial Adviser had an eye over the day to day developments which reflected in the expenditure charts. The Committee desired that a report on the various measures evolved by the Ministry of Finance in the light of their observations should be submitted to them in due course.

151. *Para 33 of the Audit Report.*—The Committee wanted to know the latest position regarding balances outstanding in respect of payments made to the United Kingdom Government on behalf of Pakistan. It was stated by the representative of the Ministry of Finance that the Chief Accounting Officer and the High Commissioner for India in the U.K. were in touch with the Pakistan High Commissioner. They had received advances totalling £300,000 during 1950-51 and that they had asked for another £100,000 which was under consideration. It was added that it was a question of sorting out the share of pensions and the records were being sifted so that a decision could be reached on the actual amount to be paid by each party.

152. *Para 36 of the Audit Report—Disposal of Inspection Reports and Objections.*—This para. revealed large number of outstanding objections involving over a crore of rupees, some of which were as

old as 1942-43. The Committee while stressing the necessity for the expeditious clearance of those objections suggested that the representatives of the Ministry of Finance and the Accountant-General, Central Revenues should together clear up all the outstanding on the spot. It was stated by the representative of the Ministry of Finance that they had already issued necessary instructions in the matter to all the Ministries. As general directions or circulars of this nature were not found to be very effective, it was suggested that in order to expedite matters, the Finance Officers accredited to the various Ministries might ask for lists of outstanding objections from the Ministries periodically and also examine the reasons why the outstanding had not been cleared up. If necessary, they should be asked to render necessary assistance to the Ministries in the clearance of the arrears and ensure that the objections were answered in time.

153. Page 127 of the Accounts, Note 3—*Expenses of the Ministry of Commonwealth Relations, U.K.—Contribution to His Majesty's Treasury.*—The Committee desired to know whether any settlement had since been made with the U.K. Government about 'traditional' payment of contribution from Indian Revenues in respect of the agency functions performed by the Commonwealth Relations Office on behalf of the Government of India. The Committee was informed that the main agency work was the payment of pensions. The civil pension work had been taken over by the Indian High Commissioner. The work relating to Military pensions including the disability pensions was, however, being done by the Commonwealth Relations Ministry. In the case of the disability pensions, payment had to be fixed after deciding the degree of the disability. In the case of pensions to the family and dependents, the actual condition of the family had to be checked up. It was found in 1947 that these functions could not be effectively performed by the Staff of the Indian High Commissioner. As they had to rely to a very great extent on the co-operation and assistance of the officials of the U.K. Government, the Government of India agreed to pay an agency fee to the U.K. Government for doing this work. These agency fees it was added were fixed on the basis of the number of persons actually employed on each item of pension work. It was further stated that as a result of the discussion which the Secretary, Ministry of Finance (R. & E. Department) had had with the Commonwealth Relations Office during the course of his recent visit to London, it had been decided to take over the work relating to payment of military pensions from the U.K. Government and that the taking over process would start from October, 1951 and it was hoped that by April, 1952 the Government of India would have taken over the entire work. It was also mentioned that for the main item of work,

that is payment of military pensions, the Government proposed to use mechanical accounting methods, and the Pension Wing of the Defence Ministry here would depute one or two officers to work in the Commonwealth Relations Office in order to gain experience and take over the files and other records. The Committee asked for a note setting forth the actual percentage of the ratio of the expenditure incurred on agency fees to the pensions paid by the Commonwealth Relations Office. The Committee also wanted the Ministry of Finance to 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.

154. *Page 273 of the Accounts—Note 6—Superintendence of Insurance.*—The Committee wanted to know why the expenditure was more than the receipts, and what steps had been taken to balance the account. It was stated that the control of the Insurance Organisation had only recently been transferred to the Ministry of Finance and that Ministry had not so far explored any avenues to make it self-supporting by raising the fee. The Committee desired that since this organisation was run for the benefit of the Insurance Companies etc., it should be considered whether the fees levied should not be adequate to cover the expenditure. The representative of the Ministry of Finance agreed to examine this aspect of the matter.

155. *Grant No. 82-A.—Pre-partition Payment (page 385).*—Out of Rs. 20.61 crores provided by a supplementary grant for pre-partition payments during the year, there was a saving of Rs. 3 crores. The Committee wanted to know why it was not possible for the Ministry to surrender this saving in time. It was stated in reply that the Ministry could not make a precise estimate of the amount required because it was only in May 1948 that it was decided that pre-partition claims of various parties should be paid by the Government of India initially and in spite of the best estimate made by them, the expenditure was actually less than that anticipated.

156. *Grant for Development Schemes—Note 3(a)—(Page 522).*—The Committee felt that there did not exist adequate machinery at the Centre for ensuring that the grants made to the State Governments etc. for Development Schemes were utilized by them for the purpose for which these were intended. They further observed that the responsibility for spending properly the monies allotted by the Centre should be that of the State Governments concerned, and the responsibility of the Central Government should be limited to broad

checks only and not to the scrutiny of individual items of expenditure. The Comptroller and Auditor-General promised to incorporate a note on the subject in the next Audit Report.

157. The Committee then took up consideration of the 'Statement showing action taken or proposed to be taken on the recommendations of the Public Accounts Committee' relating to the Ministry of Finance.

Item 2 of the Statement.—The Committee felt that the instructions issued by the Ministry of Finance in the matter were treated by the Ministries in a routine manner, and not observed strictly. The Committee, therefore, desired that some method should be evolved whereby it is ensured that the Ministries observe the instructions issued to them in the matter. The indenting Departments should raise the debits on account of supplies made by them in time and the receiving Department should ensure that appropriate action was taken by them in time to arrange for the adjustments of such debits within the appropriation or grant sanctioned in respect of the financial year concerned.

While discussing the question of the adjustment of cost of stores purchased in the U.K., the Committee desired to know whether the Ministry of Finance had withdrawn any of the powers delegated to the Old India Office and whether the High Commissioner for India in London exercised the same financial powers as were enjoyed by the other Ambassadors and, if not, why not! The representative of the Ministry promised to submit a detailed note in due course.

Item 3 of the Statement.—The Committee desired that in order to expedite disposal of audit objection by the various administrative authorities, the Ministry of Finance should issue instructions calling for quarterly statements showing the progress made in the disposal of the audit objections pending in the various Ministries and their attached and subordinate Offices.

Item 4 of the Statement.—The Committee was informed that the question of the institution of a system of 'Administrative audit' was under the active consideration of the Ministry of Finance. The Committee felt that, as observed by them while considering the Accounts relating to the Ministry of Works, Production and Supply, any postponement of the introduction of this system on grounds of funds would not be an economical proposition in the long run. The Committee thought that for the sake of efficiency and better organisation, it was worthwhile spending a little more money than continuing the present defective system which might in the long run be responsible for huge wastes of public funds.

Item 5 of the Statement.—The Committee considered the note furnished by the Ministry and felt satisfied over the progress made in the working of the Small Savings Scheme in different States.

Item 6 of the Statement.—The Committee decided to take up examination of the various State Trading Schemes during their next session, by which time it was hoped that the Ministry of Finance would be in a position to conduct an overall financial review of the various Schemes.

158. The Committee then discussed with the representatives of the Ministry of Finance the propriety of transferring governmental activities to private corporations, e.g., the Indian Telephone Industries, Bangalore which had been formed into a joint stock company and the capital of which was found by the Mysore and the Central Governments. The Committee felt that while such concerns were run by Government, they would be subject to the control of Government and of Parliament but on becoming autonomous or semi-autonomous concerns, they became free from the day to day control of the Government. In regard to the question of payment of income-tax, the Committee was informed that while Indian Telephone Industries continued as a Company, Government could recover Income-tax and that was provided in the Income-tax Act. The Committee reiterated their earlier suggestion that the setting up of such State-sponsored concerns should be regulated by Parliamentary legislation.

159. The Committee reviewed the working of the Income-tax Investigation Commission, and desired that the Ministry of Finance should try to realise arrears of assessment as expeditiously as possible under the scheme of concession to the assesseees for quasi-voluntary disclosures of tax. The representatives of the Ministry promised to submit to the Committee a Memorandum showing the number of assesseees in Parts A, B, & C States, the amount so far recovered from them and that outstanding for recovery.

160. The Committee referred to losses of opium in the Ghazipur Opium Factory and desired that a note outlining the security measures adopted by Government to prevent thefts of opium, and also the causes of losses during the manufacturing process, should be submitted to them in due course.

The Committee also desired to be furnished with a note detailing the various aspects viz., administrative, accounting, financial control etc. regarding the working of all the Opium Factories under the control of the Central Government, with special reference to the functions and duties assigned to the Narcotics Commissioner and other Opium Officers in-charge of the Factories etc.

161. *Separation of Treasury Functions.*—The Committee drew attention to para 11 of the Report for the year 1947-48 (post-partition) of the previous Committee and desired to know what steps Government had taken to implement their recommendation. The representative of the Ministry of Finance informed the Committee that they had accepted the recommendation in principle. The question of setting up the organisation, fixing up accommodation and employment of trained staff etc. was still under their consideration. The Comptroller and Auditor-General incidentally informed the Committee that as the introduction of this important reform was being delayed, he proposed issuing notices to all Governments that he would not make payments after a certain date and that they should make their own arrangements for the taking over of the Treasury work. He also mentioned that he contemplated eventually approaching Parliament for getting an Act on the lines of the U.K. Exchequer and Audit Departments Act being passed which would divest him of his responsibility of looking after treasury work. This, he said, was the beginning of a very important reform that the spending authority must draw its own bills and make arrangements for its own payments. In Delhi, he suggested, that the Government of India should have a central treasury and the Chief Commissioner should be asked to move quickly in the matter.

162. The Committee then proceeded to take up consideration of the Commercial Appendix (Civil), 1948-49.

India Security Press (page 11 of the Accounts).—The Committee desired to be furnished with a note showing the steps taken by Government to revise the charges for printing of stamps to meet the rising cost.

163. The Committee desired to know in detail what the refusal of *ex post facto* sanctions by the Ministry of Finance implied in practice. Explaining this, the Comptroller and Auditor-General stated that the action of that Ministry in refusing to accord sanction was to get the Department or Ministry concerned hauled up before the Public Accounts Committee. The Committee observed that the Finance Ministry should take other measures also besides refusing sanction. The Committee strongly recommended that disciplinary action should be taken against the officials guilty of spending public monies without proper sanction and that the objections should not be removed from the Objectionable Items Registers maintained in the Audit Offices unless the particular items had been discussed and commented upon by the Committee.

164. In regard to the examination by the Committee of the receipt side of the Budget, the Comptroller and Auditor-General stated that as his establishment was extremely inadequate and also that he was confronted with more urgent problems in connection with Part B States, he did not expect that within a measurable distance of time it would be possible for him to undertake the audit of receipts. He added that instead of the receipts being audited, the better course in the present circumstances would be for the Committee to obtain a general idea from the income earning Ministries. There would be an Audit Report on the general financial position of Ministries and that could enable the Committee to have an idea of the receipt side of the Government accounts.

PROCEEDINGS OF THE SEVENTH MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON MONDAY, THE 16TH
JULY, 1951.

The Committee met from 9 A.M. to 1 P.M.

Those present were:

Shri B. Das—*Chairman*.

Shri M. L. Dwivedi

Pandit Krishna Chandra Sharma

Shri Tribhuan Narayan Singh

Shri S. N. Das

Shri B. N. Munavalli

Shri T. H. Sonavane

Shri Ram Chandra Upadhyay

Dr. Mono Mohon Das

Shri M. V. Ghule.

} *Members.*

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues.

Shri R. P. Sarathy, Accountant-General, Food, Rehabilitation
and Supply.

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

*Present during the examination of the Accounts relating to the
Ministry of Commerce and Industry:—*

Shri S. A. Venkataraman, I.C.S., Secretary, Ministry of Com-
merce and Industry.

Shri A. S. Lall, I.C.S., Joint Secretary, Ministry of Commerce
and Industry.

Shri C. R. Natesan, Deputy Secretary, Ministry of Commerce
and Industry.

Shri A. Bakshi, Deputy Secretary, Ministry of Finance.

*Present during the examination of the Accounts relating to the
Ministry of Communications:—*

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

Shri K. V. Venkatachalam, Deputy Secretary, Ministry of Communications.

Shri T. P. Bhalla, I.P., Director-General, Civil Aviation.

Shri M. S. Mathur, I.S.E., Chief Engineer, Civil Aviation Wing.

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

Ministry of Commerce and Industry

The Committee took up examination of the Accounts of 1948-49 and Audit Report, 1950.

165. *Para. 23(a) of the Audit Report.*—The Committee wanted to know the full implications of the Government's refusal to accord *ex post facto* sanction in this case, and also whether refusal to sanction would by itself be effective, unless it was automatically accompanied by disciplinary action against the officer concerned. They pointed out that in the case referred to in this para., no action had been taken. Explaining the case, the representative of the Ministry of Commerce and Industry stated that the powers of purchase delegated to the officer concerned were very strictly limited, but he went on buying plant and equipment in excess of those powers. The net result was that he spent on the whole nearly Rs. 80,000 or more. *Inter alia*, it was, however, made clear to the Committee that there was no question of dishonesty in this case except that the officer exceeded his financial powers. It was added that the whole thing was properly accounted for and the officer got the plant and had it installed. The Secretary, Ministry of Commerce and Industry assured the Committee that he would, after further looking into the matter personally, certify that the purchase of furniture, equipment, etc., was essential and that in his view sanction would have been accorded if it had come up at the proper time. He undertook to apprise the result of his examination to the Comptroller and Auditor-General who might then consider the expedience of writing off this item. The Committee desired to know in due course the action taken in the matter.

166. *Para. 23(b) of the Audit Report.*—The Committee wanted to know the present position of the two cases involving embezzlements referred to in this Para. It was stated that in one case relating to the embezzlement of Rs. 15,292 on account of postage stamps, the matter was already pending in the court and the person concerned was being prosecuted. In the other case involving misappropriation of cash receipts for railway freight paid amounting to Rs. 4,648, the police had investigated and had asked for sanction to prosecute and it was expected that it would be accorded by the Ministry shortly. It was admitted that the persons in charge of the Sections did not display

that amount of supervisory efficiency as was expected of them. Speaking of the measures taken to put right the whole thing, it was stated that they had now got a Postal Franking Machine and no such fraud was possible. As regards the Railway receipts, they had now adopted the Railway Credit Note system.

167. *Para. 23(c) of the Audit Report.*—The Committee wanted to know the reasons for not enforcing the full recovery of £467 from the Officer concerned, as decided earlier by Government on the recommendation of the High Commissioner. While discussing this matter, the Committee desired to know the name of the officer concerned. The Comptroller and Auditor-General informed the Committee in this connection that the British parliamentary practice in the Public Accounts Committee was that ordinarily the names of individuals were not disclosed or discussed. The practice of disclosing the names, according to him, did not help in the prosecution of the case. The representative of the Ministry of Commerce and Industry informed the Committee that he felt the complete facts of the case had not been presented to Audit as it should have been done. He stated that the officer concerned utilised cars from the H.M.G.'s pool of transport from 1st November 1946 to 10th March 1948. The cars were used for official as well as private journeys but no record of each kind of journeys was kept. In the absence of details the following *ad hoc* allocation was made by the Deputy Chief Accounting Officer:

Payable by Government—£1,307-6-8.

Payable by the Officer concerned—£467-8-2.

The Government of India accepted the allocation of the expenditure suggested and passed orders for the recovery of £467-8-2 in 35 instalments from the officer. After the officer had paid £52 he was transferred to India. He then represented to the Government of India for waiving the recovery of the amount on the following grounds:

- (i) Public transport at the place where he was posted was irregular, inadequate and expensive.
- (ii) Use of the car on Sundays and holidays was not confined to private account but also for official social contacts, meetings and interviews, etc.
- (iii) No car allowance or advance for the purchase of car was granted to him although originally it was proposed to sanction a conveyance allowance for him.
- (iv) On account of his transfer to India, his emoluments were reduced to less than half.

The recovery of the balance of the amount was waived by Government but that already paid by him was not refunded.

It was pointed out that at one time the officer concerned was on leave for 3 months but the car was used by his family. The Committee was informed that other similar charges, apart from the financial irregularities, had been pointed out by the Auditor of Accounts in the other country where this officer was now posted after a short spell of duty in India. The Secretary of the Ministry of Commerce and Industry assured the Committee that he was investigating the matter further and that after a full list of the charges against this officer had been made out, he would ask for his explanation through the Ambassador. He also promised to place before the Committee the results of his investigations in the matter.

The Committee observed that the original decision to require the officer to pay for the use of the car on Saturdays and Sundays only was not quite correct as there was evidence on record that the car had been used by his family during the period of his 3 months leave and on other occasions when he was out of his headquarters for long periods. They further expressed dissatisfaction over the decision to waive the recovery of the amount and observed that the officer had been treated very leniently when there was a *prima facie* charge against him. They were also surprised to learn that on the face of his previous record, this officer had again been posted to an Embassy abroad and desired that a thorough investigation should be made in all the charges against this officer and a report submitted to them.

The Committee also commented on the delay in the Office of the High Commissioner for India in dealing with the audit objections and desired that some method should be evolved whereby these objections were dealt with expeditiously.

'168. *Para. 31 of the Audit Report.*—The Committee drew attention to the defects and irregularities pointed out in this para. which related to the Foreign Missions, Consulates, etc. While discussing the observations made therein, the Comptroller and Auditor-General informed the Committee that now since the Auditor of Indian Accounts in the U.K. was no longer a statutory authority independent of him (C. & A. G.) but one subordinate to him, he would introduce the same procedure as regards the preparation of audit Reports as in the case of other audit officers. He proposed to ask the Auditor in London to send his draft paragraphs to the Ministries in India, endorsing copies to the High Commissioner for his information, so that explanations would be given to the Auditor in the U.K. not by the High Commissioner but by the Ministries concerned. This system, he said, would produce better results in working.

169. *Page 105 of the Accounts—Note 2.*—The Committee wanted to know the results of the police investigation and whether any disciplinary action had been taken against the person involved in the misappropriation. The Committee was informed that the same person, referred to in para. 23(b) of the Audit Report, who had misappropriated cash receipts for railway freight was involved in this case also and that sanction for his prosecution would be given shortly.

170. *Page 207 of the Civil Appropriation Accounts—Note 4—Transfer to the Fund for the benefit of Cotton Growers.*—The Committee wanted to know the present position of the Fund and whether the Ordinance promulgated for the creation of this Fund was still continuing. It was stated that the Ordinance creating this Fund which was promulgated in 1942, was repealed on the 1st April, 1946. The closing balance of the Fund on 31st December, 1950, was Rs. 5·83 crores, the opening balance on 1st April 1949 was Rs. 6·20 crores and the disbursements during the period 1st April 1950 to 31st December 1950 were 37 crores. Explaining the reasons that actuated the Ministry of Finance to allow an advance from the Central Revenues for the purchase of cotton, it was stated that there was a great demand from Japan for Cotton and though it was a temporary inroad into the general revenues, the advance was made and it ended in a good profit.

171. *Page 273 of the Civil Appropriation Accounts—Note 5—Receipts on account of fees for Deposits and Registration of Trade Marks.*—The Committee wanted to know why the expenditure was more than the receipts and what action had been taken to reduce it. The representative of the Ministry informed the Committee that he would go into the question and examine how to make this organization self-supporting. He added that they had drastically cut down the staff in order to reduce expenditure and would now consider as to where and to what extent the fees could be increased. He also stated that under Section 81 of the relevant Act, Government was empowered to prescribe such fees as might be determined by them. He assured the Committee that immediate action would be taken in the matter in order to prevent the continued loss on this account.

172. The Committee then took up consideration of the 'Statement showing action taken on the recommendations of the Public Accounts Committee'.

Item 3—Audit Objections.—The Committee was informed that the Ministry had issued necessary instructions to the Heads of Departments under their control and would now examine how far those instructions had been carried out.

Items 38, 39 and 41.—The consideration of the reviews supplied by the Ministry was postponed till such time as the Committee took up the examination of the State Trading Schemes.

173. *Vizag Shipbuilding Yard.*—The Committee desired to know what steps had been taken to acquire this ship-yard. It was stated that the position remained precisely the same as was reported to the Committee last year. It was hoped that Government would shortly come to a decision in the matter.

174. The attention of the Secretary, Ministry of Commerce and Industry was drawn to an instance of leakage of the Government decision regarding levy of increased export duty on oilseeds before the issue of the Government *Communique*. He promised to investigate the matter and furnish a note to the Committee with special reference to the steps taken by Government to prevent such leakages which had serious repercussions not only on the trade but resulted in loss of revenue to the Exchequer.

175. The working of the Library attached to the Office of the Commercial Intelligence and Statistics, Calcutta was discussed by the Committee. The representative of the Ministry stated that the Estimates Committee had commented adversely upon the set-up of this Office as also about the qualifications of the Officer-in-charge and that they were trying to see what they could do about it. He added that they had given notice to the Officer that he would not get any extension of service and were also examining how they could pool all the available information at one place.

Ministry of Communications

176. The Committee first took up consideration of action taken by the Ministry on the outstanding items containing the recommendations of the Public Accounts Committee.

Item 3.—It was stated that necessary instructions had been issued by the Ministry and they checked up every two months to see whether these were being followed, and if there was any delay, they took remedial action.

Item 4.—It was stated that the question of introduction of the 'Administrative audit system' was being considered as a general question by the Ministry of Finance and that the Communications Ministry would accept the recommendations of the Committee on the lines of the instructions received from the Ministry of Finance.

Item 27—Agreement with Air India International.—The Committee briefly discussed the working of the Air India International and Air

India Ltd. They wanted to know why Air India was doing all booking work for Air India International and why should not the latter make their own arrangements for booking and save the agency charges to be paid to the former. It was stated that at the time the contract was made, the idea was that Air India should do all booking work for Air India International. It was added that it was a part of the original contract, and but for that arrangement, they might have asked for greater concessions. The Committee desired that it should be examined whether it would be more advantageous for the Air India International to do their own booking. The representative of the Ministry agreed with the view-point of the Committee that it would be cheaper if Air India International made their own arrangements for their bookings. It was added, that under the terms of contract, Air India was appointed as an agent for a period of 10 years out of which only 3 years had passed. The Committee desired, however, that the question of the Air India International making their own arrangements for booking should be examined. They also desired to be furnished with a copy of the balance sheet of this concern for the year 1950-51 for their consideration when they took up examination of the State Trading Schemes.

As regards the question of the grant of subsidy to certain Airline Companies, the Committee desired that there must be some commercial principles which should be followed by Government in such cases.

Item 28.—The Committee was satisfied with the information furnished to them.

177. The Committee then took up examination of the Accounts of 1948-49.

Chartering of planes.—The Committee desired to be furnished with a statement showing the actual number of occasions when each Ministry chartered planes during the past two years as also the charges involved in each case.

178. *Grant No. 57—Commercial Appendix (Civil)—Overseas Communications Service (Para. 292).*—The Committee desired that the Ministry of External Affairs should be asked to tap all possible resources to effect recovery of the sum of Rs. 1,15,080 due from the Nationalist Chinese (KMT) Government.

179. *Para. 295.*—The Committee desired that the Ministry should consider the question whereby an internal Accounts Officer who understood the business control methods should be appointed to look after the accounting arrangements of this Organisation which were at present being carried on by the Accountant-General, Bombay.

180. *Night Air Mail Services.*—The Committee desired to know the financial implications of the expenditure incurred on Night Air Mail Services and whether it amounted to the grant of a subsidy to the Airline Companies. It was stated that there was not very much of subsidy element in running this service. The present basis, it was added, was practically a freight rate increased by a small percentage rate of $12\frac{1}{2}$ per cent. because of the priority for handling postal mail. In reply to a question as to how it compared with the freight paid for ordinary air-freight, it was stated that previously payment was being made at the rate of Rs. 1/8/- per lb., but now according to the present practice there was a saving of about Rs. 20 lakhs on the total mails in a year.

PROCEEDINGS OF THE EIGHTH MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON TUESDAY, THE 17TH
JULY, 1951.

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

Those present were:

Shri B. Das—*Chairman.*

Pandit Krishna Chandra Sharma
Pandit Munishwardatt Upadhyay
Shri Tribhuan Narayan Singh
Shri S. N. Das
Shri B. N. Munavalli
Shri T. H. Sonavane
Shri Ram Chandra Upadhyay
Dr. Mono Mohon Das
Shri Gokul Lal Asawa
Shri M. V. Ghule.

} *Members.*

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues.

Shri R. P. Sarathy, Accountant-General, Food, Rehabilitation
and Supply.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

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

*Present during the examination of the Accounts relating to the
Ministry of External Affairs:—*

Shri S. Dutt, I.C.S., Acting Foreign Secretary.

Shri B. N. Chakravarty, I.C.S., Acting Secretary, Ministry of
External Affairs.

Shri M. S. Bhatnagar, Joint Secretary, Ministry of Finance.

*Present during the examination of the Accounts relating to the
Ministry of Food and Agriculture:—*

Shri Vishnu Sahay, I.C.S., Secretary, Ministry of Food and
Agriculture.

Shri P. A. Gopalakrishnan, I.C.S., Joint Secretary, Ministry of
Food and Agriculture.

Shri N. T. Mone, I.C.S., Joint Secretary, Ministry of Food and Agriculture.

Shri J. Bannerji, I.F.S., Dy. Inspector General of Forests, Ministry of Food and Agriculture.

Shri G. Mathias, Deputy Secretary, Ministry of Finance.

Shri D. D. Agnihotri, Under Secretary, Ministry of Works, Production and Supply.

Ministry of External Affairs

181. The Committee resumed further examination of the Appropriation Accounts (Civil) 1948-49 and Audit Report 1950. They first took up consideration of the written answers furnished by the Ministry to some of the points which could not be covered in their previous meeting (See *Appendix XXX*).

Para. 25(c) of the Audit Report.—The Committee was informed that no reply had so far been received by the Ministry to the telegraphic reference made by them to the High Commissioner for India in London. The representative of the Ministry, however, read out to the Committee the following explanations sent by the High Commissioner stating the extenuating circumstances that led to the slip in this case :

“The stamps arrived two days before the due date for sale and they did not actually count the stamps. They were satisfied with the printed indication on the packet itself that it contained so many thousands of stamps. At the actual counting stage later on they found there were certain shortages. As these things came directly from the firm, that is, from the printers in Switzerland, there were doubts as to whether the stamps were actually sent to London. Therefore no disciplinary action could possibly be taken when it was not certain that the loss had taken place in London itself. It is quite possible that the printers themselves might have made a mistake and sent a few stamps short.”

The Committee was informed that the total number of the stamps in question (which were called the Mahatma Gandhi Memorial Stamps) was 178 each of 1½ annas, 3½ annas and 12 annas, and 120 of Rs. 10 each. It was further stated that the matter regarding the loss was still under investigation with the D. G., P. & T. and had not been disposed of finally. In this connection, the Comptroller and Auditor-General mentioned of another case of a serious loss in the year 1943-44 amounting to over £1,000, owing to a fraud on the part of an employee in the High Commissioner's stamp agency. In that case the person concerned was prosecuted and sentenced to imprisonment.

The High Commissioner had then appointed a committee to investigate the matter. It was discovered that there was a serious neglect of procedure and on the recommendation of this Committee the procedure was tightened up. The Comptroller and Auditor-General felt that it was disturbing to find for the second time that the arrangement for the issue of stamps in the High Commissioner's Office was defective in a number of respects.

The Committee observed that it was distressing to note the contrast in the handling of two cases of losses in the same Department inasmuch as no action had been taken in the present case. They felt that there were no sufficient grounds for not having the stamps counted on receipt in the High Commissioner's Office and that shortage of time was no excuse. As the stamps came in sheets, a simple multiplication of the number of sheets by the number of stamps in each sheet would have given the result. They were of the view that the Officer-in-Charge of the section had failed in his duty which had resulted in a loss to Government. They commented that this case bore adequate testimony to the fact that there was laxity in the administration of the High Commissioner's Office and desired that early steps should be taken for prescribing a proper procedure for all such matters and also for exercising adequate financial control. They further desired that 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 delinquent officials should be submitted to the Committee in due course.

182. The Committee then considered the note showing the administration of the scheme of assistance to the evacuees from Burma, Malaya, etc., furnished by the Ministry with reference to Note 8 at page 355 of the Appropriation Accounts (Civil) and desired to know what were the chances of the recovery of the balance of the amount on account of outstanding advances. It was stated by the representative of the Ministry that the chances of recovery were very slender, and actually, the position had come to such a limit that the recovery was not much more than the cost involved in its collection. At one stage, the Ministry had considered the question of asking the State Government to collect the amount on a commission basis but it was felt that by the adoption of that method, coercive methods might be employed by the State Governments. It was further added that the Ministry was considering whether it was worthwhile to carry on the attempt any longer. The Committee felt that as appreciable recoveries of advances were not expected, the expenditure that was being incurred on the running of the organisation for effecting recoveries was proving infructuous. They accordingly suggested that Government should consider the expediency of writing off the outstanding amount and winding up the organisation dealing with this

work. The Committee also desired that the Ministry should ask the State Governments concerned to render proper accounts by the 30th September, 1951 of the total amounts advanced and thereafter the matter should be examined in the light of the suggestions made and a report showing the action taken submitted to them in due course.

183. The Committee then proceeded to review the Schemes referred to in Notes 10 & 11 at page 355 of the Appropriation Accounts.

In regard to the Scheme—Central Refugee Officers—the Committee was content with the information supplied by the Ministry that no further expenditure was likely to be incurred in future on that account. As regards the other scheme *viz.*, Contribution to Provinces etc. in respect of expenditure on orphans, the Committee suggested that the Ministry should consider the possibility of transferring this work to the Central Ministry of Rehabilitation instead of maintaining a separate establishment.

184. The Committee then proceeded to examine the note submitted by the Ministry (*Appendix XXXI*) in regard to India's contributions to the U.N.O., F.A.O. and I.C.A.O. during the period under review. It was stated by the representative of the Ministry of External Affairs that according to the International Organisation Order, 1947, India was given the position of the successor Government and had therefore to take on both the assets and the liabilities. Until the share of contributions of Pakistan and India were decided, India Government had to pay the whole amount as the successor to the undivided Government of India. Further, the Comptroller and Auditor-General informed the Committee that there was a collateral agreement with Pakistan and that Pakistan had accepted her liability, but she was not prepared to discharge it now. She wanted to settle that as part of the overall financial settlement between the two countries. The Committee desired to be furnished with a statement showing the total amount paid by India to the U.N.O. and other international Organisations on behalf of Pakistan.

185. The Committee then resumed discussion on Paras 25(a) and 25(b) of the Audit Report 1950 which were left over from the previous meeting for want of further information.

Para 25(a) of the Audit Report.—The Comptroller and Auditor-General informed the Committee that, as reported by the Auditor of Accounts in London, a motor car belonging to an official who was returning from a diplomatic job to another country was purchased by the High Commissioner on the plea that he required it

for making an addition to pool of official cars and made a payment of £900. He had himself no powers of making such an addition, nor had he obtained sanction of the Government of India to increasing his pool of cars. Secondly, he actually did not bring it on the stock but sold it later to another officer. The effect of this was to oblige the Officer concerned by way of an advance and later by assisting him to sell his car. The objection, so far as audit was concerned, was the purchase of the car without proper sanction. The Committee observed that in case an advance was to be given to an officer, it should have been given in the manner prescribed under the rules and with the sanction of the competent authority and that the rules should not have been evaded. The Committee desired that the Ministry should instruct the High Commissioner to observe strictly the rules in future.

Para. 25 (b).—The Committee enquired from the representative of the Ministry whether he had anything further to add to what he had already stated before them at the last meeting. With regard to the point raised by the Committee whether tenders had been invited, he stated that the calling of tenders was not possible as it was useless to call for tenders when the article was in short supply and also that it was never done before. He added that limited tenders or single tender procedure was followed in cases where competition for the supply of stores was either non-existent or limited to a few well-known sources. So the question of calling for tenders did not apparently arise. He further mentioned that the para. under reference involved two points, viz., first, about the tender, and, secondly, whether the Auditor of Indian Accounts had shown those paragraphs to the High Commissioner for India before incorporation in the Audit Report. The High Commissioner had intimated that the Auditor did show the report to him and that he or his officers had suggested certain modifications, but they were told that the modifications would merely make it longer and that they would have the opportunity of explaining when the time came. Intervening, the Comptroller and Auditor-General remarked that the question was that if there was a modification of facts then reasons would have to be adduced. The modifications suggested by the High Commissioner were not presumably modifications of facts but were comments or inferences. The representative of the Ministry again stressed the point that it was a question of facts that the High Commissioner was raising and that the statement made by the Auditor that the whisky could have been obtained from the normal sources was contrary to facts. The Committee suggested that in all fairness to the Auditor, the matter should be further examined by the Ministry in consultation with an Officer nominated by the Comptroller and Auditor-General and the result of their findings reported to them in due course.

Ministry of Food and Agriculture

186. The Committee resumed further examination of the various points disclosed in the Accounts for 1947-48 (post-partition) and 1948-49 and Audit Reports thereon which they could not cover during their last meeting. They also considered the written answers to some of the points furnished by the Ministry (See *Appendices VII to XI*).

187. At the outset, the Committee heard from the Secretary, Ministry of Food and Agriculture a brief account of the present food position prevailing in the country. The Committee was *inter alia* informed that the Ministry had recently received reassuring news from most parts of the country that the deterioration in the price situation of food-grains had been stopped.

188. The Committee then took up consideration of Government's Resolution, dated the 14th July, 1951 on the report of the Sugar Enquiry Committee appointed to enquire into such aspects of the sugar crisis as were not fully covered by the Tariff Board. The Committee discussed at some length the reasons for Government's disagreement with the findings of the Ganganath Committee over the question of supply of more wagons which resulted in excessive movement of sugar. In reply, it was stated by the representative of the Ministry that the facts were quite correct. It was only a matter of inference, as decontrol implied maximum movement. It was added that a plan was drawn up to ensure supply of a limited number of wagons but actually the factories got more than was necessary. In reply to a question as to why there was no maximum limit put on the number of wagons, it was stated that the wagon supply was not limited for the movement of any particular commodity at that time and the priority system for movement of sugar was no longer then in existence. Further, during the decontrol period, it was stated, that they had planned a reserve of one lakh tons of sugar, but as there was no mechanism in existence to watch the day to day movement of sugar, the entire machinery of sugar control having been abolished, the plan could not be observed rigidly. The Ministry was, however, getting monthly figures of despatches from the Sugar Syndicate and there was always a time-lag because the Syndicate had to collect the figures from all the factories, co-ordinate them and then send them to the Ministry. It was only in July 1949 when the Government of India noticed that too much sugar was going out that they brought this matter to the notice of the Railway Administrations concerned. It was as a result of this abnormal movement that the plan was revised early in August 1949 and full control over the commodity was again imposed. The Committee observed that

the Ministry of Food and Agriculture had failed in their duty to appraise the real position during the period of 4 months *i.e.*, from April, 1949 to August, 1949 and did not visualize the logical sequence of such excessive movement of this commodity which was bound to have serious repercussions during the closing months of the sugar year. They felt that the Ministry should have kept a watch over the movements of sugar during the earlier period of its decontrol, as also to ensure that the stock of 1 lakh tons intended as a reserve was kept intact. They should also have asked the Railways concerned to cut short the supply of wagons for the transport of sugar to border places adjoining Pakistan in order to curb the tendency of the black-marketeers to export sugar to Pakistan clandestinely. The Committee also commented at the miscalculation of the Ministry regarding the carrying capacity of a wagon on the different Railways as disclosed in the Ganganath Committee Report.

The Committee drew the attention of the representatives of the Ministry of Food and Agriculture to the following passages from the report of the Tariff Board in this regard:

“Though sugar was decontrolled from December 1947 and control over the Sugar Syndicate reverted under the law to the U.P. and Bihar Sugar Commission, the Government of India ought to have taken even closer interest than they did in view of the all India importance of sugar”.

“Undoubtedly there was lack of co-ordination between the Government of U.P. and the Sugar Commissioner, which gave an opportunity to the Syndicate to mislead the Government and ignore the Sugar Commissioner”.

“In its dealings with the Government of U.P. and the Sugar Commissioner regarding the release of sugar quotas in 1949, the Syndicate was far from straightforward”.

The representative of the Ministry admitted that the facts quoted from the Tariff Board's report were correct and stated that as a result of that Government had taken action to abolish the Syndicate. The Committee felt that the abolition of the Syndicate after the sugar position had deteriorated so much was rather a belated step and that Government had failed to handle the situation at the proper time.

189. The Committee then re-opened discussion on the observations made in Para. 26 (c) of the Audit Report 1950 regarding import of fertilizers in paper bags, and considered the note submitted by the

Ministry (*Appendix VII*). The Committee drew attention to the following statement made in the said note and observed with regret that the consumers were made to bear the brunt of losses:

“The amount paid on the re-bagging of the consignments under consideration was Rs. 87,400 which was borne by the Central Fertilizers Pool and recovered ultimately from the consumers”.

The Committee wanted to know whether the loss accrued in this case was attributable to the failure of the Purchasing Missions abroad or due to the lack of vigilance and supervision exercised by the Ministry. The Secretary, Ministry of Food and Agriculture stated that the indent was placed by them with the then Ministry of Industry and Supply (now Ministry of Works, Production and Supply) and the actual purchase was made by that Ministry through its Missions abroad. The paper packing had, it was stated, since been discontinued. The representative of the Works, Production and Supply Ministry informed the Committee that they had received a telegram from the High Commissioner for India in London that satisfactory evidence had been obtained that 6 ply paper bag with bitumen lining was not only satisfactory but was preferable to jute bags and on the basis of this they had agreed to the paper packing. He added that it had not so far been established whether the loss caused was due to defective paper packing or was due to wrong specification. They had taken up the matter with their Purchasing Mission in London but had not so far received any further information. The Committee were surprised to learn that although a period of two years had elapsed, the Ministry of Works, Production and Supply had not been able to elicit any reply from their Purchasing Mission in London. They observed that the matter should be pursued vigorously and the Officer concerned should be asked to explain why he had not sent a reply for such a long time. The Committee desired to be furnished with a note showing the date on which the then Ministry of Agriculture complained in the matter to the late Ministry of Industry and Supply (now Ministry of Works, Production and Supply), 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. The Committee also desired that the Ministry of Food and Agriculture should investigate the matter further in consultation with the Ministry of Works, Production and Supply and find out if the fault rested entirely with the Purchasing Mission in London. The Committee stressed that in order to avoid such losses in future, the Ministry concerned should give specific instructions to the Purchasing Mission and in all cases losses resulting from the non-observance of the specifications should be taken up immediately with the Ministry of Works, Production and Supply.

190. The Committee then took up consideration of the note setting out the Constitution of the Sugar (Temporary Excise) Fund, its administration etc. (*Appendix XIV*) furnished by the Ministry of Food and Agriculture. Out of the total realisations of Rs. 412 lakhs in this Fund, a sum of Rs. 103 lakhs had been set apart for subsidizing the sugar industry in U.P. and Bihar to compensate them for the additional cost involved in granting certain concessions to labour and another sum of Rs. 70 lakhs was kept as Reserve to compensate the sugar industry in a falling market. The Committee apprehended that the principle underlying the grant of subsidy to the factories was fraught with serious repercussions in the future both on the trade and on the labour. The Committee wanted to know whether before Government agreed to give subsidy in regard to the rise in the cost of labour, they went into the question whether the industry was making a profit or was incurring a loss. They felt that compensation should not be given for loss of profits, but that it should be given only if there was loss on other grounds for which adequate justifications exist. The Committee was informed that the revision of the basic formula governing the method for the calculation of the cost of sugar as also the profits was under the consideration of the Ministry. The Committee desired that Government should safeguard the interests of the consumer. The Comptroller and Auditor-General informed the Committee that he intended asking his Accountant-General to conduct a special audit of this Fund, in order to see whether the cess was levied in this case in consonance with the wishes of the Legislature. The Committee desired that the question of costing, calculation of profit and other cognate matters should also be studied by the Accountant-General and his comments, if any, included in the Audit Report.

PROCEEDINGS OF THE NINTH MEETING OF THE PUBLIC
ACCOUNTS COMMITTEE HELD ON WEDNESDAY, THE 18TH
JULY, 1951*

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

Those present were:

Shri B. Das—*Chairman*.

Pandit Krishna Chandra Sharma
Pandit Munishwardatt Upadhyay
Shri Tribhuan Narayan Singh

Shri S. N. Das

Shri B. N. Munavalli

Shri T. H. Sonavane

Shri Ram Chandra Upadhyay

Dr. Mono Mohon Das

Shri Gokal Lal Asawa

Shri Murlidhar Vishvanath Ghule.]

} *Members.*

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

Shri B. N. Sen Gupta, Accountant-General, Central Revenues.

Shri R. P. Sarathy, Accountant-General, Food, Relief and
Supply.

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

191. The Committee made a general review of the Accounts considered by them and the evidence placed before them. They came to certain tentative conclusions which they desired should be embodied in their report.

192. Before the close of the meeting, the Comptroller and Auditor-General read out to the Committee a Memorandum outlining the various changes which he contemplated making in the form of Appropriation Accounts in order to reduce their size (reproduced as *Annexure I* to these proceedings).

193. The Committee then adjourned to meet again for passing the draft report.

*Proceedings of the earlier and subsequent meetings which did not consider any accounts have also been included as *Appendices XLIX to LVI*.

ANNEXURE I

Memorandum outlining the proposed changes in the form and contents of the Appropriation Accounts

The question of making certain changes in the form and content of the Appropriation Accounts so as to reduce their size without curtailing any substantial information at present made available to the Public Accounts Committee has been under consideration for some time. With the concurrence of Government, the Comptroller and Auditor-General proposes to make the following changes:—

- (a) The Explanation for variations between the original grant and the final appropriation under individual sub-heads will be omitted, but instances of defective supplementary appropriations and reappropriations indicating bad budgeting and control will be brought to notice through notes below the grants in the individual appropriation accounts.
- (b) No amounts or percentages will be prescribed for explaining the variations in the appropriation accounts between the expenditure and the grant, but the Accountant General or the other authority compiling the appropriation accounts will be given full discretion in the matter so that he may include in the appropriation accounts explanations of variations only in those cases which, in his view, are likely to be required by the Public Accounts Committee.
- (c) In the Civil Appropriation Accounts the monetary limits fixed for the detailed statement of expenditure on important new works will be raised from Rs. 50,000 to Rs. 1 lakh in the case of major works and from Rs. 20,000 to Rs. 50,000 in the case of major works not provided for in the budget. These limits will also apply in the case of P. & T. Appropriation Accounts. This is justified by present day conditions and the matter will be reconsidered if and when prices fall to pre-war levels.
- (d) The notes below individual appropriation accounts which give the percentages of variations between the expenditure and grant as compared with previous years will be omitted. These do not by themselves convey anything as these variations need not necessarily imply any lack of control. So long as the Committee's attention is specifically drawn to instances of bad budgeting and lack of financial control, these notes do not serve any purpose.

2. The position was explained to the P.A.C. at its meeting held on 18th July, 1951.

APPENDICES

963 P.S.

APPENDIX I

*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 or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
1	1947-48 (post-partition).	4-R	Ministry of Finance	The Ministry of Finance should frame necessary rules and regulations to ensure that the spending Ministries exercise proper checks and show complete responsibility in the matter of budgeting and keeping control over expenditure and in cases of laxity it should be the duty of that Ministry to take appropriate action in the matter.	The matter is under consideration.
2	1947-48 (post-partition)	5-R	Ministry of Finance	The Ministry of Finance should once again draw the attention of all the Ministries to the suggestion contained in Para. 7 of the Report of the Public Accounts Committee of the year 1944-45 and a suitable procedure should be devised in consultation with the Comptroller and Auditor-General whereby the indenting Department should ascertain telegraphically the precise position in regard to supplies within the year and estimate as accurately as possible the total expenditure against its appropriations.	Necessary instructions have been issued to all concerned.
3	1947-48 (post-partition) 44-P	9-R	All Ministries of Govt. of India. <hr/> Director-General, P&T	The Government of India should impress upon the Heads of Departments that replies to Audit objections should be sent with the utmost promptitude and that immediate steps should be taken to remove defects in the ad-	The Ministries of Finance, Health, W.P. & S., Education, States, Rehabilitation, Food & Agriculture, Home Affairs, Commerce & Industry, Railways and D.G., P.&T. have stated that

*See Appendix I of the Second Report which contains the statement as further revised and brought up to date.

necessary instructions have been issued by them to their subordinate and attached offices. The Ministry of I. & B. has noted. The Ministry of Labour has stated that action is being taken. The Ministry of W.P. & S. has stated further as below :

" In order to be sure that our instructions are being properly followed, we have introduced a system of calling for six-monthly statement showing the different stages of the disposal of the audit objections."

The Ministry of Finance has not furnished any remarks. Most of the other Ministries have stated that they are awaiting instructions from that Ministry. The Ministry of W. P. & S. has offered the following remarks—

"So far as the Central P.W.D. is concerned, the question of introduction of system of Administrative Audit was considered by an inter-departmental Committee consisting of (i) Deputy Auditor-General, (ii) Joint Secy., Ministry of Finance, (iii) Chief Engineer, P.W.D., (iv) E-in-Chief and (v) Deputy Secretary, Ministry of W.M.F. (now W.P. & S.)

ministrative system existing in their departments which may be brought to their notice through the Audit Notes.

With reference to the case mentioned in Para. 21(i)(3) of the Audit Report on Civil Accounts, 1949, the Ministry of Finance should formulate comprehensive rules and regulations for the institution of a system of 'Administrative Audit' in consultation with the Comptroller and Auditor-General and incorporate them in the existing Codes etc., and a report submitted to the Committee in due course.

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

10-R 1947-48 (post-partition) 95-P
 Ministry of Finance
 All other Ministries

which was set up in 1948 to consider and advise the Govt. on the question of setting up an independent inspection agency under the Ministry of W. P. & S. for technical examination of the expenditure on Central P. W. D. Works, on the model of the organisations of the Chief Technical Examiner and Chief Surveyor of Works on the Defence side. After careful consideration, a workable plan of such an organisation was drawn up. The implementation of the scheme has, however, been deferred for lack of funds owing to financial stringency." (A copy of the Report has been furnished to the Committee).

A note will be submitted to the Committee shortly.

With reference to Grant No. 72, Miscellaneous-sub-head 1.3.—Small Savings Scheme, the Committee wished to have a note on the progress made in the re-organisation of this scheme and economy effected.

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 overall control of the Government of India before the consideration of the Accounts for 1948-49.

A Memorandum outlining in detail the various aspects of the financial control exercised by

6 1947-48 110-P
(post-partition).

Ministry of Finance

6 1947-48 7-R
(post-partition) 87-P

Ministry of Finance
All other Ministries.

7 1947-48 3-P
(post-partition)

Ministry of Finance
(Defence)

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

the Finance Ministry over Defence Expenditure should be submitted to the Committee.

8 1947-48 (post-partition) 5-P Ministry of Defence

A memorandum should be submitted to the Committee in due course showing the progress made in reviving the Equalisation Fund.

9 1947-48 (post-partition) 6-R
7-P Ministry of Defence
All other Ministries

It was suggested that a Committee consisting of representatives of the Ministries of Finance, Defence and Law should be set up to go into the existing contract forms in use by the Defence Services with a view to drawing up standardised contract forms which should be strictly adhered to and no deviation therefrom made except under the express orders of the Government of India. At all events every contract should be entered into only after competent legal and technical advice has been taken.

The Ministry of Law has offered the following remarks:—

"The necessity for the constitution of the proposed Committee will have to be considered by the administrative Ministry concerned in consultation with the Ministry of Law. So far as Ministry of Law is aware, there are standard forms of contract in the Defence Ministry and the other Ministries which place a large number of contracts. Whether these standard forms require amendment will depend on whether difficulties have been encountered in the practical working of the contracts entered into in those forms."

The Ministry of Food and Agriculture has stated that necessary action is being taken to standardise the contract forms in use in that Ministry in consultation with the Ministries of Law and Finance.

" Necessary action is being taken to form a Committee consisting of the representatives of Posts and Telegraphs Department, Ministry of Law and Ministry of Finance (C) " .

A note explaining the position obtaining in the C. P. W. D. has been submitted by the Ministry of Works, Production and Supply.

- 10 1947-48 6-P
(post-partition)
- Ministry of Defence
- With reference to para. 12 of the Financial Adviser's Review on the Appropriation Accounts (Defence Services), the question of allocation of works expenditure to 'maintenance' or 'capital' should be further examined in consultation with Audit authorities and a report submitted to the Committee in due course.
- 11 1947-48 9-P
(post-partition)
- Ministry of Defence
- The Committee desired to know the reasons which necessitated the conclusion of fresh contracts in the cases referred to in para. 7 of the Audit Report, Defence Services, 1949. They also desired to be apprized of the decision of the Government on the question of (i) taking disciplinary action, (ii) imposing penalties on the contractors and (iii) regularising the expenditure in this case.
- 12 1947-48 11-P
(post-partition)
- Ministry of Defence
- A target date should be fixed by which all the ground balances of the entire Military stores should be verified and correct balances under each category of store entered in registers so that there was no room for any irregularity or fraud thereafter. The Committee should be informed in due course of the progress made in this respect.

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

The Committee should be furnished with a statement showing the total value of stores under each category on hand on the 15th August, 1947 and 31st March 1948.

A memorandum outlining the present procedure obtaining on the Defence side for the reconstruction of store accounts and registers on the basis of duplicates of the relevant documents and vouchers, etc. should be furnished to the Committee. The Defence Ministry should issue necessary instructions to ensure that officers of proved integrity only be put in charge of store holding establishments.

A memorandum should be furnished to the Committee showing in detail how the stores were declared surplus or unserviceable and disposed of, which authorities were empowered to declare the stores unserviceable and how they were salvaged.

With reference to sub-para. 4 of the M. A. G.'s Certificate contained in para. 30 of the Defence Accounts, the Committee desired that the question regarding adjustment of the outstanding amounts due from J. & K. State Government and other States and Departments should be expedited and the matter reported to them at an early date.

13 1947-48
(post-partition)

12-P Ministry of Defence

14 1947-48
(post-partition)

13-P Ministry of Defence

15 1947-48
(post-partition)

14-P Ministry of Defence

- 15-A 1947-48 (post-partition) 15-P Ministry of Defence With reference to Appendix 'E' to the Appropriation Accounts, Defence Services, the matter re: recovery of the sum of Rs. 62 lakhs due to India from the U. K. Government should be pursued vigorously with that Government and the accounts relating to pre-partition year settled, as early as possible, so that the exact amount of debt that Pakistan owed to the Government of India could be determined.
- 16 1947-48 (post-partition) 16-P Defence With reference to Appendix F to the Defence Accounts, the Committee desired to be informed how the authorities were planning to avoid recurrence of the instances of over-estimating shown therein.
- 17 1947-48 (post-partition) 17-P Defence Adequate steps should be taken in consultation with Audit to prevent huge losses of cash, overpayments etc. in future resulting from the negligence of the officers concerned. A memorandum showing the measures adopted for tightening control in the matter should be submitted to the Committee in due course.
- 18 1947-48 (post-partition) 18-P Defence It was suggested that one or two members of the Committee might visit one or two Military Stores Depots to appraise their proper working.
- 18-A 1947-48 (post-partition) 19-P Ministry of Defence With reference to para. 12 of the Audit Report, Defence Services, the Committee felt that in such cases, the final settlement of dues of officers concerned should not be made unless the deficiency detected in stores had been made good.
- The visit of the members of the P.A.C. to the C. O. D., Dehu was arranged in consultation with the Defence Ministry.

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
19	1947-48 (post-partition)	20-P	Defence	With reference to para. 20 of the Audit Report 1949, the Committee wanted to know whether Government had accepted the suggestion of the Audit authorities for the restriction of the amount of imprest on the basis of actual immediate requirements and the periodical verification of balance being made by the officers of the Military Accounts Department.	
20	1947-48 (post-partition)	21-P	Defence	The Committee wanted to know what procedure had been adopted to bring down the debtor balance in the pay accounts of other ranks and to restrict the future payments.	
21	1946-47 1947-48 (post-partition)	34-P 23-P	Works, Production and Supply.	Steps should be taken to accelerate the clearance of the outstanding sale accounts. A Memorandum stating the exact number of the outstanding sale accounts and their latest position may be furnished to the Committee at an early date.	The adjustment of sale accounts is primarily the responsibility of the D. A. G. (I & S). In order to help him, however, the D.G. (S. & D.) is also taking action to collect the required information for the completion of outstanding sale accounts, and a further communication will be sent after details have been collected and reconciled by the D. A. G.
22	1947-48 (post-partition)	24-P	Defence	(i) With reference to para. 6 of the Audit Report, 1949, a Report setting forth the steps taken to realise the excess amount drawn by the parties as also the amount actually recovered should be submitted to the Committee.	

(ii) In order to obviate such losses being caused to Government in future, a procedure should be evolved in collaboration with the Civil authorities and the Audit to ensure that no payments on account of compensation are authorized unless the certificate of compensation is granted by the Military authorities requisitioning the land.

23 1947-48 20-P Defence

A Memorandum setting forth the existing procedure followed by the M. E. S. authorities in scrutinising tenders whether they contained an estimate of the work to be executed item by item or whether they were prepared on a lump sum basis should be submitted to the Committee.

24 1947-48 28-P Defence

A Memorandum outlining the revised policy laid down by the Government of India for the provision of bread by the Army Service Corps to the Armed Forces and for the closing down of bakeries which were being run uneconomically should be submitted to the Committee.

25 1947-48 30-P Defence

With reference to para. 2 of the Defence Audit Report, the matter regarding accounting of 'overhead expenses' inasmuch as the charging of idle facilities to production cost was concerned, should be examined in the light of commercial principles in consultation with Audit and a report submitted to the Committee in due course.

26 1947-48 31-P Defence

(i) A memorandum should be submitted showing the quantities and value of tinned food imported during the pre-partition period, as compared to those in the post-partition period.

A Memorandum has been submitted to the Committee.

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
27	1947-48 (post-partition)	34-P	Communications <u>All Other Ministries</u>	(**) The Committee also desired to know in detail the procedure regarding supply of food articles to the Defence personnel and to their families. The Committee wanted to know whether agreement similar to that entered into by Government with the Air India International, Ltd., had been executed by the Government of India with any other Company whereby exemption from the payment of income-tax had been granted.	The Ministry of Railways has offered the following remarks:— “There is only one such case in the Railway Ministry. According to clause 11 of the agreement with Messrs Schlieren, a Swiss firm, for the Manufacture in India of all metal light weight coaching stock, the Government of India would be liable to reimburse to them to the extent of the Indian taxes that may be levied on all payments made to them”.
27-A	1947-48 (post-partition)	48-P	Ministry of Transport	The outstanding balance under the Civil Transport Scheme should be credited to Revenue.	Ministry of Finance whose concurrence was sought to the surrender of the profit amounting to Rs. 34 crores pending finalization of accounts has advised that it may be deferred till the general question of treatment of the profits and losses accruing under the State Trading Schemes started before partition is settled.

- 28 1947-48 (post-partition) 36-P Communications . The Committee desired to be furnished with a note giving the up-to-date amount that was merged in the general balances.
- 29 1945-46 78-P Director-General, Posts & Telegraphs. A Memorandum will be submitted to the Committee.
- 30 1947-48 (post-partition) 40-P Director General, Posts & Telegraphs. Ministry of Finance. With reference to para. 8 of the Appropriation Accounts, Posts and Telegraphs, a uniform policy should be evolved by all Ministries for allocating contributions to the Renewals Reserve Fund constituted by them and that this matter should be regarded as urgent and gone into thoroughly by a Committee of experts.
- 31 1947-48 (post-partition) 41-P Director-General, Posts and Telegraphs. So far as the P. & T. Department was concerned, a detailed examination of the matter should be undertaken as already recommended by the previous Committee in para. 75 of its Report relating to the year 1945-46.
- 32 1947-48 (pre-partition) 1947-48 (post-partition) 45-P Director-General, Posts and Telegraphs. Further action taken in the case mentioned at item 6 of the outstanding recommendations of the previous Committee should be reported to the Committee in due course.
- With reference to the cases of defalcations or loss of public money referred to in para. 14 (a) of the Audit Report, the Committee desired that recoveries should be made from the persons concerned in cases in which contributory negligence was proved.
- Necessary action is being taken in the matter.
- Necessary action is being taken in the matter.
- A report will be submitted to the Committee.

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
33	1947-48 (post-partition)	74-P	Natural Resources and Scientific Research.	A memorandum setting forth details of the scheme relating to the purchase of Machinery for Mica Miners, particularly with regard to its financial aspect should be prepared and submitted to the Committee in due course.	A Memorandum will be furnished to the Committee in due course.
34	1947-48 (post-partition)	74-P	Natural Resources and Scientific Research.	The net financial results of the working of the scheme named 'All India Reserve Pool of Electrical Generating Plant' after its accounts were finalised by the end of February, 1951, should be furnished to the Committee.	A Memorandum will be furnished to the Committee in due course.
35	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 a 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 report has not yet been finalised and will be furnished to the Committee as soon as it is completed.
35-A	1947-48 (pre-partition)	3-R 29-P	Ministry of Food and Agriculture.	A complete and self-contained report of the clearance of the outstanding recoveries on account of food-grains supplied to the Provinces and States should be submitted to the Committee.	A note has been submitted to the Committee.
35-B	1945-46	24-P	Ministry of Food and Agriculture.	The Agriculture Ministry should submit to the Committee a report showing whether the result achieved has been commensurate with the expenditure incurred on Grow More Food Schemes.	A report was submitted to the Committee of 1950-51. A supplementary report has been submitted to the Committee.

36 1947-48
(post-partition)

78-P

Wood and Agriculture

(i) A co-ordinated plan should be evolved in consultation with the Audit authorities in fixing the prices of tractors, the recovery thereof from the State Governments and its proper accountal.

(ii) A complete note outlining the formation of the Central Tractor Organisation, the necessity for its continued existence, the amount loaned by the International Monetary Fund, the Mode of its repayment to the General Revenues, the method of recovery from the States, the amount of interest charged from the States and the circumstances that led to the commencement of the operations without making any adequate proper accounting arrangements, may be furnished to the Committee.

A note has been submitted to the Committee.

36A 1947-48
(post-partition)

79-P

Ministry of Food and
Agriculture.

(iii) The desirability of including the accounts of this Organisation in the Commercial Appendix should be considered in collaboration with the Accountant General, Central Revenues.

It has been decided to include the Accounts of the Central Tractor Organisation in the Commercial Appendix.

Necessary information has been called for from the State Government concerned and the result of investigation will be communicated to the Committee in due course.

37 1947-48
(post-partition)

80-P

Food and Agriculture

With regard to the Scheme for the purchase of Agricultural and Dairy Machinery, the Committee desired to be furnished with a detailed Memorandum tracing the origin and growth of this scheme and the financial implications involved in its working.

A note has been submitted to the Committee.

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
37-A	1946-47	53-P	Works, Production and Supply.	The Committee desired that a report should be submitted in due course on the case mentioned in para. 16 of the Civil Audit Report.	The question of taking any disciplinary action against the officer concerned for the irregularities referred to, is receiving the attention of the competent authorities.
37-Bj	1947-48 (pre-partition)	11A-P	Works, Production and Supply.	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 should be submitted to them.	The question of taking any disciplinary action against the officer concerned for the irregularities referred to, is receiving attention of the competent authorities.
38	1947-48 (post-partition)	83-P	Commerce and Industry.	With reference to the question of allocation of the profits accruing from the operation of the Standard Cloth Scheme, the Committee desired that 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 and overhead and other ancillary expenses before distributing them to the States and the matter reported to them in due course.	Necessary action is being taken and a report will be submitted to the Committee as soon as the matter is finalized.
39	1947-48 (post-partition)	84-P	Commerce and Industry.	In connection with the Import of Japanese Cloth, the Committee wished to be apprised of the result of 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.	The claim for Rs. 10,52,515 (out of the claim for Rs. 10,96,624) has been admitted by the Customs Department and necessary adjustment will be made in the accounts for 1950-51.

- 40 1947-48 (post-partition) 86-P Works, Production and Supply. A statement showing the amount of the net deficit after final settlement of the outstanding Sir Lindsey Parkinson & Co. Ltd. in connection with the scheme for the production and supply of Coal, should be prepared and submitted to the Committee in due course. The Committee's directive has been noted and the required statement will be submitted in due course.
- 41 1947-48 (post-partition) 88-P Commerce and Industry. In- 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 1948-49 after getting it verified by the Accounts :—
(i) 'Consumer Goods imported on Government account ;
(ii) 'Purchase of Paper'.
- 42 1947-48 (post-partition) 89-P Works, Production and Supply. Commenting on the disposal of the Reserve Stores under the late D. G. M. P., the Committee desired that a procedure should be evolved whereby the irregularities noticed in this case are avoided in future.
- 43-A 1947-48 90-P Ministry of Works, Production & Supply. In order to safeguard the interests of Government, a procedure should be evolved whereby adequate security deposits are invariably obtained from the contractors before they are permitted to tender for any sale.
All other Ministries of the Government of India.
- The Ministry of Railways has stated :
" A definite provision exists in the State Railway Codes which require tendering firms to deposit with the Treasurer of the Railway money equal to 10% of the amount offered, without which deposit, the tenders will not be considered."
The Ministry of Works, Production and Supply has offered the following remarks :—
" In accordance with the existing procedure, earnest money is taken from all tenderers—representing 10%

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
49	1947-48	93-P	Works, Production and Supply.	With reference to the case mentioned in para. 21 (i) (2) of the Audit Report, the Committee desired to know in due course of the action taken against the defaulting Officer.	of the value of the tender. This money is returned to those whose tenders are not accepted and, in the case of the successful tenderers the earnest money is converted into security deposit which is refunded to the party on the satisfactory completion of the contract." The contents have been noted by some other Ministries.
43-A	1945-46	15-R 14-P	Railways	The orders issued by the then Finance Department in 1947-48 for securing Parliamentary control over the utilisation of unanticipated credits should be applied to Railway Grants also.	The question of taking any disciplinary action against the concerned officer for the irregularities referred to, is receiving the attention of the competent authorities.
43-B	1945-46	15-P	Railways	Where a grant had been obtained for a specific purpose, the approval of the Legislature should be obtained through a token demand for its diversion to other purposes.	A Memorandum has been submitted to the Committee.
44	1947-48 (post-partition)	14-R 54-P	Railways	A Committee comprising of an Accounts Officer and an Engineering Officer should be set up immediately by the Railway Board to review	A Memorandum is being submitted.

all the cases mentioned in Annexure 'A' of Part II of the Appropriation Accounts of the Railways in India and the progress made in the matter reported to the Public Accounts Committee

The Committee also desired to be furnished with a Memorandum showing the improvement effected in the clearance of the items held under objection, as shown in Annexure 'A' mentioned above, with special reference to the expenditure relating to (i) the A. R. P. Works on B. G. and M. G. system of B. B. & C. I. Railway and (ii) Kharagpur-Kalauanda Doubling.

A Memorandum has been submitted to the Committee.

A Memorandum is being submitted.

A report showing the progress made in the early clearance of the balances outstanding under suspense on 31st March, 1948 should be submitted to the Committee at the time of the examination of the Accounts for the year 1948-49.

The question of procedure in regard to the recoupment of shortages in respect of deliveries of Locomotives and plant imported from foreign countries is under consideration in consultation with the Ministry of Works, Production and Supply and the Committee will be informed of the decision in due course.

With reference to the case mentioned in para. 24 of the Railway Audit Report, the Committee suggested that a suitable procedure should be laid down in consultation with the Indian Purchase Missions abroad whereby shortages are recouped soon after the delivery of the Locomotives, plants, etc. imported from foreign countries. The Committee also wanted to have a report of the progress made in this case.

45 1947-48 53-P Railways

46 1947-48 16-R Railways
(post-partition) 65-P

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
47	1947-48 (post-partition)	18-R 67-P	Railways	The existing rules regulating the Discipline and Conduct of Railway Servants should be reviewed to see that adequate action is taken against the Railway Staff who are found wantonly indifferent or careless in the handling or despatch of goods or bad transhipment.	As regards the cases mentioned in para. 24 of the Railway Audit Report, due to distance of time, it has not been possible to correct the relevant records as the original procurement was done by the United States Government and shipping was handled by the British Shipping Mission in Washington. The Railway Administrations have been instructed to bring to the notice of the staff concerned that any wanton indifference or carelessness on their part in the handling or despatch of goods or transhipment will be regarded as misconduct and will be liable to disciplinary action.
47-A	1947-48 (post-partition)	19-R 69-P	Ministry of Railways	There should be no over-capitalization in the Railway Collieries and commercial principles should be adopted for purposes of providing for depreciation.	The matter is under the consideration of the Ministry of Works, Production & Supply in consultation with the Railway Ministry.
48	1947-48 (post-partition)	20-R 70-P	Railways	The Committee desired to know the steps taken by the Railway Board to rationalize distribution of stocks between the different Rail-	A Memorandum is being submitted.

ways and also to remove imbalance between different categories of stores held by them in the light of the recommendations of the Shroff Committee.

- 49 1947-48 21-R
(post-partition) 50-P
Railways
Adequate steps should be taken by the Railway Administrations to impart proper training to the staff in the Railway Accounts Offices and to conduct regular courses and a detailed Memorandum showing the steps taken to improve this aspect of the matter should be submitted to the Committee in due course. A departmental examination should be prescribed, the passing of which should be made an essential condition for confirmation of Upper Division Clerks in the Railway Accounts Offices.
A Memorandum is being submitted.
- 50 1947-48 22-R
(post-partition) 51-P
Railways
The Committee desired to know of the progress made in the separation of Financial and Accounts functions on the Railways.
The matter is under consideration.
- 51 1947-48 60-P
(post-partition)
Railways
The Committee desired to know in due course of the instructions issued by the Railway Board to the Railway administrations regarding the timely adjustment of inter-railway transactions to avoid lapse of funds.
The matter is under consideration.
- 52 1947-48 63-P
(post-partition)
Railways
A Memorandum outlining the technical and commercial aspects of the method of costing of the manufacture of locomotives by the Tatas as compared with the units manufactured by the Tatas.
A Memorandum will be submitted in due course after the manufacture of locomotives has been commenced by the Tatas.

Serial No.	Year of Report	Paragraph of the Report or proceedings	Ministry or Department concerned	Recommendations or suggestions	Action taken or proposed to be taken
1	2	3	4	5	6
53	1947-48 (pre-partition) 1945-46	32-P 41-P	Labour	<p>tured in the Chittaranjan Locomotive Works should be furnished to them in due course after getting the details scrutinized by Audit.</p> <p>The Committee suggested that the question of taking adequate disciplinary action against the officers concerned should be taken up again by the Ministry.</p>	Matter is still under correspondence with the Government of Bihar and no final decision has yet been reached.
54	1945-46	70-P	Information & Broadcasting	The Committee enquired whether it was necessary to include the accounts of All India Radio in the Commercial Appendix to the Appropriation Accounts as it was not clear whether the service was really a commercial one.	A report was submitted to the Committee of 1950-51.
55	1947-48 (pre-partition) 1946-47	2-R 37-P 1-R 19-P 40-P	Home Affairs	The Committee suggested that the review of the Classification, Control and Appeal Rules should be considered as early as possible to secure that prompt disciplinary action was taken against Government servants responsible for committing irregularities, etc.	Action is being taken in the matter (A report was also submitted to the Committee of 1950-51.)
56	1947-48 (post-partition)	8-R 70-P	All Ministries of the Government of India.	Before Statutory Corporations involving financial commitments by Government are created, the Comptroller and Auditor-General should be consulted in regard to the provisions for accounting and audit control.	The recommendations of the Committee have been noted by the Ministries of Finance, Commerce and Industry, Labour, I. & B., Rehabilitation, W., P. & S. and Education.

APPENDIX II

STATEMENT COMPARING EXPENDITURE WITH GRANTS FOR 1948-49

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.
1 Customs Voted .	1,28,97,000	1,54,24,000	1,49,01,341	+ 20,04,341	—5,22,659
2 Central Excise Duties Voted] .	2,97,17,000	2,97,18,000	2,57,38,466	—39,78,534	—39,79,534
3 Taxes on Income including Corporation Tax Voted .	1,72,86,000	1,83,50,000	1,81,57,347	+ 8,71,347	—1,92,653
4 Opium ! Voted .	1,00,81,000	1,00,81,000	57,76,766	—43,04,234	—43,04,234
5 Provincial Excise Voted .	4,22,000	4,22,000	3,79,915	—42,085	—42,085
6 Stamps Charged .	1,79,000	3,11,000	1,29,161	+ 1,12,161	—19,840
Voted .	1,08,36,000	1,24,25,000	1,27,21,330	+ 18,85,330	+ 2,96,330
7 Forest . Voted] .	26,04,000	31,36,000	24,04,241	—1,99,759	—7,31,759
8 Irrigation, Navigation, Embankment and Drainage Works — Met from Revenue : Charged .	95,000	95,000	91,000	—4,000	—4,000
Voted] .	13,34,000	13,34,000	5,82,356	—7,51,644	—7,51,644
10 Cabinet Charged .	9,72,000	9,72,000	8,43,184	—1,28,816	—1,28,816
Voted .	3,08,000	4,90,000	4,62,382	+ 1,54,382	—27,618
11 Constituent Assembly Voted .	12,09,000	16,15,000	15,87,216	+ 3,78,216	—27,784
12 Constituent Assembly of India (Legislative) Voted .	18,65,000	18,65,000	15,28,244	—3,36,756	—3,36,756
13 Ministry of Home Affairs Voted .	34,75,000	51,15,000	49,69,721	+ 14,94,721	—1,45,279
14 Ministry of Information and Broadcasting Voted .	1,02,69,000	1,02,69,000	59,07,913	—43,61,087	—43,61,087
15 Ministry of Law Voted .	9,41,000	9,41,000	8,34,611	—1,06,389	—1,06,389
16 Ministry of Education Voted .	29,33,000	30,57,000	27,28,576	—2,04,424	—3,28,424

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
17 Ministry of Agriculture Voted .	29,42,000	29,42,000	27,55,548	—1,86,452	—1,86,452
18 Ministry of Health Voted .	7,23,000	7,23,000	6,78,592	—44,408	—44,408
19 Ministry of External Affairs and Commonwealth Relations Voted .	36,04,000	48,86,000	50,48,984	+ 14,44,984	+ 1,62,984
20 Ministry of Finance Voted .	80,76,000	85,76,000	86,23,826	+ 5,47,826	+ 47,826
21 Ministry of Commerce Voted .	45,82,000	58,25,000	59,05,612	+ 13,23,612	+ 80,612
22 Ministry of Labour Voted .	22,19,000	22,19,000	20,73,919	—1,45,081	—1,45,081
23 Ministry of Works, Mines and Power Voted .	17,95,000	17,95,000	11,25,305	—6,69,695	—6,69,695
24 Ministry of Communications Voted .	5,29,000	5,86,000	5,55,755	+ 26,755	—30,245
25 Ministry of Transport Voted .	21,06,000	26,85,000	24,11,315	+ 3,05,315	—2,73,685
26 Ministry of Food Voted .	32,81,000	48,89,000	47,85,708	+ 15,04,708	—1,03,292
27 Ministry of States Voted .	7,23,000	11,56,000	11,44,461	+ 4,21,461	—11,539
28 Ministry of Defence Voted .	32,65,000	36,36,000	36,72,898	+ 4,07,898	+ 36,898
29 Ministry of Industry and Supply Voted .	21,96,000	23,66,000	23,80,583	+ 1,84,583	+ 14,583
30 Ministry of Relief and Rehabilitation Voted .	13,00,000	14,45,000	13,37,160	+ 37,160	—1,07,840
31 Ministry Without Portfolio Voted .	2,85,000	2,85,000	1,22,907	—1,62,093	—1,62,093
32 Payments to other Governments, Departments, etc., on account of the administration of Agency subjects and management of Treasuries Voted .	10,73,000	29,40,000	28,89,994	+ 18,16,994	—50,006
Audit Charged .	66,000	69,000	65,488	—512	—3,512
Voted .	1,88,92,000	2,27,67,000	2,27,16,290	+ 38,24,290	—50,710
33 Administration of Justice Charged .	4,39,000	6,60,000	6,67,496	+ 1,18,496	+ 7,496
Voted .	4,31,000	6,77,000	6,33,469	+ 2,02,469	—43,531

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.
35 Jails and Convict Settlements Voted .	2,000	3,000	11	—1,989	—2,989
36 Police Voted .	23,96,000	31,84,000	32,08,378	+ 8,12,378	+ 24,378
37 Ports and Pilot etc Voted .	35,94,000	35,95,000	28,86,403	—7,07,597	—7,08,597
38 Lighthouses and Lightships Voted .	8,49,000	9,74,000	10,10,574	+ 1,61,574	+ 36,574
39 Ecclesiastical Voted .	2,53,000	2,86,000	3,14,003	+ 61,003	+ 28,003
40 Tribal Areas Voted .	62,57,000	98,73,000	92,56,305	+ 29,99,305	—6,16,695
41 External Affairs Voted .	2,08,81,000	2,72,66,000	2,76,17,266	+ 67,36,266	+ 3,51,266
42 Survey of India Voted .	60,67,000	69,45,000	69,97,582	+ 9,30,582	+ 52,582
43 Botanical Survey Voted .	1,66,000	1,66,000	1,54,993	—11,007	—11,007
44 Zoological Survey Voted .	3,33,000	3,83,000	3,58,988	+ 25,988	—24,012
45 Geological Survey Voted .	36,67,000	36,67,000	22,58,590	—14,08,410	—14,08,410
46 Mines Voted .	18,65,000	18,65,000	10,77,755	—7,87,245	—7,87,245
47 Archaeology Voted .	20,83,000	20,83,000	20,41,736	—41,264	—41,264
48 Meteorology Voted .	81,43,000	81,43,000	71,18,968	—10,24,032	—10,24,032
48A Department of Scientific Research Voted .		4,57,000	4,36,300	+ 4,36,300	—20,700
49 Other Scientific Departments Voted .	1,03,83,000	1,03,83,000	80,68,432	—23,14,568	—23,14,568
50 Education Voted .	86,31,000	86,31,000	80,23,034	—6,07,966	—6,07,966
51 Medical Services Voted .	40,15,000	40,15,000	31,09,879	—9,05,121	—9,05,121
52 Public Health Voted .	53,91,000	53,91,000	45,02,700	—8,88,300	—8,88,300
53 Agriculture Voted .	1,73,08,000	2,45,43,000	1,74,88,528	+ 1,80,528	—70,54,472
54 Civil Veterinary Services Voted .	25,47,000	31,77,000	30,42,535	+ 4,95,535	—1,34,465
55 Industries and Supplies Voted .	3,93,71,000	3,93,76,000	3,72,13,162	—21,57,838	—21,62,838
56 Salt Charged .	2,10,000	2,10,000	1,89,869	—20,141	—20,141
Voted .	1,40,96,000	1,40,96,000	1,10,69,523	—30,26,477	—30,26,477

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.
57 Overseas Communications Service					
Charged	2,30,000	3,70,000	3,62,269	+ 1,38,269	- 1,731
Voted	66,05,000	78,14,000	77,90,818	+ 11,85,818	- 23,182
57A Delhi Transport Service)					
Charged . . . . .	...	62,000	31,668	+ 31,668	- 30,332
Voted . . . . .	...	45,58,000	37,79,000	+ 37,79,000	- 7,79,000
57B Telephone Factory					
Charged . . . . .	...	38,000	...	...	- 38,000
Voted . . . . .	...	95,000	1,02,615	+ 1,02,615	+ 7,615
58 Aviation					
Voted	2,13,98,000	2,13,98,000	1,86,68,040	- 27,29,960	- 27,29,960
59 Broadcasting					
Voted	1,32,57,000	1,37,82,000	1,31,12,692	- 1,44,308	- 6,69,308
60 Commercial Intelligence and Statistics					
Voted	42,10,000	42,10,000	36,41,927	- 5,68,073	- 5,68,073
61 Census					
Voted	3,59,000	5,17,000	5,13,518	+ 1,54,518	- 3,482
62 Joint Stock Companies					
Voted	4,30,000	4,30,000	3,35,999	- 94,001	- 94,001
63 Indian Dairy Department					
Voted	6,56,000	7,35,000	7,15,183	+ 59,183	- 19,817
64 Miscellaneous Departments					
Voted	1,43,73,000	1,44,47,000	1,35,38,400	- 8,34,600	- 9,08,600
65 Currency					
Charged	2,00,000	2,00,000	1,82,827	- 17,873	- 17,978
Voted	1,03,50,000	1,06,21,000	90,34,100	- 13,15,900	- 15,86,900
66 Mint					
Voted	1,14,32,000	1,26,21,000	1,20,34,015	+ 6,02,015	- 5,86,985
67 Civil Works					
Charged	18,24,000	18,24,000	16,73,572	- 1,50,428	- 1,50,428
Voted	4,88,07,000	4,99,57,000	4,43,91,368	- 44,15,632	- 55,65,632
68 Central Road Fund					
Voted	2,15,00,000	2,15,00,000	2,15,00,000		
69 Territorial and Political Pensions					
Voted	23,40,000	23,40,000	21,12,390	- 2,27,610	- 2,27,610
70 Superannuation Allowances and Pensions					
Charged	5,58,000	5,58,000	4,88,885	- 69,115	- 69,115
Voted	2,41,24,000	2,41,24,000	2,26,02,476	- 15,21,524	- 15,21,524
71 Stationery and Printing					
Voted	1,65,46,000	2,00,62,000	2,15,73,572	+ 50,27,572	+ 15,11,572
72 Miscellaneous					
Charged . . . . .	...	15,000	22,982	+ 22,982	+ 13,982
Voted	21,07,72,000	34,06,17,000	33,22,22,679	+ 12,14,50,679	- 83,94,321

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.
78 Expenditure on Refugees Voted	10,03,50,000	19,14,82,000	18,39,88,463	+ 8,36,38,463	—74,93,537
79 Grants-in-aid to Provincial Governments Charged	70,00,000	70,00,000	70,00,000		..
Voted	2,25,00,000	2,25,00,000	2,25,00,000		..
80 Miscellaneous Adjustments between the Central and Provincial Governments Voted	82,000	82,000	90,576	+ 8,576	+ 8,576
81 Resettlement and Development Voted	4,72,35,000	4,72,35,000	3,18,93,254	—1,53,41,746	—1,53,41,746
82 Civil Defence Voted	1,20,000	2,28,000	2,18,454	+ 98,454	—9,546
82A Pre-partition Payments Charged . . . . .	..	12,73,000	14,89,887	+ 14,89,887	+ 1,16,887
Voted . . . . .	..	20,61,27,000	17,60,69,402*	+ 17,60,69,402	—3,00,57,598
83 Delhi Charged	42,000	61,000	65,237	+ 23,237	+ 4,237
Voted	1,40,77,000	2,14,88,000	2,07,69,045	+ 66,92,045	—7,18,955
84 Ajmer-Merwara Charged	34,000	34,000	25,280	—8,720	—8,720
Voted	62,71,000	89,39,000	80,34,837	+ 17,63,837	—9,04,163
85 Panth Piploda Voted	24,000	41,000	36,916	+ 12,916	—4,084
86 Andaman and Nicobar Islands Charged	40,000	42,000	42,787	+ 2,787	+ 787
Voted	95,13,000	1,05,43,000	1,01,80,540	+ 6,67,540	—3,62,460
87 Relations with Indian States Voted	71,48,000	79,11,000	70,10,698	—1,37,302	—9,00,302
Interest on debt and Other Obligations and Reduction or Avoidance of Debt Charged	41,16,28,000	41,16,28,000	42,76,87,761	+ 1,60,59,761	+ 1,60,59,761
Staff Household and Allowances of the Governor General Charged	16,01,000	20,17,000	22,95,197	+ 6,95,197	+ 2,78,197
Federal Public Service Commission Charged	9,94,000	15,14,000	16,28,864	+ 5,42,864	+ 22,864
88 Capital Outlay on Forests Voted	29,26,000	29,26,000	19,18,558	—10,07,442	—10,07,442

*This includes Rs. 1,31,808 as charged.

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.
89 Capital Outlay on the India Security Press					
Voted .	42,09,000	42,09,000	10,63,121	-31,45,879	-31,45,879
92 Capital Outlay on Industrial Development					
Voted .	7,87,60,000	10,43,21,000	7,46,66,161	-40,93,839	-2,96,54,839
93 Capital Outlay on Civil Aviation					
Voted .	4,08,84,000	4,08,84,000	1,56,50,933	-2,52,33,067	-2,52,33,067
94 Capital Outlay on Broadcasting					
Voted .	69,71,000	69,71,000	32,63,788	-37,07,212	-37,07,212
95 Capital Outlay on Currency					
Voted .	7,50,000	5,97,61,000	5,92,76,529	+5,85,26,529	-4,84,471
96 Capital Outlay on Mints.					
Voted .	65,45,000	70,28,000	56,21,459	-9,23,541	-14,06,541
97 Delhi Capital Outlay Charged .	1,16,000	1,16,000	...	-1,16,000	-1,16,000
Voted .	3,23,12,000	3,23,12,000	92,42,794	-2,30,69,206	-2,30,69,206
98 Capital Outlay on Civil Works					
Voted .	2,75,12,000	2,75,12,000	1,75,36,049	-99,75,951	-99,75,952
99 Commuted Value of Pensions					
Voted .	1,000	1,17,24,000	1,57,41,009	+1,57,40,009	+40,17,009
99A Capital Outlay on Sterling Pensions					
Voted .		2,16,27,18,000	2,14,54,52,590	+2,14,54,52,590	-1,72,65,410
100 Payments to Retrenched Personnel					
Voted .	1,000	1,000	-1,40,484	-1,41,484	-1,41,484
102 Capital Outlay on Schemes of State Trading					
Voted .	25,97,88,000	25,97,89,000	-14,62,50,239	-40,60,38,239	-40,60,39,239
103 Capital Outlay on Development					
Voted .	39,33,07,000	39,33,07,000	18,08,91,067	-21,24,15,933	-21,24,15,933
103A Payments to Government of Pakistan for Unique Institutions					
Voted .		5,07,98,000	2,47,26,000	+2,47,26,000	-2,60,72,000
104 Interest free and Interest bearing Advances					
Charged .	38,00,00,000	38,00,00,000	31,37,02,875	-6,62,97,125	-6,62,97,125
Voted .	21,82,04,000	21,82,04,000	13,60,55,415	-8,21,48,585	-8,21,48,585
Total { Charged .	80,82,25,000	80,90,57,000	75,86,09,109	-4,86,16,891	-5,04,47,891
Voted .	2,00,91,46,000	4,81,20,11,000	3,85,79,74,123	+1,84,88,28,123	-95,40,36,877

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.
Expenditure met from Revenue					
Charged .	42,61,09,000	42,89,41,000	44,49,06,234	+ 1,87,97,234	+ 1,59,65,234
Voted .	93,69,76,000	1,42,95,46,000	1,31,32,59,373	+ 37,62,83,373	—11,62,86,627
Expenditure met from Capital					
Charged .	1,16,000	1,16,000	...	—1,16,000	—1,16,000
Voted .	85,39,66,000	3,16,42,61,000	2,40,86,59,335	+ 1,55,46,93,335	—75,56,01,665
Disbursements of Loans & Advances					
Charged .	38,00,00,000	38,00,00,000	31,37,02,875	—6,62,97,125	—6,62,97,125
Voted .	21,82,04,000	21,82,04,000	13,60,55,415	—8,21,48,585	—8,21,48,585
PART II.—POSTS AND TELEGRAPHS.					
A.—EXPENDITURE MET FROM REVENUE.					
9 Indian Posts and Telegraphs Department.					
Charged .	97,31,000	97,31,000	94,50,879	—2,80,121	—2,80,121
Voted .	24,84,73,000	24,84,73,000	26,20,44,869	+ 1,35,71,869	+ 1,35,71,869
B.—EXPENDITURE CHARGED TO CAPITAL.					
90 Capital Outlay on Indian Posts and Telegraphs Department (outside the Revenue Account).					
Voted .	3,60,96,000	3,60,96,000	3,83,31,958	+ 22,35,958	+ 22,35,958
91 Indian Posts and Telegraphs—Stores Suspense (Outside the Revenue Account).					
Voted .	1,000	1,000	9,05,856	+ 9,04,856	+ 9,04,856
Total.—Expenditure charged to Capital:					
Voted .	3,60,97,000	3,60,97,000	3,92,37,814	+ 31,40,814	+ 31,40,814
Total.—Posts and Telegraphs	29,43,01,000	29,43,01,000	31,07,33,562	+ 1,64,32,562	+ 1,64,32,562
Total					
{ Charged .	97,31,000	97,31,000	94,50,879	—2,80,121	—2,80,121
{ Voted .	28,45,70,000	28,45,70,000	30,12,82,683	+ 1,67,12,683	+ 1,67,12,683

APPENDIX III

MINISTRY OF FOOD AND AGRICULTURE

A NOTE ON THE PROGRESS OF G.M.F. CAMPAIGN DURING 1947-48, 1948-49 AND 1949-50.*

Background

The G.M.F. programme was started on a planned Five-Year basis from 1st April, 1947. Previous to that, it consisted of a number of *ad hoc* schemes for increasing food production in the country. These schemes were sent up by the States (formerly called Provinces) and the Centre confined itself to granting subsidies and loans to such schemes as were approved by it. The G.M.F. work during this period consisted mainly of diversion of acreage under some of the cash crops like short staple cotton etc. to food crops with a view to increasing food production during war-time.

2. The G.M.F. schemes consist of a series of short-term projects, both of permanent and recurring nature, which are designed to produce results within a short time. The types of G.M.F. schemes which are taken up by the various State Governments and financed by the Government of India are mainly of the following categories:—

I. *Permanent Improvement—Works Schemes.*

- (a) Minor irrigation schemes like construction of wells, tanks, channels, small dams, etc.
- (b) Land improvement schemes like land reclamation, mechanical cultivation, contour bunding, etc.

II. *Recurring Improvement—Supply Schemes.*

- (a) Distribution of chemical fertilisers.
- (b) Distribution of manures like oil cake, compost, green manure seeds, etc.
- (c) Distribution of improved seeds and establishment of seed multiplication farms.
- (d) Plant protection schemes.

III. *Other schemes of miscellaneous nature designed to increase food production.*

*Submitted to the Committee pursuant to action taken in item 35-B of the Statement showing outstanding recommendations of the Committee (*Appendix II*).

Five-Year Plan 1947-48 and 1948-49.

3. Initially the targets of additional production for the five years commencing from 1947 were fixed at 3 million tons for Part 'A' States and 1 million tons for Part 'B' States. The over-all target of 3 million tons was distributed amongst Part 'A' States in the light of the potentialities of each State for increasing food production. The target fixed for 1947-48 was 9.09 lakh tons of additional production of which 6.97 lakh tons was estimated to have been achieved by the various States during that year as a result of the implementation of the schemes mentioned above in para. 2. The additional production of foodgrains from waste land reclaimed by the Central Tractor Organisation during 1947-48 is also included in the achievement. The achievement represents 77 per cent. of the target aimed at.

4. During the subsequent year *i.e.* 1948-49, a target of 8.86 lakh tons was set in addition to the 1947-48 target, the base year for the fixation of the target being taken as 1946-47. The actual attainment during this year was of the order of 7.95 lakh tons (including achievement under C.T.O.) which represents nearly 90 per cent. of the target fixed.

5. The targets and achievements of additional production for these two years in respect of various States are shown in Annexure I. It will thus be seen that during the first two years (1947-48 and 1948-49) of the five year plan for increasing food production, a total additional production of 14.92 lakh tons was achieved against the target of 17.95 lakh tons. This represents an over-all realisation of 83 per cent. of the target.

6. On every food production scheme taken up under the G.M.F. drive which satisfies certain conditions laid down by the Government of India for granting financial assistance, some expenditure is incurred by the Central Government in the form of subsidies and loans on some fixed basis. The actual expenditure incurred by the Government of India and the State Governments on various schemes during 1947-48 and 1948-49 is given in *Annexures II and III*. It will be seen that out of the total expenditure of Rs. 4.29 crores during 1947-48, a sum of Rs. 2.08 crores was borne by the Government of India and the balance by the State Governments. During 1948-49, the total cost incurred by the Central and State Governments was of the order of Rs. 6.89 crores, out of which the share of the Central Government was Rs. 3.21 crores. The Central Government's share of actual expenditure is mainly out of the grants sanctioned by them to the State Governments for G.M.F. schemes. The results of the G.M.F. Campaign during these two years are compared with the actual expenditure, incurred by the Central Government in Annexure IV.

7. It may appear that permanent schemes are *prima facie* much more expensive than the recurring schemes. It is not, however, so, if we take into account the fact that a permanent work, once completed, continues to yield results for a number of years, say 10 to 15 years. For example, if certain number of years, wells or tanks are dug, the irrigation facilities thus provided will continue to be used for a long time and the expenditure once incurred on these measures will continue to produce its beneficial effects for a number of years. Taking ten years as the minimum life of a permanent improvement scheme, the expenditure incurred by the Government of India on one ton of additional production as a result of permanent schemes, namely, Rs. 110 in 1947-48 and Rs. 87 in 1948-49, represents only a small fraction of the value of the extra crop which they will produce. It will also be seen from the figures that the cost per ton in respect of permanent schemes in 1948-49 is lower than in 1947-48. This is due to the fact that certain works which were started in 1947-48 but could not be completed during that year due to certain financial or technical difficulties, were finished in 1948-49, resulting in additional production during that year. The cost in respect of recurring schemes, however, is higher in 1948-49 than in the previous year due mainly to general rise in the price levels of means of production such as seeds, fertilisers, etc. Taking into account the total cost incurred on G.M.F. Schemes and total additional production achieved, the cost per ton comes to only Rs. 30 in 1947-48 and Rs. 42 in 1948-49.

8. The cost per ton analysis made above relates to the financial commitments of Central Government only in respect of G.M.F. Campaign. Besides the Government of India, there are two other parties which share the cost on any approved G.M.F. measures, namely, State Government and private individuals. An idea of the total cost incurred on G.M.F. Campaign can, therefore, be had by considering the contributions of all these three parties to the implementation of various schemes which may be either of a Private or Public nature. So far as public works are concerned, they are undertaken solely by the State Government and the entire cost is met by the State and Central Governments. With regard to private schemes, which are eligible for financial assistance from Government, the total subsidy expenditure, both Central and State, should not normally exceed 50 per cent. of the total expenditure involved in the scheme. In other words, the individual cultivator who benefits from the scheme should contribute at least 50 per cent. of the total expenditure on the scheme. This, however, does not apply to staff schemes or any other private scheme, the entire expenditure on which may be subsidised by the State and Central Governments. Worked out on this basis the gross expenditure per extra ton of

food produced is about Rs. 120 in 1947-48 and Rs. 168 in 1948-49. Taking Rs. 300 as the average value of one ton of cereals prevailing during these two years, the total amount spent on G.M.F. Schemes during 1947-48 and 1948-49 forms nearly 40 per cent. and 56 per cent. respectively of the cost of foodgrains produced. Thus, the benefits accrued from G.M.F. measures justify the cost incurred on them.

Emergency Food Production Plan 1949-50.

9. The five year programme of G.M.F., which would have ended in 1951-52 and which was calculated to produce 4 million tons of foodgrains, was revised in early 1949, when the Prime Minister announced that self-sufficiency in foodgrains should be achieved by the end of 1951 after which time there would be no normal imports. It was estimated that the deficit in foodgrains to be made up by the end of the financial year 1951-52 (i.e. 31st March 1952) would be about 4.8 million tons over 1947-48. An emergency plan for food production was adopted early in 1949. The object of the Emergency plan is to increase the production of foodgrains in the country so as to meet all our requirements by 31st March, 1952 and to do without normal imports thereafter.

10. As a result of the implementation of the various food production schemes, nearly 9.49 lakh tons of additional foodgrains is tentatively estimated to have been produced in the country during 1949-50 as against a target of 9.85 lakh tons. This represents an achievement of nearly 96 per cent. of the target. (The figure of achievement, it may be noted, is provisional and subject to slight revisions on receipt of detailed information from certain States). The State-wise break-up of the targets and achievements is shown in Annexure I. It will be seen that the achievement during 1949-50 the first year of the operation of the Emergency food production plan is more satisfactory than the results obtained during 1947-48 and 1948-49.

11. The results achieved from the various G.M.F. Schemes during 1949-50 are compared in Annexure IV with the expenditure sanctioned for them out of G.M.F. Fund by the Central Government during that year. The actual cost incurred by the State Governments during 1949-50 out of loans and grants sanctioned is not yet completely available.

1950-51 and 1951-52

12. For the remaining two years of the food production plan i.e. 1950-51 and 1951-52, it is planned to achieve an additional production of 17 lakh tons and 14.13 lakh tons of foodgrains respectively, thus

making up the entire deficit of 4.8 lakh tons. These targets are provisional and are subject to revision. The State-wise break-up of 17 lakh tons fixed for 1950-51 is given in Annexure I. Similar break-up for 14.13 lakh tons, the target for 1951-52, is being worked out in consultation with the States on the basis of the food production programme submitted by them for this year to the Government of India.

Re-orientation of G.M.F. Policy during 1951-52

13. Experience of the last two years has shown the necessity of establishing a closer relationship between the G.M.F. schemes and the procurement of additional foodgrains from the extra yields arising from these schemes. Accordingly, the G.M.F. policy has been recently re-oriented. The main features of the new policy are:—

(i) The G.M.F. effort will now be concentrated in certain selected zones most suited for quick increase in production. Thus, in Madras the work is proposed to be mainly concentrated on the major river systems of Godavari, Krishna, Cauvery, Periyar and Tambaraparni. In Bombay, it is proposed to be concentrated in the coastal districts of Konkan for rice. In other States also, Intensive areas have been selected for development. In this connection it may be noted that a Board for the special development of the Wheat Regions of Vindhya Pradesh, Bhopal, Madhya Bharat and part of Rajasthan has already been formed under the joint auspices of the Central and State Governments.

(ii) Additional production is now linked up with procurement. This has been done by making it as one of the conditions of financial assistance that a major portion (about 60 per cent.) of the increased production in intensive areas should be surrendered as extra procurement to procurement authorities.

(iii) G.M.F. expenditure will be henceforward mainly concentrated on schemes of permanent character e.g. tube-wells etc. rather than on the schemes of recurring character.

(iv) Steps are being taken by the Central Government to maintain much closer contact than before with the actual execution of the schemes in the States so as to be able to assess the progress made from time to time and to render such help as may be necessary to the Executive Officers with the least possible delay. The country has, therefore, been divided into a number of regions and each region has been placed under a Regional Agricultural Production Commissioner who could act on behalf of the Centre.

14. It will be noticed from the above that while on the production side concentration of work will enable demonstrate results to be achieved, on the administrative side, the proposal for the formation

of Inter-State Boards, wherever necessary, and for general co-ordination of production and procurement work will help to bring a major portion of the extra produce into the hands of Government.

Assessment of the results of G.M.F. Campaign.

15. There has been some criticism in the past of the method of assessing the results of various measures put into operation under the G.M.F. Campaign. During the earlier years of the G.M.F. Campaign no particular system was followed for checking the results of G.M.F. Schemes reported by the States to the Government of India. The method generally employed by the State Governments for working out additional production from G.M.F. measures was to multiply the units of works completed or supplies distributed by certain conventional yard-sticks based on the results of the experiments conducted at research stations in the States. There are certain defects inherent in this system of calculating the results of G.M.F. Campaign. In order to remedy these defects and to obtain reliable estimate of the additional production resulting from G.M.F. schemes, crop cutting experiments based on random sampling technique are being conducted in various States under the technical supervision of the Indian Council of Agricultural Research in pursuance of the recommendations of the *Ad Hoc* Committee set up for the scientific assessment of the results of the G.M.F. Campaign.

16. A number of surveys, some of a pilot nature and others on a State-wide scale, have since been carried out. Pilot experiments were carried out in Madhya Pradesh in the Kharif of 1949 in two districts and in Bombay on wheat and *jowar* in three districts of the State. This has been followed during the current Kharif by State-wide surveys on rice in Bombay, Madras, and Madhya Pradesh and a few districts in Uttar Pradesh. The results are shown in Annexure V. The surveys so far undertaken indicate that the official yard-sticks used at present for estimating additional production are more or less correct in respect of seed schemes but are somewhat high in respect of manure and irrigation schemes. The data available are not yet complete but they suggest that even if the additional production may be over-estimated, the extent of over-estimation is not likely to be higher than 15 per cent. These surveys are being gradually extended to cover other types of G.M.F. aids and also other States.

Conclusion.

17. The co-operation of all sections of the public in this important national task has been sought and welcomed irrespective of their political bearings. It is recognised that for the successful implementation of the food production programme it is essential to enlist the cooperation and enthusiasm of cultivators. Great emphasis has been

laid by the Central Government on the need for harnessing the existing village institutions. The village panchayats working in various States are being strengthened. Efforts are being made to constitute Rural Development Boards, wherever necessary, while each State has been asked to set up organisations suitable to local conditions.

18. Prizes and propaganda have been accepted as part of food production programme in order to provide an additional incentive to the cultivators. Crop competitions are being organised with a view to fostering healthy competition amongst the cultivators, thereby inducing them to achieve higher yields per acre. Such competitions are being organised from 1949-50 in respect of principal food crops in each region, particularly wheat and paddy, pulses and subsidiary food crops like potato. Competitions are held at village, tehsil, district and State levels. In addition to the community prizes in the shape of public institutions and useful agricultural machinery for the benefit of the entire community, attractive individual prizes in the form of certificates and cash are also awarded. Such competitions were organised during 1949-50 in U.P., West Bengal, Bombay and Travancore-Cochin and the per acre yields obtained were much higher than the normal yields per acre in the country. During 1950-51, more States have come forward to organise such competitions.

19. Thus, even the most severe critics of the G.M.F. policy would agree that positive results must follow from the various works and supply projects which have been undertaken. If there is a well now where there was no well previously, if fertilisers are being applied to fields which were so long unmanured, there must be a general toning up of agricultural production in the area even if the entire effect is not fully reflected in additional food production. It is true that adverse seasonal factors may appear sometimes to tilt the scales on the other side, it should not be forgotten, however, that the net effect would have been much worse but for the G.M.F. efforts.

20. Every effort is made to secure the maximum return from expenditure incurred on G.M.F. schemes. In the first place, the schemes submitted by the State Governments are carefully scrutinised from the point of view of the cost and the return and also technical possibilities. In doubtful cases, the officers of the Central Government visit the States and discuss the schemes. The schemes are then considered jointly with the Ministry of Finance and when they satisfy the standards laid down, then the sanction is given authorising the State Governments to proceed. However, no money can be actually drawn until a completion certificate signed by the appropriate authority of the State Government is given. The State Governments supervise the construction of works from time to time and submit fortnightly reports to the Central Government. The possibility of diversion of fertilisers to non-food crops cannot be completely eliminated. But

every effort is made to distribute the fertilisers in areas which are predominantly food producing areas. For example, in Bombay the manure mixtures are mainly distributed only in the paddy areas along the coast.

21. An objective check has also been organised for assessing the results of G.M.F. expenditure. This check is conducted by the Statistical Section of the I.C.A.R., who do crop cutting on the basis of the random sample survey. The results of the survey so far taken, show that the official estimates of additional production are slightly on the higher side. But even admitting the discount of 15 per cent. production, which is the maximum indicated by the Statistics, an expenditure of Rs. 150 on a permanent work which would yield an annual increase of 1 ton of foodgrains is well worth it. It will be noticed that in case of fertilisers and seed schemes which are of a recurring nature the cost to the Centre for additional production of 1 ton is only Rs. 90.

ANNEXURE I.

G.M.F. Campaign Additional Production Targets and Achievements (State-wise)

Name of State I	(Lakh tons)						
	1947-48 (April to March over 1946-47)		1948-49 (April to March over 1947-48)		(1949-50 over 1948-49)		(1950-51 over 1949-50)
	Target 2	Achievement 3	Target 4	Achievement 5	Target 6	Achievement 7	Target 8
<i>Part A States</i>							
Assam	0.08	0.20	0.42	0.51	0.75	0.76	1.07
Bihar	0.61	0.72	0.37	0.53	0.83	0.85	1.02
Bombay	0.60	0.65	1.21	0.60	0.73	0.71	1.06
Madhya Pradesh	0.59	0.26	0.03	0.83	0.79	0.51	1.35
Madras	4.50	3.19	1.42	2.81	1.18	1.11	3.81
Punjab . . . . .	...	0.01	0.24	0.09	0.26	0.19	0.44
Orissa	0.07	0.12	0.13	0.16	0.14	0.43	0.31
Uttar Pradesh	2.16	1.56	3.58	1.86	0.74	1.75	1.51
W. Bengal	0.48	0.13	1.46	0.26	0.88	1.06	1.82
<i>Part B States</i>							
Hyderabad . . . . .	...	...	...	...	0.29	0.26	0.26
Madhya Bharat . . . . .	...	...	...	...	0.04	N.R.	0.34
Mysore . . . . .	...	...	...	...	0.93	0.44	0.82*
P.E.P.S.U. . . . .	...	...	...	...	0.08	N.R.	0.31
Rajasthan . . . . .	...	...	...	...	0.74	0.42	0.32
Saurashtra . . . . .	...	...	...	...	0.12	0.20	0.17
Travancore & Cochin . . . . .	...	...	...	...	1.09	0.54	1.22
Vindhya Pradesh . . . . .	...	...	...	...	N.R.	N.R.	0.02

*Targets provisionally fixed at the time of November, 1949 Conference.

1	2	3	4	5	6	7	8
<i>Part C States.</i>							
Ajmer	0.01	...	0.01	N.R.	N.R.	...
Bhopal	N.R.	N.R.	0.15
Coorg	(a)	...	0.03	N.R.	N.R.	...
Cutch	N.R.	N.R.	...
Delhi	0.01	...	0.02	N.R.	N.R.	...
Himachal Pradesh	N.R.	N.R.	...
TOTAL	9.09	6.86	8.86	7.71	9.59	9.23	...
C. T. O.	0.11	...	0.24	0.26	0.26	} 1.00
Special tube-wells	
GRAND TOTAL	9.09	6.97	8.86	7.95	9.85	9.49	17.00

N. R.—Not reported.

(a) Below 500 tons.

(b) Relates to the period April, 1949 and June, 1950 and includes likely achievements for May and June 1950.

ANNEXURE II

Actual Expenditure incurred during 1947-48 (as reported by State Governments).

(Rs. in lakhs)

Name of the State	Irrigation	Land Improvement.	Manures and Fertilisers	Seeds	Others	Total	Govt. of India's share.	State' Govts. share
Assam	2.99	2.97	(a)	4.14 (b)	3.16	13.26	5.92	7.34
Bihar	7.82	0.91	0.71	3.84	8.01	21.29	9.89	11.40
Bombay	15.67	20.84	14.92	7.68	10.60	69.71	34.01	35.70
Madhya Pradesh	5.02	1.32	2.41	2.67	3.22	14.64	5.32	9.32
Madras	182.93	4.07	8.28	28.72	11.23	235.23	112.18	123.05
Orissa	6.00	1.37	1.36	2.11	14.38	30.81	20.45	10.36
Punjab	0.27	...	1.54	...	...	1.81	0.90	0.91
U.P.	18.72	...	4.99	6.64	0.88	31.23	11.73	19.50
W. Bengal	0.05	...	4.36	0.29	1.96	6.66	3.21	3.45
Ajmer	1.16	...	0.26	0.60	0.16	2.18	2.18	...
Coorg	(f)	0.67 (e)	0.22	0.01	0.10	1.00	0.75	0.25
Delhi	0.08 (g)	...	0.89	...	0.01	0.98 (g)	0.98	...
Total	240.71	32.15	39.94	56.70	53.71	428.80 (c)	207.52 (h)	221.28 (i)

(a) Included under seeds.

(b) Includes figures for manures also.

(c) Includes Rs. 5.59 lakhs given as grants to cultivators details of which are not available.

(d) Excludes Rs. 0.87 lakhs given as loan.

(e) Includes figures for Tanks, Channels and Dams.

(f) Included under 'Land Improvement'.

(g) Excludes Rs. 5.03 lakhs advanced as taccavi to cultivators. 50 per cent of the loan will be remitted in the case of those cultivators who have fulfilled the conditions of taccavi.

(h) Includes Rs. 3.72 lakhs, given as grants to cultivators, details for which are not available.

(i) Includes Rs. 1.87 lakhs, given as grant to cultivators details for which are not available.

ANNEXURE III

Actual Expenditure incurred during 1948-49 (as reported by State Governments).

Name of the State	Irrigation	Land Improvement	Manures and Fertilisers	Seeds	Others	Total	Govt. of India's share	State Govts. share.
Assam	5.69	2.00	(b)	10.20(c)	5.34	23.23	11.33	11.90
Bihar	16.59	5.45	0.63	3.64	12.89	39.20	17.41	21.79
Bombay	121.23	46.27	12.56	13.46	15.05	208.57	87.69	120.88
Madhya Pradesh	27.78	12.38	4.80	3.69	3.40	52.05	27.48	24.57
Madras	203.54	7.84	4.72	28.50	16.13	260.73	122.60	138.13
Orissa	5.01	1.47	1.25	4.90	15.70	33.87 (d)	22.55 (j)	11.32 (k)
Punjab (a)	0.93	N.R.	2.04	...	...	2.57	1.44	11.53
U. P.	22.92	N.R.	6.46	5.85	0.84	36.07	15.98	20.09
W. Bengal	0.97	0.48	13.66	0.12 (e)	11.79	27.02	9.75	17.27
Ajmer	1.16	...	0.41	0.69	0.53	2.79 (f)	2.79 (f)	...
Coorg	(g)	0.93 (h)	0.40	0.01	0.16	1.50	1.13	0.97
Delhi	0.12 (i)	...	0.84	...	0.02	0.98 (i)	0.98	...
TOTAL	405.94	76.82	47.77	71.06	81.85	688.98	321.13 (j)	367.85 (k)

(a) Figures incomplete.

(b) Included under Seeds.

(c) Includes figures for manures also.

(d) Includes Rs. 5.54 lakhs given as grant to cultivators details of which are not available.

(e) Relates to Seed Multiplication Farm and Multiplication of Improved Seeds through registered growers.

(f) Excludes 0.72 lakhs given as loan.

(g) Included under 'Land Improvement' (Clearance and Reclamation of Waste Land).

(h) Includes figures for Tanks, Channels and Dams.

(i) Excludes Rs. 1.43 lakhs advanced as taccavi to cultivators, 50% of the loan will be remitted in the case of those cultivators who have fulfilled the conditions of taccavi.

(j) Includes Rs. 3.69 lakhs, given as grant to cultivators, details for which are not available.

(k) Includes Rs. 1.83 lakhs, given as grant to cultivators, details for which are not available.

(l) Excludes loan of Rs. 2.15 lakhs.

ANNEXURE IV

	1947-48*			1948-49*			1949-50*		
	Permanent	Recurring	Total	Permanent	Recurring	Total	Permanent	Recurring	Total
Actual Expenditure (Govt. of India's share) (Lakh Rs.).	122.77	81.03	207.52 (a)	215.88	101.56	321.13 (b)	921.26	153.26	1074 (c)
Additional Production achieved (Lakh tons).	1.12	5.74	6.86	2.48	5.23	7.71	6.69	2.80	9.49
Cost per ton (Rs.)	110	14	30	87	19	42	138	55	113

N.B.—Figures of expenditure and additional production for 1947-48 and 1948-49 excluded. C. T. O. Figures of expenditure and additional production during and prior to 1949-50 are not strictly comparable.

*Refers mainly to Central Grants.

**Relates to loans to grants sanctioned out of G.M.F. Fund.

(a) Includes Rs. 3.72 lakhs given as grants to cultivators details of which are not available and excludes a loan of Rs. 5.90 lakhs given to cultivators.

(b) Includes Rs. 3.69 lakhs given as grants to cultivators details of which are not available and excludes a loan of Rs. 2.15 lakhs given to cultivators.

ANNEXURE V

G.M.F. Assessment—1950

	Average increase in yield in mds./acre.	
	Survey	Official
Madhya Pradesh—		
(i) Improved Paddy seed	0.7	0.7
(ii) Manures	1.2	2.9 (cake 2.72 Ammonium Sul- phate. 3.41 Ammoni- um Phosphate).
(iii) Seed and manures	1.2	3.6
Bombay—		
(i) Improved paddy seed (transplanted)	1.4	1.0
(ii) Manure mixture	2.7	2.0
(iii) Seed and Manure mixture	3.2	3.0
Madras—		
(i) Improved paddy seed	1.7	1.5
(ii) Fertilisers	2.3	2.0
(iii) Green Manure	1.8	3.7

G. M. F. Assessment—1949

Bombay—

JOWAR

Seed	0.8	0.5
Manure (irrigated)	4.5	3.0

WHEAT

Seed	1.2	0.3
Manure (irrigated)	3.4	3.0

APPENDIX IV

MINISTRY OF FOOD AND AGRICULTURE (AGRICULTURE)

Note for the Public Accounts Committee pursuant to action taken on Item No. 36 of the Statement showing the outstanding recommendations of the Committee.

(i) Selling of tractors is not the normal function of the Central Tractor Organisation. The function of this organisation is to undertake reclamation operations on behalf of the State Governments on a 'no profit no loss basis' and the cost of operations is recovered from them. The rates for the various items of work have been worked out and recoveries are being effected at these provisional rates subject to re-adjustments when the final rates are worked out. *Pro forma* accounts of the receipts and expenditure are maintained by the Central Tractor Organisation and audited by the Accountant-General, Central Revenues.

(ii) A note furnishing the required information is enclosed (*Annexure I*).

(iii) It has already been decided that the accounts of the Central Tractor Organisation will be included in the Commercial Appendix by the Accountant General, Central Revenues.

Note on the Central Tractor Organisation

There are large areas of land in India estimated at about 10 million acres which were under cultivation at one time but have gone out of cultivation having been infested with deep-rooted weeds. In view of the difficult food position in the country it was felt essential that these areas should be reclaimed for bringing them under cultivation. The only way this could be done within a reasonable time was by using mechanical equipment such as tractors and tractor drawn implements. These are not manufactured in India and were not available in the foreign market for import during the war and in the immediate post-war period.

2. Luckily for us, the United States Armed Forces had brought with them to India a good deal of mechanical equipment and these became available for civil use after the cessation of hostilities. A good number of tractors fitted with bull-dozers, graders and scrapers were stated to be available among the surplus. The Provincial Governments were eager to secure the equipment but their knowledge

about them being strictly limited they were naturally hesitant. The Central Government had to do the needful.

3. A Special Officer was deputed to visit the dumps in Bengal and Assam to establish the quantities available and their condition. On inspection it was found that the equipment could not be despatched straightway to the Provincial Governments. It was found necessary to set up an Organisation to inspect, service and repair the equipment before despatch. A "Tractor Utilisation Scheme" was drawn up and certain staff recruited and this was the nucleus from which the Central Tractor Organisation developed.

4. It was found that a small number of machines in somewhat better shops could go into the field after a quick service but a majority of the tractors and equipment required heavy repairs before they could be put into use. This meant the establishment of a heavy workshop. Materials for setting up a workshop were available in the dumps and it was decided to acquire these as well.

5. A heavy workshop was established at Delhi fully equipped with a Machine Shop, Engine Repair Lines, Tractor Assembly Lines, Blacksmith Shop, Welding Shop, Electrical and Instrument Repairs Section, Power House and Stores. Although the workshop was meant to be purely a repair shop, it was found necessary due to stress of circumstances to attempt manufacture of small components mainly standard items like bolts, nuts and plough parts like shares, bar points, etc.

6. The Provincial Governments had upto that time no record of any successful operation of large number of tractors. In the absence of sufficient number of trained engineers and operators, it was not desirable to make over the equipment to Provincial Governments. It was necessary that a Central Organisation should retain control of the machines in order that they might be put to the best use. The Provinces also desired this as they did not have the personnel to look after the machines. They were willing to provide the land for operations. Thus the necessity arose for the creation of a Central Organisation which would use the tractors on provincial land, maintain the tractors in good condition and recover the cost of the operations from the Provinces.

7. Ninety rehabilitated tractors were put into the field in 1947-48 and they reclaimed 32,531 acres of land. The resultant crops from these areas were so encouraging that it was decided to expand the scheme. The demands from Provincial Governments for reclamation also increased. 180 machines were put into operation in 1948-49 and they reclaimed 71,947 acres of land.

8. The possibility of bringing back into cultivation of large area of wood infested land for the quick production of food grains having

been established through the experiments with the old rehabilitated tractors, a scheme was drawn up for the reclamation of three million acres of land in seven years which would give an additional annual production of 1 million tons of food grains. The major portion of the machinery required for this is available only in the U.S.A. and owing to the dollar shortage a loan of \$10 million from the International Bank has been contracted for the purchase of the machinery. The scheme as approved by the Bank envisages the purchase of 375 heavy reclamation tractors with equipment and setting up of a heavy repair workshop at Bhopal to cater to the needs of the tractors working in Central India. 345 of these tractors are to be used in Central India for reclamation of lands infested and 30 for reclamation of new cultivable land in Nainital District.

9. A major part of the weed infested land is in the possession of tenants in the areas concerned. The Provincial Governments have undertaken to ensure that all such lands carry a crop after the land is reclaimed.

10. The scheme is designed to work on a "no profit no loss" basis. The Central Tractor Organisation undertakes reclamation operations only on behalf of the Provincial Governments and the proposal is to recover the entire cost of reclamation from them staggered over a period of five years. The Provincial Governments have to recover the cost from the cultivators.

11. Recoveries from Provincial Governments are made in the first instance at estimated provisional rates subject to re-adjustment being made when the actual expenditure is worked out.

12. The following facts point out to the necessity for the continued existence of the Central Tractor Organisation :

- (a) Reclamation and mechanical cultivation of vast areas of land which are at present lying waste will produce more food.
- (b) The training given to the technical personnel of the Organisation and the experience gained by them in handling machinery could be utilised usefully both in reclamation and the mechanical cultivation of land.
- (c) The two existing workshops of the C.T.O. could be utilised for repairing and reconditioning tractors and other equipments.
- (d) Mechanical cultivation of land being in its initial stage in this country it will be easier for a Central Tractor Organisation to popularise it and work it more economically.

13. As already stated, a loan of \$10 million has been contracted with the International Bank to be withdrawn in instalments as and when found necessary. The loan became effective from 1st December 1949 and the interest on the amounts withdrawn and the commitment commission on the undrawn balance are paid half yearly on the 1st of June and the 1st of December.

14. The loan is repayable in 10 half yearly instalments of \$ one million commencing from the 1st of June, 1952. The repayment of the loan will have to be made initially by the Government of India pending recovery of reclamation charges from the State Governments in instalments.

15. As the C.T.O. is run on a commercial basis, interest is being allowed at 3.13 per cent. per annum on the amounts withdrawn from the Central Funds. It is proposed to charge interest at 2½ per cent. per annum on the balances outstanding against the State Governments.

16. The total expenditure incurred by the Central Tractor Organisation from its inception to 31st March 1950 is Rs. 3,80,26,198 inclusive of liabilities. Out of this expenditure a sum of Rs. 1,29,93,759 was incurred against the loan from the International Bank. As already mentioned the reclamation charges are recoverable from the Provincial Governments. The amounts when recovered are credited to the Central Government. If and when the C.T.O. is wound up, the assets and liabilities will be taken over by the Government of India.

17. When on the recommendations of the Thompson Committee the Government of India decided to take over the tractors left by the American Army, it was the intention that those tractors should be operated by the Provinces themselves. Later when it was found that only 68 tractors could be despatched to Provinces without much loss of time on repair, the necessity arose for forming the Central Tractor Organisation to repair the remaining tractors and employ them usefully. It would thus be seen that the idea of setting up the organisation materialised only after the equipment had been taken over, so that when the tractors and equipments began to arrive there was only a skeleton staff which was fully engaged in the receipt of stores and machinery. It was not quite correct to say that there was no accounting in the Organisation; the need for a proper system of value accounting arose only when subsequently it was decided that the tractors, etc., should be repaired and operated by the C.T.O. There was practically no time available for any planning to be done, for it was found necessary to commence the work immediately if the 1947-48 season had to be utilised. When a proper system of accounting

was decided upon, it could not be put into effect immediately as in the absence of value accounting, every item of machinery and stores received had to be priced and priced ledgers opened before the accounting system should be introduced. This was a huge task as the volume of stores received from Disposals was considerable and no value was assigned to any individual item. Lump sums paid had to be spread over the various items, in accordance with market price or engineering data, etc., available. It was also rather unfortunate that soon after the inception of the Organisation, the Country was partitioned and as a majority of the staff were Muslims who had opted for Pakistan, work of all nature including accounting was brought virtually to a stand still for some months.

APPENDIX V

*Note on the Progress of the 'Grow More Food Campaign' (Since its inception).

Background

1. India became seriously concerned about her food problem for the first time after the last War broke out. Until then, there was neither a proper statistical appreciation of the food shortage, nor, except in times of famine any real anxiety about the overall food position. After the entry of Japan into the World War, the supplies from Burma and Indo-China were cut off and then attention was focussed on India's food needs. The immediate reaction was to make up the loss of imports from Burma although after the introduction and gradual extension of control over food distribution, it was found that the deficits were even greater than those anticipated.

First Phase 1943-44 to 1946-47

2. The Grow More Food Campaign was first started in 1943-44 as an urgent *ad hoc* measure to meet the then existing crisis. No plan based on definite targets was prepared. All that was done was to specify certain lines of work which if undertaken by the cultivators or the State Governments would enable them to obtain a subsidy from the Centre. Diversion of area from non-food crops to food crops was encouraged, through a suitable adjustment of prices, imposition of legal restrictions on growing of jute and cotton and payment of subsidies from cotton fund on areas diverted from cotton to food-grains.

3. The total amount sanctioned and the actual expenditure incurred on the G.M.F. Campaign during this phase (1943-44 to 1946-47) as reported in the annual progress reports are given below:—

1943-44 to 1946-47

Sanctioned expenditure:

	(Rs. crores)
Loan	6.54
Grant	8.68
TOTAL	15.22

*At their meeting held on the 9th July, 1951, the P.A.C. desired to be furnished with a comprehensive note reviewing the increased production of foodgrains as a result of the 'Grow More Food Campaign' with special reference to the country's attainment of self-sufficiency, planned and graduated reduction in the annual imports of foodgrains and other cognate matters in the light of the provisions of the Planning Commission's Draft Outline of the First Five Year Plan.

Actual expenditure—Grants:

	(Rs. crores)
Central Government's share	4.04
State Governments' share	7.06
TOTAL	<u>11.10</u>
Amount allocated from cotton fund	0.41

The year-wise break-up of the expenditure is given in Annexure I.

4. The results achieved during this period can be judged from the following figures:

Scale of effort on irrigation, manures and seeds between 1943 to 1947

UNITS OF WORK DONE.**A. Minor Irrigation Projects:**

	Nos.
(i) Surface wells	64,217 (a)
(ii) Tube wells	471
(iii) Tanks	3,152 (b)
(iv) Other projects	22,043

B. Manures and Fertilisers distributed:

	Tons.
(i) Ammonium Sulphate	420,000
(ii) Oilcakes	4,838,000
(iii) Compost	2,079,770
(iv) Green Manure Seeds	8,725

C. Seeds distributed 305,000

(a) Includes 11,668 old well repaired.

(b) Includes 813 old tanks repaired

5. As no systematic progress reports were obtained and statistical checks carried out during this period, it is not possible to say what was the total additional production achieved as a result of the execution of the works indicated above. On the basis of the reports received from States, an attempt has been made in Annexure II to frame a very rough estimate of the additional production achieved during this period. It will be seen, however, from the foot-notes given to the statement that this estimate is subject to serious limitations.

6. The following were the main features of this period:

- (.) Area under foodgrains went up, but yield figures showed
(i) wide fluctuations.

- (ii) There was a great deal of diversion from non-food crops to food crops.
- (iii) Apart from the unreliability of the all-India area and yield figures and the fact that the G.M.F. work was not on a planned basis, one great handicap was that the requisite number of trained personnel were not available. There was no industrial potential which could be switched on to the manufacture of agricultural machinery or fertilisers. Administrative machinery was concentrating on war efforts and on internal security. Transport situation was also complicated by war needs and difficulties of replacement.

The Second Phase, Five Year Plan

7. The second phase of the G.M.F. campaign started with the decision of the Government of India in September 1946 to continue G.M.F. schemes for another five years. The G.M.F. programme was then started on a planned five-year basis from 1st April, 1947. The programme now consisted of a series of short-term projects, both of permanent and recurring nature, which were designed to produce results within a short time. The types of G.M.F. schemes which were taken up by the various State Governments and financed by the Government of India were mainly of the following categories:

I. Permanent Improvement—Works Schemes:

- (a) Minor irrigation schemes like construction of wells, tanks, channels, small dams, etc.
- (b) Land improvement schemes like land reclamation, mechanical cultivation, contour bunding, etc.

II. Recurring Improvement—Supply Schemes:

- (a) Distribution of chemical fertilisers.
- (b) Distribution of manures like oil cake, compost, green manure seeds, etc.
- (c) Distribution of improved seeds and establishment of seed multiplication farms.
- (d) Plant protection schemes.

III Other schemes of miscellaneous nature designed to increase food production.

1947-48 and 1948-49

8. Initially the targets of additional production for the five years commencing from 1947 were fixed at 3 million tons for Part 'A' States and 1 million tons for Part 'B' States. The over-all target of 3 million tons was distributed amongst Part 'A' States in the light of the potentialities of each State for increasing food production. The targets fixed for the two years 1947-48 and 1948-49 and the actual achievement are shown below:

(over previous year)

(Lakh tons.)				
	Target	Achievement including C.T.O.	Per cent.	
1947-48	1.09	6.97	77	
1948-49	8.86	7.95	90	
TOTAL	17.95	14.92	83	

The targets and achievements of additional production for these two years in respect of various States are shown in *Annexure VI*. It will thus be seen that during the first two years (1947-48 and 1948-49) of the five-year plan for increasing food production, a total additional production of 14.92 lakh tons was achieved against the target of 17.95 lakh tons. This represents an over-all realisation of 83 per cent. of the target.

9. On every food production scheme taken up under the G.M.F. drive which satisfies certain conditions laid down by the Government of India for granting financial assistance, some expenditure is incurred by the Central Government in the form of subsidies and loans on some fixed basis. The actual expenditure incurred by the Government of India and the State Governments on various schemes during 1947-48 and 1948-49 is given below:

(Rs. crores)				
	Total Expenditure	Central Govt.'s share	State Govt.'s share	
1947-48	4.29	2.08	2.21	
1948-49	6.89	3.21	3.68	
TOTAL	11.18	5.29	5.89	

The Central Government's share of actual expenditure is mainly out of the grants sanctioned by them to the State Governments for G.M.F. schemes. The scheme-wise details of the expenditure are

Given in *Annexures III and IV*. The results of the G.M.F. Campaign during these two years are compared with the actual expenditure incurred by the Central Government in *Annexure V*.

10. It may appear that permanent schemes are *prima facie* much more expensive than the recurring schemes. It is not, however, so, if we take into account the fact that a permanent work, once completed, continues to yield results for a number of years, say 10 to 15 years. For example, if certain number of years, wells or tanks are dug, the irrigation facilities thus provided will continue to be used for a long time and the expenditure once incurred on these measures will continue to produce its beneficial effects for a number of years. Taking ten years as the minimum life of a permanent improvement scheme, the expenditure incurred by the Government of India on one ton of additional production as a result of permanent schemes, namely, Rs. 110 in 1947-48 and Rs. 87 in 1948-49, represents only a small fraction of the value of the extra crop which they will produce. It will also be seen from the figures that the cost per ton in respect of permanent schemes in 1948-49 is lower than in 1947-48. This is due to the fact that certain works which were started in 1947-48 but could not be completed during that year due to certain financial or technical difficulties, were finished in 1948-49, resulting in additional production during that year. The cost in respect of recurring schemes, however, is higher in 1948-49 than in the previous year due mainly to general rise in the price levels of means of production such as seeds, fertilisers, etc. Taking into account the total cost incurred on G.M.F. Schemes and total additional production achieved, the cost per ton comes to only Rs. 30 in 1947-48 and Rs. 42 in 1948-49.

11. The cost per ton analysis made above relates to the financial commitments of Central Government only in respect of G.M.F. Campaign. Besides the Government of India, there are two other parties which share the cost on any approved G.M.F. measures, namely, State Government and private individuals. An idea of the total cost incurred on G.M.F. Campaign can, therefore, be had by considering the contributions of all these three parties to the implementation of various schemes which may be either of a Private or Public nature. So far as public works are concerned, they are undertaken solely by the State Government and the entire cost is met by the State and Central Governments. With regard to private schemes, which are eligible for financial assistance from Government, the total subsidy expenditure, both Central and State, should not normally exceed 50 per cent. of the total expenditure involved in the scheme. In other words, the individual cultivator who benefits from the scheme should contribute at least 50 per cent. of the total expenditure on the scheme. This, however, does not apply to staff schemes or any other private schemes, the entire expenditure on which may be subsidised

by the State and Central Governments. Worked out on this basis the gross expenditure per extra ton of food produced is about Rs. 120 in 1947-48 and Rs. 168 in 1948-49. Taking Rs. 300 as the average value of one ton of cereals prevailing during these two years, the total amount spent on G.M.F. Schemes during 1947-48 and 1948-49 forms nearly 40 per cent. and 56 per cent. respectively of the cost of foodgrains produced. Thus, the benefits accrued from G.M.F. measures justify the cost incurred on them.

Emergency Food Production Plan 1949-50

12. The five-year programme of G.M.F. which would have ended in 1951-52 and which was calculated to produce 4 million tons of foodgrains was revised in early 1949, when the Prime Minister announced that self-sufficiency in foodgrains should be achieved by the end of 1951 after which time there would be no normal imports. It was estimated that the deficit in foodgrains to be made up by the end of the financial year 1951-52 (i.e. 31st March 1952) would be about 4.8 million tons over 1947-48. An emergency plan for food production was adopted early in 1949. The object of the Emergency plan is to increase the production of foodgrains in the country so as to meet all our requirement by 31st March, 1952 and to do without normal imports thereafter.

13. As a result of the implementation of the various food production schemes, nearly 9.49 lakh tons of additional foodgrains is tentatively estimated to have been produced in the country during 1949-50 as against a target of 9.85 lakh tons. This represents an achievement of nearly 96 per cent. of the target. (The figure of achievement, it may be noted, is provisional and subject to slight revisions on receipt of detailed information from certain States). The State-wise break-up of the targets and achievements is shown in *Annexure VI*. It will be seen that the achievement during 1949-50 the first year of the operation of the Emergency food production plan is more satisfactory than the results obtained during 1947-48 and 1948-49.

The results achieved from the various G.M.F. Schemes during 1949-50 are compared in *Annexure V* with the expenditure sanctioned for them out of the G.M.F. Fund by the Central Government during that year. The actual cost incurred by the State Governments during 1949-50 out of loans and grants sanctioned is not yet completely available.

Integrated Production Programme

14. Early in 1950, the Grow More Food Campaign has been merged in the integrated production programme so that the country could be relatively self-sufficient not only in food grains but also in cotton,

jute and sugar. The objective of the self-sufficiency has been restated and the programme now aims at relieving the country by 31st March 1952 of the need for food imports, except for—

- (a) meeting any grave calamities such as wide spread failure of crops;
- (b) replacement due to diversion of crops in national interests; and
- (c) building up of a Central reserve.

15. For the remaining two years of this emergency food production plan i.e. 1950-51 and 1951-52, it is planned to achieve an additional production of 17 lakh tons and 14·13 lakh tons of foodgrains respectively, thus making up the entire deficit of 4·8 lakh tons. These targets are provisional and are subject to revision. The State-wise break-up of 17 lakh tons, fixed for 1950-51 is given in *Annexure VI*. Similar break-up for 14·13 lakh tons, the target for 1951-52, is being worked out in consultation with the States on the basis of the food production programmes submitted by them for this year to the Government of India.

Re-orientation of G.M.F. Policy during 1951-52

16. Experience of the last two years has shown the necessity of establishing a closer relationship between the G.M.F. schemes and the procurement of additional foodgrains from the extra yields arising from these schemes. Accordingly, the G.M.F. policy has been recently re-oriented. The main features of the new policy are:—

(i) The G.M.F. effort will now be concentrated in certain selected zones most suited for quick increase in production. Thus, in Madras the work is proposed to be mainly concentrated on the major river systems of Godavari, Krishna, Cauvery, Periyar and Tambaraparni. In Bombay, it is proposed to be concentrated in the coastal districts of Konkan for rice. In other States also, intensive areas have been selected for development. In this connection, it may be noted that a Board for the special development of the Wheat Regions of Vindhya Pradesh, Bhopal, Madhya Bharat and part of Rajasthan has already been formed under the joint auspices of the Central and State Governments.

(ii) Additional production is now linked up with procurement. This has been done by making it as one of the conditions of financial assistance that a major portion (about 60 per cent.) of the increased production in intensive areas should be surrendered as extra procurement to procurement authorities.

(iii) G.M.F. expenditure will be henceforward mainly concentrated on schemes of permanent character, e.g., tube-wells, etc., rather than on the schemes of recurring character.

(iv) Steps are being taken by the Central Government to maintain much closer contact than before with the actual execution of the schemes in the States so as to be able to assess the progress made from time to time and to render such help as may be necessary to the Executive Officers with the least possible delay. The country has, therefore, been divided into a number of regions and each region has been placed under a Regional Agricultural Production Commissioner who could act on behalf of the Centre.

It will be noticed from the above that while on the production side concentration of work will enable demonstrate results to be achieved, on the administrative side, the proposal for the formation of Inter-State Boards, wherever necessary, and for general co-ordination of production and procurement work will help to bring a major portion of the extra produce into the hands of Government.

17. The co-operation of all sections of the public in this important national task has been sought and welcomed irrespective of their political bearings. It is recognised that for the successful implementation of the food production programme, it is essential to enlist the co-operation and enthusiasm of cultivators. Great emphasis has been laid by the Central Government on the need for harnessing the existing village institutions. The village panchayats working in various States are being strengthened. Efforts are being made to constitute Rural Development Boards, wherever necessary while each State has been asked to set up organisations suitable to local conditions.

18. Prizes and propaganda have been accepted as part of food production programme in order to provide an additional incentive to the cultivators. Crop competitions are being organised with a view to fostering healthy competition amongst the cultivators, thereby inducing them to achieve higher yields per acre. Such competitions are being organised from 1949-50 in respect of principal food crops in each region, particularly wheat and paddy, pulses and subsidiary food crops like potato. Competitions are held at village, tehsil, district and State levels. In addition to the community prizes in the shape of public institutions and useful agricultural machinery for the benefit of the entire community, attractive individual prizes in the form of certificates and cash are also awarded. Such competitions were organised during 1949-50 in U.P., West Bengal, Bombay and Travancore-Cochin and the per acre yields obtained were much higher than the normal yields per acre in the country. During 1950-51, more States have come forward to organise such competitions.

19. Thus, even the most severe critics of the G.M.F. policy would agree that positive results must follow from the various works and supply projects which have been undertaken. If there is a well now where there was no well previously, if fertilisers are being applied to fields which were so long unmanured, there must be a general toning up of agricultural production in the area even if the entire effect is not fully reflected in additional food production. It is true that adverse seasonal factors may appear sometimes to tilt the scales on the other side, it should not be forgotten, however, that the net effect would have been much worse but for the G.M.F. efforts.

20. Every effort is made to secure the maximum return from expenditure incurred on G.M.F. schemes. In the first place, the schemes submitted by the State Governments are carefully scrutinised from the point of view of the cost and the return and also technical possibilities. In doubtful cases, the officers of the Central Government visit the States and discuss the schemes. The schemes are then considered jointly with the Ministry of Finance and when they satisfy the standards laid down, then the sanction is given authorising the State Governments to proceed. However, no money can be actually drawn until a completion certificate signed by the appropriate authority of the State Government is given. The State Governments supervise the construction of works from time to time and submit fortnightly reports to the Central Government. The possibility of diversion of fertilisers to non-food crops cannot be completely eliminated. But every effort is made to distribute the fertilisers in areas which are predominantly food producing areas. For example, in Bombay the manure mixtures are mainly distributed only in the paddy areas along the coast.

Assessment of the Results of G.M.F. Campaign.

21. There has been some criticism in the past of the method of assessing the results of various measures put into operation under the G.M.F. Campaign. During the earlier years of the G.M.F. Campaign no particular system was followed for checking the results of G.M.F. Schemes reported by the States to the Government of India. The method generally employed by the State Governments for working out additional production from G.M.F. measures was to multiply the units of works completed or supplies distributed by certain conventional yard-sticks based on the results of the experiments conducted at research stations in the States. There are certain defects inherent in this system of calculating the results of G.M.F. Campaign. In order to remedy these defects and to obtain reliable estimate of the additional production resulting from G.M.F. schemes, crop cutting

experiments based on random sampling technique are being conducted in various States under the technical supervision of the Indian Council of Agricultural Research in pursuance of the recommendations of the *Ad Hoc* Committee set up for the scientific assessment of the results of the G.M.F. Campaign.

A number of surveys, some of a pilot nature and others on a State-wide scale, have since been carried out. Pilot experiments were carried out in Madhya Pradesh in the Kharif of 1949 in two districts and in Bombay on wheat and *jowar* in three districts of the State. This has been followed during the current Kharif by State-wide surveys on rice in Bombay, Madras, and Madhya Pradesh and a few districts in Uttar Pradesh. The results are shown in *Annexure VII*. The surveys so far undertaken indicate that the official yardsticks used at present for estimating additional production are more or less correct in respect of seed schemes but are somewhat high in respect of manure and irrigation schemes. The data available are not yet complete, but they suggest that even, if the additional production may be over-estimated, the extent of over-estimation is not likely to be higher than 15 per cent. These surveys are being gradually extended to cover other types of G.M.F. aids and also other States.

G.M.F. and self-sufficiency

22. Another criticism has been made that despite the continuance of the Campaign for the last eight years and despite the avowed objective of attaining self-sufficiency by March 1952, imports of food-grains are continuing. Some people contend that a correct appraisal of the results under the G.M.F. Campaign is possible only when the additional production is linked up with and reflected in procurement. From a cursory glance, it may appear that the observation made by the Planning Commission that India should continue to import roughly 3 million tons annually is not compatible with the notion of self-sufficiency.

23. The deficit of 4.8 million tons has been worked out on the basis of assuring to the population in March 1952, the same *per capita* availability as in 1948. The works undertaken so far during 1948-49 and 1949-50 and those proposed for 1950-51 and 1951-52 are expected to result in the increase in the production potential of the country to the following extent:

	<i>Over previous year</i> (Lakh tons)
1948-49 Achievement	7.95
1949-50 Achievement	9.49
1950-51 Target	17.00
1951-52 Target	14.13
TOTAL	<u>48.57</u>

The actual crop in any year depends, however, on many factors, such as rainfall, adequacy of irrigation facilities, prices etc.

24. The achievement of self-sufficiency through additional production under G.M.F. in the sense of relieving the country of the need for imports of foodgrains from abroad depends upon factors such as weather conditions, maintenance of the same *per capita* consumption as in 1947-48, relative prices of food and non-food crops, etc.

25. The estimated gross production of cereals in 1949-50 according to official forecasts was 45.52 million tons as against 43.74 million tons in 1947-48, thus reflecting the additional production under the G.M.F. Campaign during the two years 1948-49 and 1949-50. In 1950-51, however, due to abnormal natural calamities and adverse seasonal factors there was considerable damage to the food crops and not only the beneficial effect of the works executed and the supplies distributed under the G.M.F. Campaign has been negated, but even the normal production suffered. The total loss is estimated at 5.5 million tons and naturally the additional production due to G.M.F. cannot be reflected this year.

26. The achievement of self-sufficiency also assumes the maintenance of the same rate of consumption as was prevailing in 1947-48. Actually, however, there is evidence to believe that some of the producers have increased their consumption with the result that much of the additional production goes to satisfy the needs of the producers themselves. Moreover, the *per capita* consumption of foodgrains is not uniform in all the States. In some areas, it is more than the all-India average and to that extent in other areas the consumption falls much below the average. In order to bring the consumption in these areas to the all-India level much larger supplies are needed, because the availability in other areas eating more than the average does not go towards meeting the deficit of the former.

27. Besides this, there are other factors which have affected the availability of supplies in general. The producer is withholding considerable stocks from the market. For, firstly, his own consumption has increased; secondly, the dietary emphasis has shifted from coarse grain to wheat and rice; thirdly, there has been an increase in his hoarding capacity and finally there is the cultivators' desire to avoid procurement in the hope of getting better prices in the black-market.

Thus, the additional production is not fully reflected in additional procurement or even in additional marketable surplus and thus does not contribute to reducing the need for imports.

G.M.F. Target & Planning Commission Recommendations

28. The Planning Commission in their draft outline have stated that "in determining food policy, there is no room for any proposal or experiment which detracts from this responsibility or exposes the economy to risk or uncertainty". Thus while urging that during the next few years annual imports of foodgrains of about 3 million tons should be planned for, they have also emphasized that we should not relax our measures for increasing the food production and have proposed a target of additional production of 7.2 million tons by 1955-56. In the present context of international situation, too much reliance cannot be placed on imports from foreign countries which are dependent not only on the availability of food abroad, but also on prices and shipping position. There is no fundamental incompatibility between the target of the present G.M.F. Campaign and the fact that the Planning Commission has made provisions for imports of the order of 3 million tons, if necessary. The target of 4.8 million tons under the former is a target of production and not a target of procurement. The target of imports under the latter is partly a measure of safety and partly a recognition of the fact that all the additional production may not be procured in practice.

29. Regarding Agricultural Production Programme, the Commission have observed that "in the short run, the dependence of the farmer on rainfall and the extent to which he has at hand the means to increase his production outweigh all other factors. Over a period, however, sustained efforts to increase irrigation, to build up soil fertility, to improve the machinery through which the farmer is assisted and guided and to bring about a better organisation of agriculture are the most powerful influences". They have also recommended the development of intensive areas and pointed out the need for increasing the marketable surplus simultaneously with production and have suggested the means of doing so. Some of these recommendations are already under implementation since the middle of 1950 when the G.M.F. Policy was reorientated and in general, the measures taken under the G.M.F. Campaign are consistent with the proposals of the Planning Commission. In fact, the proposals of the Planning Commission are essentially a continuation of the G.M.F. measures undertaken already over the period of next 5 years, with suggestions for improvement here and there.

ANNEXURE I

*Expenditure incurred on the Grow More Food Campaign
(1943-44 to 1946-47)*

SANCTIONED EXPENDITURE (CENTRAL GOVERNMENT'S SHARE)

(Rs. in lakhs)

Year	Loan	Grant	Total
1943-44	1,64,44	60,51	2,24,95
1944-45	1,15,14	1,54,71	2,69,85
1945-46	1,84,74	1,55,76	3,40,50
1946-47	1,89,17	4,97,04	6,86,21
TOTAL	6,53,49	8,68,02	15,21,51

ACTUAL EXPENDITURE—GRANTS

Year	Central Government's share	State Government's share	Total
1943-44	22.99	71.46	94.45
1944-45	44.55(a)	1,25.86	1,70.41(a)
1945-46	76.61(b)	1,82.41	2,59.02(b)
1946-47	2,60.25(c)	3,25.98	5,86.24(c)
TOTAL	4,04.41	7,05.71	11,10.12

AMOUNT ALLOCATED FROM COTTON FUND.

1943-44	14.85
1944-45	23.56
1945-46	1.87
1946-47	0.66
TOTAL	40.94

*Includes non-recurring expenditure which is not shared by the Central Govt.

(a) Excludes Rs. 0.62 lakhs given as advance.

(b) Excludes Rs. 1.15 lakhs given as advance.

(c) Excludes Rs. 6.68 lakhs given as advance.

ANNEXURE II

ADDITIONAL PRODUCTION

Indian Union—1943-44 to 1946-47

(State-wise)

Name of State.	(Tons)							
	1943-44		1944-45		1945-46		1946-47	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Assam	N.R.	57,972 (a)(21)	192,787(b) (30)	155,359 (22)	41,497 (9)	80,481 (9)	51,849 (7)	40,907 (4)
Bihar	N.R.	N.R.	N.R.	N.R.	165,895 (35)	92,530 (10)	169,252 (22)	100,058 (9)
Bombay		146,412 (52)		393,726 (56)	68,837 (15)	455,560 (49)	83,680 (11)	411,985 (37)
Madhya Pradesh (c)		...		...	151,142 (32)	97,108 (11)	61,557 (8)	44,614 (4)
Madras	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.	354,424 (46)	348,234 (31)
Orissa	N.R.	N.R.	46,914 (19)	29,677 (4)	35,856 (8)	37,871 (4)	37,705 (5)	29,705 (3)
Punjab	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.
Uttar Pradesh		76,412 (27)		122,615 (18)		156,265 (17)	...	130,233 (12)
West Bengal	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.
Ajmer-Merwara	220 (100)	22 (—)	1,396 (1)	486 (—)	3,380 (1)	1,153 (—)	5,311 (1)	5,388 (—)
Coorg	N.R.	N.R.	N.R.	N.R.	1,700 (—)	404 (—)	761 (—)	761 (—)
Delhi	N.R.	N.R.	N.R.	N.R.	N.R.	N.R.	1,036 (—)	558 (—)
TOTAL*	220 (100)	280,818 (100)	241,097 (100)	701,863 (100)	468,307 (100)	921,372 (100)	765, 75 (100)	1,112,443 (100)

N.R.—Not reported.

(a) Estimated.

(b) Excludes figures for irrigation works which are not available.

(c) Figures for 1943-44 and 1944-45 are included under 1945-46 as separate figures are not available.

N. B.—Figures in parenthesis indicate percentages to the total.

Note:—(1) The period 1943-44 to 1946-47 was one of unplanned operations of the Grow More Food Campaign in the country. No targets of food production fixed on a planned basis.

(2) The all-India figures relating to targets and achievements are not generally complete and comparable as some States did not report figures of targets and for achievements.

(3) The principle of calculating additional production over a base year was unknown during this period. The figures are, therefore, on a gross basis and not in the net basis.

(4) Widely divergent yardsticks have been adopted by the States in estimating additional production due to a particular G.M.F. aid.

(5) The figures include additional production of vegetables, potato, groundnut, etc., in certain cases.

(6) Due to partition of the country figures of Punjab and West Bengal are not available.

ANNEXURE III

Actual Expenditure incurred during 1947-48 (as reported by State Governments)

(Rs. in lakhs)

Name of the State	Irrigation.	Land Improvement.	Manures and Fertilisers.	Seeds	Others	Total	Govt. of India's share	State Govts.' share.
Assam	2.99	2.97	(a)	4.14 (b)	3.16	13.26	5.92	7.34
Bihar	7.82	0.91	0.71	3.84	8.01	21.29	9.89	11.40
Bombay	15.67	20.84	14.92	7.68	10.60	69.71	34.01	35.70
Madhya Pradesh	5.02	1.32	2.41	2.67	3.22	14.64	5.32	9.32
Madras	182.93	4.07	8.28	28.72	11.23	235.23	112.18	123.05
Orissa	6.00	1.37	1.36	2.11	14.38	30.81 (c)	20.45 (h)	10.36 (i)
Punjab	0.27	...	1.54	...	...	1.81	0.90	0.91
U.P.	18.72	...	4.99	6.64	0.88	31.23	11.73	19.50
W. Bengal	0.05	...	4.36	0.29	1.96	6.66	3.21	3.45
Ajmer	1.16	...	0.26	0.60	0.16	2.18 (d)	2.18 (d)	...
Coorg	(f)	0.67 (e)	0.22	0.01	0.10	1.00	0.75	0.25
Delhi	0.08 (g)	...	0.89	...	0.01	0.98 (g)	0.98	...
TOTAL	240.71	32.15	39.94	56.70	53.71	428.80 (c)	207.52 (h)	221.28 (i)

(a) Included under seeds.

(b) Includes figures for manures also.

(c) Included Rs. 5.59 lakhs given as grants to cultivators details of which are not available.

(d) Excludes Rs. 0.87 lakhs given as loan.

(e) Includes figures for Tanks, Channels and Dams.

(f) Included under 'Land Improvement'.

(g) Excludes Rs. 5.03 lakhs advanced as taccavi to cultivators. 50% of the loan will be remitted in the case of those cultivators who have fulfilled the conditions of taccavi.

(h) Includes Rs. 3.72 lakhs, given as grants to cultivators, details for which are not available.

(i) Includes Rs. 1.87 lakhs given as grant to cultivators details for which are not available.

ANNEXURE IV

Actual Expenditure incurred during 1948-49 (as reported by State Governments)

(Rupees in lakhs)

Name of the State	Irrigation	Land Improvement	Manures and Fertilisers	Seeds	Others	Total	Govt. of India's share	State Govts.' share.
Assam	5'69	2'00	(b)	(c) 10'20	5'34	23'23	11'33	11'90
Bihar	16'59	5'45	0'63	3'64	12'89	39'20	17'41	21'79
Bombay	121'23	46'27	12'56	13'46	15'05	208'57	87'69	120'88
Madhya Pradesh	27'78	12'38	4'80	3'69	3'40	52'05	27'48	24'57
Madras	203'54	7'84	4'72	28'50	16'13	260'73	122'60	138'13
Orissa	5'01	1'47	1'25	4'90	15'70	33'87	(d) 22'55	(h) 11'32
Punjab (a)	0'93	N.R.	2'04	...	...	2'57	1'44	11'53
U. P.	22'92	N.R.	6'46	5'85	0'84	36'07	15'98	20'09
W. Bengal	0'97	0'48	13'66	(e) 0'12	11'79	27'02	9'75	17'27
Ajmer	1'16	...	0'41	0'69	0'53	(f) 2'79	(f) 2'79	...
Coorg	(g)	(h) 0'93	0'40	0'01	0'16	1'50	1'13	0'37
Delhi	(i) 0'12	...	0'84	...	0'02	(i) 0'98	0'98	...
TOTAL	405'94	76'82	47'77	71'06	81'85	(d) (l) 688'98	(f) (l) 321'13	(k) 367'85

- (a) Figures incomplete.
 (b) Included under seeds.
 (c) Includes figures for manures also.
 (d) Includes Rs. 5'54 lakhs given as grant to cultivators details of which are not available.
 (e) Relates to Seed Multiplication Farm and Multiplication of Improved Seeds through registered growers.
 (f) Excludes 0'72 lakhs given as loan.
 (g) Included under 'Land Improvement' (Clearance and Reclamation of Waste Land).
 (h) Includes figures for Tanks, Channels and Dams.
 (i) Excludes Rs. 1'43 lakhs advanced as taccavi to cultivators, 50% of the loan will be remitted in the case of those cultivators who have fulfilled the conditions of taccavi.
 (j) Includes Rs. 3'69 lakhs, given as grant to cultivators, details for which are not available.
 (k) Includes Rs. 1'83 lakhs, given as grant to cultivators, details for which are not available.
 (l) Excludes loan of Rs. 2'15 lakhs.

ANNEXURE V

	1947-48**			1948-49*			1949-50**		
	Permanent	Recurring	Total	Permanent	Recurring	Total	Permanent	Recurring	Total
Actual Expenditure (Govt. of India's share) (Lakh Rs.)	122'77	81'03	(a) 207'52	215'88	101'56	(b) 321'13	921'26	153'26	1074'8*
Additional Production achieved (Lakh tons)	1'12	5'74	6'86-	2'48	5'23	7'71	6'69	2'80	9'49
Cost per ton (Rs.)	110	14	30	87	19	42	138	55	113

N.B.—Figures of expenditure and additional production for 1947-48 and 1948-49 excluded. C.T.O. Figures of expenditure and additional production during and prior to 1949-50 are not strictly comparable.

*Refers mainly to Central Grants.

**Relates to loans to grants sanctioned out of G.M.F. Fund.

(a) Includes Rs. 3'72 lakhs given as grants to cultivators details of which are not available and excludes a loan of Rs. 5'90 lakhs given to cultivators.

(b) Includes Rs. 3'69 lakhs given as grants to cultivators details of which are not available and excludes loan of Rs. 2'15 lakhs given to cultivators.

ANNEXURE VI

G.M.F. Campaign Additional Production Targets and Achievements
(State-wise)

Name of State	(Lakh tons)						
	1947-48 (April to March over 1946-47).		1948-49 (April to March over 1947-48).		1949-50 (over 1948-49)		1950-51 (over 1949-50)
	Target	Achievement.	Target	Achievement.	Target	Achievement.	Target
<i>Part A States.</i>							
Assam ;	0'08	0'20	0'42	0'51	0'75	0'76	1'07
Bihar	0'61	0'72	0'37	0'53	0'83	0'85	1'02
Bombay	0'60	0'65	1'21	0'60	0'73	0'71	1'06
Madhya Pradesh	0'59	0'26	0'03	0'83	0'79	0'51	1'35
Madras	4'50	3'19	1'42	2'81	1'18	1'11	3'81
Punjab . . . . .	...	0'01	0'24	0'09	0'26	0'19	0'44
Orissa	0'07	0'12	0'13	0'16	0'14	0'43	0'31
Uttar Pradesh	2'16	1'56	3'58	1'86	0'74	1'75	1'51
W. Bengal	0'48	0'13	1'46	0'26	0'88	1'06	1'82
<i>Part B States.</i>							
Hyderabad . . . . .	...	...	...	...	0'29	0'26	0'26
Madhya Bharat . . . . .	...	...	...	...	0'04	N.R.	0'34
Mysore . . . . .	...	...	...	...	0'93	0'44	0'82*
P.E.P.S.U. . . . .	...	...	...	...	0'08	N.R.	0'31
Rajasthan . . . . .	...	...	...	...	0'74	0'42	0'32
Saurashtra . . . . .	...	...	...	...	0'12	0'20	0'17
Travancore & Cochin . . . . .	...	...	...	...	1'09	0'54	1'22
Vindhya Pradesh . . . . .	...	...	...	...	N.R.	N.R.	0'02
<i>Part C States.</i>							
Ajmer . . . . .	...	0'01	...	0'01	N.R.	N.R.	...
Bhopal . . . . .	...	...	...	...	N.R.	N.R.	0'15
Coorg . . . . .	...	(a)	...	0'03	N.R.	N.R.	...
Cutch . . . . .	...	...	...	...	N.R.	N.R.	...
Delhi . . . . .	...	0'01	...	0'02	N.R.	N.R.	...
Himachal Pradesh . . . . .	...	...	...	...	N.R.	N.R.	...
TOTAL	9'09	6'86	8'86	7'71	9'59	9'23	
C. T. O. . . . .	...	0'11	...	0'24	0'26	0'26	1'00
Special tube wells . . . . .	...	...	...	...	...	...
GRAND TOTAL	9'09	6'97	8'86	7'95	9'85	9'49	17'00

N.R.—Not reported.

(a) Below 500 tons.

(b) Relates to the period April, 1949 and June, 1950 and includes likely achievements for May and June 1950.

*Targets provisionally fixed at the time of November, 1949 Conference.

ANNEXURE VII

G.M.F. ASSESSMENT--1950

Average increase in yield in mds. mds./acre.

	Survey	Official
<i>Madhya Pradesh—</i>		
(i) Improved Paddy seed	0·7	0·7
(ii) Manures	1·2	2·9 (cake 2·72 Ammonium Sulphate.) 3·41 Ammonium Phosphate).
(iii) Seed and manures	1·2	3·6
<i>Bombay—</i>		
(i) Improved paddy seed (transplanted)	1·4	1·0
(ii) Manure mixture	2·7	2·0
(iii) Seed and Manure mixture	3·2	3·0
<i>Madras—</i>		
(i) Improved paddy seed } }	1·7	1·5
(ii) Fertilisers	2·3	2·0
(iii) Green Manure	1·8	3·7

G. M. F. ASSESSMENT—1949

Bombay—

JOWAR

Seed	0·8	0·5
Manure (irrigated)	4·5	3·0

WHEAT

Seed	1·2	0·8
Manure (irrigated)	3·4	3·0

Statement showing State-wise Loans/Grants and Net Subsidy Cost sanctioned for G.M.F. Schemes during 1950-51

Name of the State	Loan	Grant	Net subsidy cost.	Total
	Rs.	Rs.	Rs.	Rs.
ASSAM	9,55,000	23,000	49,14,223	58,71,523
BIHAR	50,00,000	31,66,850	2,13,77,578	2,95,44,428
BOMBAY	78,39,060	9,28,425	2,10,62,036	2,98,29,521
MADHYA PRADESH	2,41,91,740(a)	67,868	67,31,825	3,09,91,433
MADRAS	1,36,32,500	81,765	3,48,78,219	4,85,92,484
ORISSA	18,46,590	...	1,05,06,160	1,23,52,750
PUNJAB	2,07,97,000	...	28,58,240	2,36,55,240
UTTAR PRADESH	3,37,68,000	2,33,430	3,61,27,940	7,01,29,370
WEST BENGAL	60,89,000	10,91,384	1,03,07,000	1,74,87,384
HYDERABAD	50,00,000	21,550	11,89,234	62,10,784
MADHYA BHARAT	3,53,813	99,259	37,94,614	42,47,686
MYSORE	90,00,000	...	80,29,400	1,70,29,400
PEPSU	33,81,132(b)	...	39,27,961	73,09,093
SAURASHTRA	86,80,710(c)	6,22,527	1,25,71,028	2,18,74,265
TRAVANCORE AND COCHIN	16,25,000	12,100	92,67,452	1,09,04,552
AJMER	14,68,835	8,61,412	22,440	23,52,687
VINDHYA PRADESH	24,39,449	6,20,394	...	30,59,843
BHOPAL	26,95,777	28,08,453	...	55,04,230
COORG . . . . .	...	2,74,961	4,92,810	7,67,771
DELHI	6,58,000	7,29,500	...	13,87,500
HIMACHAL PRADESH	36,000	1,27,760	...	1,63,760
CUTCH	10,90,000	13,720	...	11,05,720
MANIPUR	62,000	12,000	...	74,000
TRIPURA . . . . .	...	40,000	...	40,000
RAJASTHAN	1,20,000	1,875	7,30,200	8,52,075
ANDAMAN . . . . .	...	21,520	...	21,520
CENTRAL INLAND FISHERIES RESEARCH INSTITUTE, WEST BENGAL . . . . .	...	46,120	...	46,120
TOTAL	15,07,29,606	1,18,87,173	18,87,92,360 (d)	35,14,09,139

(a) Includes a loan of Rs. 85,00,000 sanctioned out of Food Bonus.

(b) Includes a loan of Rs. 24,93,122 sanctioned out of Food Bonus.

(c) Includes savings out of the grant sanctioned for 1949-50.

(d) Out of this, an amount of Rs. 10.23 crores is expected to be met out of 75% of the Food Bonus available with the State Government. This leaves an uncovered balance of Rs. 8.64 crores (of which Government of India's share is Rs. 4.32 crores) to be met from G.M.F. Funds—Thus the Government of India would have to pay as grant Rs. 4.32 crores and Rs. 1.18 crores (shown under column 3) from G.M.F. Funds.

Statement showing Amounts sanctioned by Government of India
for G.M.F. Schemes in States during 1951-52 (upto 16-7-51)

Name of State	Amount sanctioned	
	Grant	Loan
	Rs.	Rs.
Assam . . . . .	...	...
Bihar	78,44,400	
Bombay	Programme not yet received.	
Madhya Pradesh	8,10,763	...
Madras	9,87,737	1,00,00,000
Orissa	5,66,334	1,00,000
Punjab	9,87,220(a)	...
Uttar Pradesh . . . . .	...	...
West Bengal	18,53,861	33,00,000
Hyderabad . . . . .	...	...
Madhya Bharat	4,65,300	...
Mysore	14,86,350	12,00,000
PEPSU	34,58,344(a)	...
Rajasthan	8,90,375(a)	...
Saurashtra . . . . .	...	...
Travancore and Cochin	8,65,000	...
Ajmer	4,67,788	6,22,000
Bhopal	1,95,920	...
Coorg	1,99,000	...
Delhi	7,88,150	6,02,200
Himachal Pradesh	2,66,835	1,10,500
Kutch . . . . .	...	...
Manipur	24,000	70,250
Tripura	12,710	...
Vindhya Pradesh	4,15,000	...
TOTAL	2,24,95,762	1,60,04,950

(a) From Food Bonus.

APPENDIX VI

MINISTRY OF FOOD AND AGRICULTURE

Note for the Public Accounts Committee pursuant to action taken on Item No. 36A of the P.A.C.'s recommendations on 1947-48 (Post-Partition Accounts).

The following information has been furnished by the U.P. Government:

“A report was prepared by Shri J. W. Russell, Superintendent, Tarai and Bhabar Government Estates under the Post-War Reconstruction Board of the State, but no action was taken on this report. The reclamation in Tarai is based on a report made later by a Sub-Committee of Agricultural experts, namely, ‘Agriculture—Forest—Erosion Sub-Committee’ under the Tarai and Bhabar Development Committee. These experts were of the opinion that the ill effects arising from soil erosion were not likely to be considerable or such as to affect the Colonisation Scheme more than slightly. This is borne out by experience and so far no marked effect of erosion on crop production has been observed and it is expected that with proper care and management the adverse effects, if any, can further be minimized to the extent that it will not affect profitable crop production. Every effort is being made not to leave any area without a cover crop during the rainy season. Plots of suitable sizes have also been laid out bounded by bunds of proper size to guard against the effects of erosion, and old plantations on the banks of streams and *nalas* have been retained to serve as a further check on the movement of soil. Levelling of fields which are very uneven is also being undertaken.”

It will thus appear that soil erosion on a large scale is unlikely to occur in the Tarai.

APPENDIX VII

MINISTRY OF FOOD AND AGRICULTURE

Points on which the Public Accounts Committee called for written information

SUBJECT: CONSIDERATION OF APPROPRIATION ACCOUNTS (CIVIL) OF 1948-49 AND AUDIT REPORT 1950—PARA. 26(C) OF THE AUDIT REPORT.

IMPORT OF FERTILIZERS IN PAPER BAGS

Q. 1. *Was any stipulation made in the agreement with the supplier regarding the package of this stock of fertilizers? If so, what it was?*

A. The contract for this supply was made by the late Ministry of Industry and Supply (now the Ministry of Works, Production and Supply). The contract provided for the packing of these consignments in six ply paper bags with bitumen lining, from the source of supply.

Q. 2. *Was the agreement reduced to writing?*

A. Yes.

Q. 3. *If the stipulation was that they shall be packed in paper bags, who was responsible for this arrangement?*

A. This arrangement was agreed to by the Government of India on the advice of our purchasing missions in view of the special circumstances of non-availability of jute bags and the expert opinion that six ply paper bags with bitumen lining were not only satisfactory but preferable to jute bags. In this connection the relevant communication may be quoted:—

“We have now obtained satisfactory evidence that six ply paper bags with bitumen lining is NOT only satisfactory but preferable to jute bags.

Cargo Superintendents Ltd. who handle this material packed in paper bags have certified that the packing offered is fully adequate for transportation to and use in India.

Commerce Department have checked on the references of Cargo Superintendents in respect of repute and reliability which are found to be very good.

Suppliers have produced a letter from insurance brokers who have requested on behalf of Lloyds Under-writers to insure paper

bags, at a lower rate than jute bags and stated that the 'Underwriters consider that bitumen lined six ply bags are better bags for this interest than jute bags.'

The evidence submitted and the opinion of our Scientific Adviser was considered by me with the officers concerned and the lawyers and we were satisfied that every reasonable precaution has now been taken and acceptable conditions established."

Q. 4. What amount was agreed to be paid to the supplier for packing?

A. No separate amount was agreed to be paid to the supplier for this packing. The rates quoted by them were inclusive of packing charges.

Q. 5. Did we ever receive these fertilizers in paper bags before this? If so, how many times and with what results?

A. No. The fertilizers were received in the paper bags for the first time in 1949-50.

Q. 6. Was it brought to the notice of the Ministry before the consignment was despatched that it has been packed in paper bags?

A. Yes.

Q. 7. Was the Ministry consulted before the consignment was despatched or the agreement made with the suppliers?

A. Yes.

Q. 8. Has some legal action for recovering the loss caused to the Government been taken against the supplier? If so, what is the result?

A. The losses have been reported to the Purchasing Missions to take up with the Suppliers. The question of legal action will be taken up if the parties do not agree to make good the loss.

Q. 9. Has any action been taken against the officer responsible for this deal? If so, what action, if not, why not?

A. The action taken by the Ministry of Industry and Supply was based upon expert advice received from the Purchasing Missions. The question of taking action against any individual officer does not therefore arise.

Q. 10. For how many times this practice of packing in paper bags was repeated after the first incident? Was it repeated even after the instructions from the Ministry were conveyed to our "Purchasing Mission"? If so, how many times and how much loss Government had to incur due to this defective packing?

A. When the incident was first reported it was not clear whether the loss was due to the paper packing or to the failure on the part of the suppliers to conform to the specification in regard to packing or whether it was due to the negligence on the part of the Carriers. From the information readily available it appears that seven contracts providing for paper packing were entered into subsequent to the first report of loss due to the defective paper packing. No supplies were made in paper bags in contravention of our instructions. The amount paid on the re-bagging of the consignments under consideration was Rs. 87,400, which was borne by the Central Fertilizers Pool and recovered ultimately from the consumers.

Q. 11. When was this policy of re-bagging decided? Could not the course of packing the things in second hand gunny bags be adopted from the very beginning instead of re-bagging it here at ports? What was the difficulty in resorting to this course?

A. The question was of packing Sulphate of Ammonia at the source of supply. No gunny bag either new or second hand could be had in those countries at that time at a reasonable rate. Only such portion of the consignment which required re-bagging on arrival here, was re-bagged as far as possible in second hand gunny bags.

Q. 12. In all, how much did Government pay for these paper bags to the supplier? What was the price paid for each paper bag in America or any other country?

A. It is not possible to separate the cost of paper bags from the cost of Sulphate of Ammonia paid to the suppliers since the contract was inclusive of packing charges. The prices of such paper bags prevailing in America at that time are not available.

Q. 13. What procedure has been evolved as a result of the experience gained from this deal to save the Exchequer from sustaining huge financial losses in such cases?

A. The present practice is to indent all Sulphate of Ammonia packed in new jute bags of exportable quality from the source of supplies. No contract is being made at present except on this basis.

Q. 14. What action has been taken against the person responsible for the overbagging and causing a loss of Rs. 30,000? Has some explanation been taken from him?

A. The Clearing and Forwarding Agents at Madras used larger size bags for re-bagging certain stocks of Ammonium Nitrate lying with them on behalf of the Government. The question regarding the recovery of difference between the prices of these larger size bags and the smaller size bags which they should normally have used is under consideration. The firm when questioned about this has explained that the bags of the required size were not available. This explanation has not yet been accepted by Government.

Q. 15. Why the defect in packing Sulphate of Ammonia was not noticed by the "Purchasing Missions" at the time of shipment of the material?

A. The contracts entered into by the Purchasing Missions in respect of these consignments provided for packing in paper bags. Before entering into the contracts, the Purchasing Missions had consulted their local Scientific Advisers, Cargo Superintendents and Insurers, who were unanimously of the view that six ply paper bags with bitumen lining was not only satisfactory but preferable to jute bags. The prior approval of the Government of India was also obtained. The resort to paper packing was made mainly due to (1) non-availability of jute bags in supplier countries, (2) their prohibitive cost, and (3) even if available, delay in procurement. The only alternative was to import the stuff in bulk (without any packing), which was not considered advisable as the damage in that case would be still more considerable. In the circumstances there was no question of defect in packing, since packing in paper bags conformed to the terms of the contract.

Q. 16. Whether any steps were taken in India to stop unsound packing when the first consignment was received in paper bags.

A. When the first paper packed shipment arrived at the Indian port, some of the bags were found burst. In view of the technical advice and assurances taken before despatch, it was not possible to assess at the time whether the damage was due to weak packing or other factors such as the negligence of the carriers (steamer) etc. Therefore, an official survey had to be arranged and claims lodged with the steamer agents for compensation against loss. When the claim was rejected the matter was reported to the "Purchasing Mission" for taking it up with the suppliers. By this time, almost all the paper packed consignments had either arrived at the Indian ports or were on the high seas, and nothing could, therefore, be done at this end to stop unsound packing of further consignments.

Q. 17. Whether any recovery has since been effected from the suppliers.

A. So far as is known, the I. & S. Ministry (now W.P. & S. Ministry) who placed these contracts, have not effected any recovery from the suppliers. It is understood that the matter is being pursued by the W.P. & S. Ministry.

Q. 18. Whether the agreement entered into with the foreign exporters provided for bagging.

A. According to the agreement by the "Purchasing Mission" entered into with the foreign exporters, 84,000 tons of fertilisers were allowed to be packed in six ply paper bags with bitumen lining.

Q. 19. Action taken to make good the loss and the result.

A. The "Purchasing Missions" are still in correspondence with the suppliers on the question of compensation and as has already been stated in (iii) above, the matter is being pursued by Government.

Q. 20. Do Government contemplate to decontrol trading in fertilizers? If so, at what stage the matter is?

A. The question of discontinuing the Central Fertilizer Pool which has been in existence since 1943, is proposed to be taken up as soon as the Sindhri Fertilizer Factory gets into full production.

APPENDIX VIII

MINISTRY OF FOOD AND AGRICULTURE

Points on which the Public Accounts Committee called for written information.

SUBJECT:—SCHEME FOR PURCHASE OF CHEMICAL FERTILISERS—CAPITAL OUTLAY ON SCHEMES OF GOVERNMENT TRADING—CONSIDERATION OF APPROPRIATION ACCOUNTS (CIVIL) OF 1948-49 AND AUDIT REPORT FOR 1950—PARA. 26(c) OF THE AUDIT REPORT—IMPORT OF FERTILIZERS IN PAPER BAGS.

In continuation of the note sent to the Public Accounts Committee on 16th July, 1951 in connection with the above Appropriation Account (*Appendix VII*), the following information is furnished for consideration of the Public Accounts Committee:

A further investigation into this matter has disclosed the following facts:—

1. The size of paper bags in which 101 lbs. of the fertiliser (Sodium Nitrate) had been packed by the suppliers was 39" × 24" × 4½" (rectangular) and two bags of this size could not therefore, be slipped into one gunny bag of 2 cwts. capacity of the size of 44" × 26½" which was the only size available with and supplied by the Regional Food Commissioner, Madras.

2. There was no gunny bag of any size available in the local market (Madras) at the time—new or second hand. The Clearing and Forwarding agents were therefore left with no other alternative but to use the bag of the size supplied by our Regional Food Commissioner at Madras.

3. Owing to the hazardous nature of the material the Railways insisted on double-packing of the material in 6 ply paper bags with gunny as outer cover. It would, therefore, appear that even if the paper bags had been torn open and the contents transferred into the jute bags used, it would not have been acceptable to the Railway authorities, as this would not have conformed to the approved packing. In this connection copies of letters received from the Railway Board and Chief Inspector of Explosives are attached.

4. The Port Trust regulations do not provide for any storage facilities at the ports for such hazardous material and the Clearing and Forwarding agents had to despatch the material direct from the

docks immediately. Time was thus an important factor. An extract from the "Madras Port Trust Rules" is attached.

5. In the circumstances the Government of India consider that the expenditure incurred on overbagging in respect of the consignment in question was unavoidable. This extra expenditure had been taken into account in fixing the selling price (Pool) and recovered from the consumers.

Copy of the letter No. G. 1(47)3, dated the 25th Sept. 1951, from Government of India, Department of Explosives, to the Under Secretary, Ministry of Food and Agriculture, New Delhi.

SUBJECT:—PACKING OF AMMONIUM NITRATE.

Reference Memo. No. F. 4-51/50-M, dated the 14th Sept., 1951.

This is to confirm that the undersigned agreed to the transport by rail of Ammonium Nitrate packed in 6 ply paper bags over bagged with gunny. If the paper bags are found in torn condition the contents should be packed as above or packed in casks or drums.

Copy of the letter No. 794-TG, dated the 10th November, 1948 from the Government of India, Ministry of Railways (Railway Board), New Delhi, to the Ministry of Agriculture, New Delhi.

SUBJECT:—AMMONIUM NITRATE.

Ref.: Ministry of Agriculture Memo. No. F. 3-101/48-M, dated 18th Oct., 1948.

Railway Board regret that they cannot recommend to the Railways the acceptance of Ammonium Nitrate, when tendered for despatch, packed in gunnies alone.

Should there be torn paper bags, contents should be transferred to casks or drums and not to gunny bags.

Copy of the letter No. 794-TG, dated the 27th Dec. 1948 from the Government of India, Ministry of Railways (Railway Board), New Delhi, to the Ministry of Agriculture, New Delhi.

SUBJECT:—AMMONIUM NITRATE.

With reference to their letter No. F. 3-101/48-M dated 23-11-48 addressed to M/s. Imperial Chemical Industries, New Delhi and copy endorsed to this Ministry. The Ministry of Agriculture are informed that there is no objection to accepting ammonium nitrate packed in Bituminised Kraft paper bags with gunny outer covering, for transport by rail.

MADRAS PORT TRUST.**Rules for landing and delivery of Ammonium Nitrate at the Port of Madras**

1. At least 14 days notice will be given to the Traffic Manager, Madras Port Trust, that a ship carrying Ammonium Nitrate will arrive in Madras.
2. The quantity permitted to be carried by a ship within the enclosed harbour is limited to 1,000 tons. This tonnage may be enhanced at the discretion of the Traffic Manager.
3. The ship will be berthed at the East Quay.
4. The quay where the ship works will be thoroughly washed and dried before work starts.
5. Arrangement will be made by the Importers to take direct delivery from the ship and the Traffic Manager will satisfy himself on this point before he allows work to start.
6. The quay at which the Ammonium Nitrate will be worked will be cleared of all other cargo.
7. The Ammonium Nitrate will be kept clear of all sources of external heat, such as steam pipes or electrical gear or cables.
8. Discharge and delivery will be carried on continuously apart from normal stops for meals, from the time the hatches are opened until completion of discharge, whether by night or by day.
9. Hatches once opened will not be closed until discharge is completed except in the event of rain.
10. No cargo other than the Ammonium Nitrate will be discharged from hold in which the Ammonium Nitrate is stored, or from the immediately adjoining holds until Ammonium Nitrate has been fully discharged.
11. Any spillage will be immediately swept up and cleared away without delay by the Importer.
12. Special precautions will be taken both on board and on shore to see that there is no smoking or naked lights particularly in or near the hold.
13. The Port Trust Fire Officer, or his assistant will be in attendance during the whole time the ship is working and that delivery is being given.

14. Trained Fire Watchmen will be on duty in the hold of the ship during the whole time that the ship is working and in particular between working shifts.

15. No hatch will be opened until the Traffic Manager is satisfied that sufficient special precautions have been taken to ensure that these orders are carried out.

16. Ammonium Nitrate will not be kept or stored in any of the Trust's premises, sheds, warehouses or open land whether occupied by the Trust or leased to parties, except by special arrangement with the Trust who may store a very limited quantity temporarily in their combustible shed.

APPENDIX IX

MINISTRY OF FOOD AND AGRICULTURE

Note for the Public Accounts Committee on G. M. F. Campaign

During the course of examination by the Public Accounts Committee of the representatives of the Ministry of Food and Agriculture on 9th July, 1951, it was explained that with the help of random sample surveys reliable estimates of the additional food production resulting from better seeds, manures, etc. were available. In this connection the Public Accounts Committee wanted to know what measures the Ministry had adopted to ensure that all the seed and manure, supplied to the State Governments for the intensification of the "Grow More Food Campaign" and reported by them to have been utilised thus, have been actually used for the same purpose for which these were given. The Committee also wanted to know whether in view of the complaints from different quarters that materials were not being used for the purpose for which they were intended, Government contemplate to depute some capable officer conversant with this work to conduct some random sample surveys in the same manner as test audit is done by the Audit Department, and whether Government consider it expedient to evolve some suitable machinery to ensure that wells have actually been sunk and pumps fitted.

The checks exercised by the Central Government to ensure that the works and supplies planned under the G. M. F. Campaign are actually executed or made are partly financial and partly administrative. On the financial side, the State Governments are allowed to draw the amounts sanctioned as loans by the Central Government only as the works are carried out and competent officers issue certificates to this effect. Similarly with regard to grants the Accounts Officers authorise the drawing of the funds by the State Governments only after due scrutiny that the money has been expended for the exact purpose specified in the Government of India's sanction. On the administrative side, responsible officers of the State Government scrutinise whether the funds or supplies made available by them to the cultivators are being properly applied. For example, in order to avoid misuse of seeds supplied to farmers, many States have treated the seeds with sulphur. In order to ensure the application of fertilisers to food crops, the State Governments have selected areas where

only food crops are grown on a large scale and have fixed the time of distribution. Similar steps are taken to prevent misuse of loans and to stop supplies such as cement, coal, and iron steel from going into the blackmarket through trade agencies. The progress of work in the field is also reported from time to time by the Regional Agricultural Production Commissioners appointed by the Government of India who are in-charge of groups of States. These officers tour the areas under their charge frequently and bring to light any complaints or slow progress that come to notice.

It may also be mentioned that the suggestion made by the Public Accounts Committee that Government should consider some capable officer to conduct random surveys to ensure that the works and supplies claimed to have been made have actually been done, has already been acted upon by Government. The random sample surveys now being conducted under the technical supervision of the Indian Council of Agricultural Research to obtain reliable estimates of additional production resulting from G. M. F. Schemes function in the same manner as test audit in the case of financial expenditure. The first step under these experiments is to get a complete list of the fields on which different types of G. M. F. measures have been undertaken. Out of these fields a sample set of fields is selected and investigation is first made as to how far the G. M. F. measures claimed to have been applied to these fields have actually been thus applied. For instance, if in a district a sample of 100 fields in receipt of different types of G.M.F. aid is chosen, the first step taken is to ascertain the actual amount of manure applied or improved seed sown on each of these fields. It is only after this has been done, that the crop is cut at the time of the harvest and the yield is measured and compared with that on another set of fields which are not in receipt of G.M.F. aid. Thus the random sample surveys conducted by the I. C. A. R. measure not only the additional production resulting from each type of G.M.F. measure but also check whether each particular measure has actually been operating in respect of fields falling under the sample.

In view of the above, it is considered that the present machinery is quite sufficient to ensure that the claims with regard to works executed and supplies made under the G. M. F. Campaign are not illusory. In the light of experience, the machinery is naturally being improved, but the fundamental requirements, *viz.* supervision by responsible officers of the State Governments and independent checks by the Regional Agricultural Production Commissioners and the statistical experts of the I. C. A. R., have been provided for already.

APPENDIX X

MINISTRY OF FOOD AND AGRICULTURE

Points on which the Public Accounts Committee called for written information

SUBJECT:—PUBLIC ACCOUNTS COMMITTEE—CONSIDERATION OF THE APPROPRIATION ACCOUNTS (CIVIL) OF 1947-48 (POST-PARTITION) AND 1948-49 AND AUDIT REPORTS THEREON.

IMPORT OF SKIMMED MILK POWDER

At its last meeting, the Public Accounts Committee desired that full facts relating to the purchase of skimmed milk powder of 'roller' variety in 1944 for supply to the Government of Bombay, should be submitted. The position in regard to the questions that have been raised by the Public Accounts Committee in this regard is indicated below seriatim:—

Q. (a) *Was it brought to the notice of the Government of U. K. Exporters that the stuff of the milk powder was not up to the specifications?*

(b) *If so, under what circumstances the order for the supply of 500 tons of this commodity was allowed to stand?*

(c) *Who are the officers responsible for this deal and what action has been taken against them for causing this colossal loss to the Exchequer?*

(d) *Why was not an analytical test of the commodity carried out in consultation with the High Commissioner in U.K. before actually placing the firm order?*

(e) *What are the circumstances that led to the departure from the well-known 'canons of financial propriety' culminating in this criminal wastage of funds?*

A. (a) In 1944, the Government of Bombay urgently required skimmed milk powder and the then Department of Food tried to obtain 2,000 tons of skimmed milk powder from the British Ministry of Food which could supply only 500 tons of 'spray processed' milk powder from New Zealand. To cover the balance of the requirement, the British Ministry of Food offered to supply 'roller' variety of skim-

med milk powder. At the time of making this offer, the British Ministry of Food informed the Department of Food that the 'roller' variety was just as nutritious as the 'spray' variety, with this difference that it was less soluble than 'spray processed' milk powder. The Department of Food indicated in reply that 'spray processed' milk powder would be preferable and that the 'roller' variety could be accepted only if 'spray processed' milk powder was not available. As 'spray processed' milk powder was not available, we were supplied with 1,507 tons of 'roller' milk powder.

(b) The circumstances in 1944, at the time when this purchase was effected, were difficult. On the one hand demand for milk powder was very pressing, and on the other availabilities of 'spray processed' milk powder were extremely limited, with the result that the 'roller' variety, although it is less soluble than the other variety, had to be used. The quantity of 'roller' milk powder that was purchased under these circumstances amounted to 1,507 tons as indicated above.

(c) The decision to obtain 'roller' milk powder, rather than have any sizable supply of milk powder which was urgently required, was taken by the Government of India after consideration at the highest level and it is not possible to name any particular officer/officers who could be held responsible for this decision.

(d) Since the milk powder in question was obtained from the British Ministry of Food, which had carried out analytical tests, the question of further analytical test was not considered.

(e) As has been indicated above skimmed milk powder was urgently required in Bombay and with the approval of the then Viceroy and Governor General the Secretary of State was informed that we would prefer to have 'spray processed' milk powder, but if it was not available we would be prepared to accept the 'roller' variety. This decision was communicated to the Secretary of State in August 1944. There is nothing in the file to show why small samples were not obtained and tested before this order was placed but it appears that the compelling urgency of Bombay's need proved the deciding factor.

Subsequently the question of trying out 'roller' milk powder with reference to Indian requirements was taken up when the Government of Bombay reported that this variety of milk powder was not suitable for making milk. It was not possible at that stage to get out of the commitment in regard to 'roller' milk powder conveyed to the Secretary of State in August 1944 and therefore about 1,500 tons of the same had to be received. Thereafter no milk powder of the 'roller' variety was purchased.

APPENDIX XI

MINISTRY OF FOOD AND AGRICULTURE

Points on which Public Accounts Committee called for written information

SUBJECT:—CONSIDERATION OF APPROPRIATION ACCOUNTS (CIVIL) OF 1948-49 AND AUDIT REPORT, 1950

IMPORT OF SKIMMED MILK POWDER

Q. 1. What were the circumstances that have been described as beyond control and due to which the loss in question had to be sustained?

A. As has been already explained in the previous Memo, skimmed milk powder was urgently required in Bombay in 1944 and after consideration of the case at the highest level in the Government of India, the Secretary of State was informed that we would prefer to have 'spray processed' milk powder. At that time, however, 'spray processed' milk powder was very limited in supply and, therefore, the Secretary of State was informed that if 'spray processed' milk powder is not available, we shall be prepared to accept 'roller' milk powder. The position in regard to milk supply in Bombay at that time was very bad and immediate action was necessary. It was understood from the British Ministry of Food which had carried out analytical tests in regard to 'roller' milk powder that it is less soluble than the 'spray processed' variety. It was only later that Government of Bombay reported that it was difficult to make milk out of 'roller' milk powder. It was too late at that stage to get out of our commitment in respect of about 1,500 tons of 'roller' milk powder and in respect of this quantity eventually there was loss to Government.

Q. 2. Are any of the officers responsible for this purchase still in service and if so what are posts now held by them?

A. As has been indicated in the earlier Memo, the decision to accept 'roller' milk powder if 'spray processed' milk powder was not available was taken by the Government of India and the decision was not given by any particular individual officer. Accordingly it does not seem necessary to indicate the names of any individual officers in this connection.

APPENDIX XII

MINISTRY OF FOOD AND AGRICULTURE

Note on the recovery of arrears on account of imported foodgrains from Part 'B' States

The last note* on the subject was furnished in June 1950, which showed a sum of Rs. 810 lakhs outstanding against the States at the end of March 1950. The present position, upto the end of May 1951, shows that this figure has been reduced to Rs. 295.15 lakhs as shown below:—

	Rs. lakhs
1. Travancore-Cochin	261.74
2. Saurashtra	17.59
3. Rajasthan	15.82
Total	295.15

2. The steps taken to clear the arrears are indicated below:—

Travancore-Cochin—In the previous note a reference was made to the arrangement reached with the representative of the State, according to which a sum of Rs. 200 lakhs which was represented to be due to the State from Government of India on account of Federal Financial Integration, was to be adjusted against the arrears outstanding from the State and a further sum of Rs. 115 lakhs was to be paid by the State in easy monthly instalments. The second part of the agreement has since been completed by the State. In addition to this the following credits due to the State have also been set off against their outstandings:—

	Rs.
1. Foodgrains diverted to Ceylon	20,94,594 4 5
2. Procurement and Export Bonus	19,02,529 0 0
3. Cost of gunny bags supplied by State	1,29,309 0 0
Total	41,26,432 4 5

This leaves a balance of Rs. 261.74 lakhs still outstanding against the State.

The matter regarding the adjustment of Rs. 2 crores referred to above was under correspondence with the Ministry of States. A decision has been taken according to which a sum of Rs. 104 lakhs

*Cf. Appendix XVII of the Report of the Public Accounts Committee on the Accounts of 1947-48 (post-partition).

which is due to the Travancore-Cochin State on account of Federal Financial Integration will be adjusted against the arrears due from the State and the balance of Rs. 96 lakhs (to make up the total of 200 lakhs, referred to above) has been agreed by the State to be paid in 12 monthly instalments of Rs. 8 lakhs each, beginning from September 1951. This practically reduces the arrears to Rs. 61.74 lakhs. The accounts have, however, still to be reconciled with audit office. The verification is in progress.

Saurashtra—The State has paid a lump sum amount of Rs. 50 lakhs towards the arrears since June, 1950 and an amount of Rs. 1,22,000 was written back in their account by the Deputy Accountant General (F & R), as a result of the verification of their account with the State representative. They have also been afforded a credit of Rs. 37.87 lakhs on account of the cost of foodgrains diverted to other States. Besides this, all the money due to the State on account of Procurement and Export Bonus has been adjusted against their arrears and the result is that the amount of arrears has been reduced to 17.59 lakhs. The State has been asked to take early steps to credit this amount.

Rajasthan—All credits due to the State on account of Procurement and Export Bonus and Salt compensation have been adjusted against the arrears and the amount outstanding now is Rs. 15.82 lakhs. The union have offered to settle their accounts at once and necessary action to this end is being taken.

APPENDIX XIII

MINISTRY OF FOOD AND AGRICULTURE

CONSIDERATION OF THE APPROPRIATION ACCOUNTS (CIVIL) OF 1948-49 AND AUDIT REPORT THEREON

Note on Sugar for the Public Accounts Committee

(i) *Situation arising from the decontrol of this commodity in 1948-49.*—(ii) *Findings revealed in the Report of Justice Ganga Nath on the "Sugar question in 1949".*—The situation arising from the decontrol of sugar in December 1947, the circumstances leading to a sugar crisis in July-August 1949, and the re-imposition of control in September of that year, have been examined in detail in the report of the Sugar Enquiry Committee released last week. This enquiry was conducted by Shri Ganga Nath, a retired Judge of the Allahabad High Court. Government of India's Resolution* on the Committee's Report gives a gist of the findings of Committee with Government of India's observations thereon.

(iii) *Action taken on the Report on the allegations made in the House by Shri Mahavir Tyagi about the import of sugar.*—Shri Ganga Nath, a retired Judge of the Allahabad High Court, was appointed to enquire into the allegations made in the Parliament by Shri (now Hon'ble) Mahavir Tyagi about import of sugar. A copy of his report was placed on the Table of the Parliament on 6th April, 1951. A brief summary of the findings of Shri Ganga Nath in the matter was given in a Press Note issued by the Government of India on 30th March, 1951, (*Annexure I*).

(iv) *The present position of sugar in the country—the total available stock of the commodity (separately in the custody of Mills and that acquired by Government)—and to what extent it is adequate to meet the rationing commitments for the current year.* (v) *What is the probable surplus expected to be carried forward this year?*—The sugar policy adopted this year was an innovation in that it was a new experiment in partial decontrol. The crux of the problem was greater production and this could not be achieved except by giving incentives to the factories. The policy framed this year was devised to secure to the Government of India for controlled distribution a quantity of ten lakh tons leaving the balance of production to the factories for sale in the open market. The prices of sugar fixed for

*Cf. Resolution No. SU-101 (4-18)/50, dated the 14th July, 1951 published in the Gazette of India (Extraordinary), dated the 14th July, 1951.

the different areas were also such as to leave some margin to the factories in the different regions of the country. Khandsari and gur prices were also simultaneously controlled.

2. The extent to which the policy has succeeded can be seen from the following results:

Firstly, the total production is going to be 11.1 lakh tons which is 1.3 lakh tons more than the last year;

Secondly, this year's production is by far the highest during the last 8 years;

Thirdly, the cane sowings have considerably increased this year leading to the prospect of much higher sugar production and more sugarcane next year;

Fourthly, Government will have next year a carry over of 1,11,000 tons which was never the case during the last two years;

Fifthly, the price of sugar in the free market is substantially less than the black-market prices in the previous year; and

Sixthly, Government has not only gained in excess excise duty but will also get a large slice of income-tax revenue from the free sales.

Out of 137 factories working this year 94 have qualified for free sale and a quantity of 1,12,000 tons has so far been released to 82 factories for free sale. A further quantity of 16,000 tons will be released in due course. The data given below indicates the position of sugar supply and demand during the current year:

A. Supplies—	Tons
Opening balance on 1st December 1950	24,000
Imports during 1950-51	56,000
Production (Nov.-Oct.)—	
(i) Government share	9,82,000
(ii) For free sale	1,28,000
	} 11,10,000*
Total	11,90,000
B. Consumption—	
(a) For controlled distribution—	
(i) Release for consumption from 1-12-50 to 30-9-51	7,67,300
(ii) Estimated consumption in October-November, 1951	1,83,700†
Total	9,51,000
(b) For free sale—	
(i) Already released	1,12,000
(ii) Estimated to be released upto 31-10-51	16,000
Total	1,28,000
C. Carryover on 1-12-51	1,11,000

*Total production upto 7-7-51—10.99 lakh tons.

†Includes 25,000 tons for issuing additional rations on the occasions of Raksha Bandhan, Janamashtami, Dusehra and Diwali.

ANNEXURE I

Press Note**PURCHASES OF FOREIGN SUGAR****MR. GANGA NATH'S REPORT**

In pursuance of the assurance given by the Prime Minister during the Parliamentary debate on the food situation on November 16, 1950, that an enquiry would be made into the allegations made in Parliament regarding the import of sugar, Mr. Ganga Nath, retired Judge of the Allahabad High Court, was deputed by the Minister for Food and Agriculture to make an enquiry and submit a report.

The gist of Mr. Ganga Nath's report is that the question of import of sugar became of practical importance only towards the end of April, 1950, when the position of home production was more or less, accurately known. No offers for import were invited from anybody. In April, 1950 it became clear that the production of the season would be unequal to the demand but since the stocks of sugar produced in India were expected to last upto the end of November, 1950, there was no immediate necessity for arranging imports. The trend of world prices during April to May 1950 was downwards. The sugar offers being made were from dollar countries or from Formosa or at prices higher than the price of Indian sugar, which could not be considered. It was in June 1950 that the Cabinet decided to import 50,000 tons of sugar to safeguard rationing in December. Almost immediately after the situation in Korea led to sugar becoming unavailable in the free market and the Government, therefore, decided that imports should be made on Government account through the Indian Supply Mission, Washington or the Indian High Commissioner, London. All the sugar which the Government have purchased is by negotiation with the U. K. and U. S. A. Governments through the High Commissioner, London, and the Embassy in Washington. No trade agency was employed by the Government of India for these purchases. It is true that this sugar has been bought at a price higher than that prevailing earlier in the year. The increase resulting from the Korean war could not have been anticipated and no responsibility could be attached to any officer of the Government.

APPENDIX XIV

MINISTRY OF FOOD AND AGRICULTURE

Note setting out the Constitution of the Sugar (Temporary Excise) Fund, its administration and other salient features for the information of the Public Accounts Committee [On the Appropriation Accounts for 1948-49, page 206, note (3)].

A temporary excise duty was imposed on the existing stocks of sugar with sugar factories on 10th November, 1943, 21st October, 1944 and 23rd October, 1946, when the ex-factory sugar prices were increased during these years. This step was taken to prevent sugar factories from reaping unearned profits on stocks which were produced at lower costs. Amounts then estimated to be realised as temporary excise duty under 1943, 1944 and 1946 Ordinances on sugar were as follows:—

		Rs. lakhs
1943 . . . . .	. . . . .	70
1944 . . . . .	. . . . .	135
1946 . . . . .	. . . . .	175
	Total	380

According to information received from the Ministry of Finance, the actual realisations are, however, in the neighbourhood of Rs. 412 lakhs. All sums realised under the Ordinances were first credited to the Head 'II-Central Excise Duties'. The proceeds were then transferred by debit to the minor head 'Block grant for transfer to Sugar (Temporary Excise) Fund' under the major head '40-Agriculture.' The fund was to be utilised mainly to finance schemes for sugarcane development and improvement of the sugar industry as a whole.

Out of the total realisations of Rs. 412 lakhs, a sum of Rs. 298 lakhs has been set apart for expenditure per details given below:—

	Rs. lakhs
(1) For five years provincial sugarcane development schemes	75
(2) For establishment of a sugar technological research institute— am Central Sugarcane Research Station at Bhadrak, Lucknow	50
(3) For subsidising the sugar industry in U. P. and Bihar to compensate for additional cost involved in certain concessions to labour	103
(4) Reserve kept to compensate the sugar industry in a falling market	70
	Total
	298
Balance in the Fund	Rs. 114 Lakhs.

Funds at items (1) and (2) have been placed at the disposal of the Indian Central Sugarcane Committee but payment of funds is controlled by the Government of India. With the fund at item (1), the Committee have launched a five year sugarcane development scheme through the agency of State Governments. Special features of the scheme relate to the provision of:—

- (i) adequate irrigation facilities,
- (ii) seed nurseries for supply of adequate quantities of disease free and improved varieties of seed,
- (iii) adequate manures and fertilizers of the right type,
- (iv) employment of qualified personnel to carry the results of research to the cane growers,
- (v) efficient watch and ward services for protection to,
- (vi) Zonal Centres, and
- (vii) soil extension services with the object of increasing per acre yield and sucrose content of cane.

No part of the sum allotted to the State Governments out of this fund is to be spent either for the construction or improvement of roads or for research purposes as the provinces had received considerable grants for road development from other Funds and as schemes of research were to be financed from normal annual grant of the Committee. Contribution of the Centre to these schemes is based on the condition that the State Governments themselves will contribute at least half the cost of the scheme.

Schemes received from the State Governments are scrutinised by the Indian Central Sugarcane Committee and then approved by the Government of India. Contributions from the Centre are distributed to the State Governments through the Committee.

It may be added that as the then Indian States did not contribute to the proceeds of the special temporary sugar excise, the benefit of these schemes was not extended to these States.

Allocations to the State Governments from the said fund were

made mainly in proportion of their cane area. These were as shown below:—

Name of the State	Date of initiation of the scheme	Estimated cost of the scheme	Grant allotted from the Centre
		Rs .	Rs.
1. U. P.	23-2-48	1,16,44,846	30,00,000
2. Bihar.	1-4-48	24,14,490	12,00,000
3. Bombay	1-8-48	11,20,558	5,62,500
4. Madras	15-3-49	11,24,544	5,62,500
5. Orissa	15-11-49	1,52,000	75,000
*6. Madhya Pradesh	1-1-49	75,000	37,500
7. Assam	Not yet started	77,860	37,500
8. Punjab (I)	16-3-49	9,37,500	9,37,500
9. W. Bengal	1-11-49	5,03,240	5,03,240
			<u>69,15,740</u>

*In view of financial stringency the State Governments have now regretted their inability to implement their schemes.

N.W.F.P. share in the fund was Rs. 1,50,000, but its having fallen in Pakistan it has been excluded from the scheme. Bengal was originally allocated Rs. 9,37,500, but on account of reduced acreage after partition its share has been reduced to Rs. 5,03,240. Assam and Madhya Pradesh Governments have expressed their inability to implement their schemes. There has, therefore, been a saving of Rs. 6,50,060 in the fund as shown below:—

	Rs. .
1. West Bengal	4,34,260
2. N. W. F. P.	1,50,500
3. Madhya Pradesh.	27,800
4. Assam	37,500
	<u>6,50,060</u>

Expenditure so far incurred on these schemes is as under:—

	Rs.
1948-49	11,46,661
1949-50	8,03,500
1950-51	10,56,088
	<u>30,06,249</u>

The State Government anticipate that the average acre yield of cane as a result of these development schemes would increase to the following extent :

Name of the State	Average yield per acre	Proposed yield at the end of the development scheme	Percentage of increased yield
	(Tons)	(Tons)	per cent.
1. U. P.	12.5	25	100
2. Bihar	12.0	20.0	66
3. West Bengal	18.0	22.5	25
4. Punjab (I)	12.5	18.0	40
5. Bombay	40.0	44.0	10
6. Madras	25.0	30.0	20

Though the State Governments concerned under the guidance of the Indian Central Sugarcane Committee are primarily responsible for the successful completion of their schemes, the Government of India are in close touch with the progress of the schemes.

(ii) *Bhadruk Institute*

As already stated a sum of Rs. 50 lakhs has been earmarked from the Temporary Sugar Excise Fund for expenditure on this Institute. The Institute is being established under the direct control of the Sugarcane Committee. The Bhadrak Grass Farm near Lucknow was purchased by the Indian Central Sugarcane Committee from the Ministry of Defence on 8th October, 1947, for establishing this Institute. Out of Rs. 50 lakhs earmarked for the Institute, a sum of Rs. 15 lakhs has already been drawn for the purchase of land, buildings, etc. In order to make careful plans and estimates for the proposed Institute of Sugar Technology and Sugarcane Research and to incorporate the most up-to-date lay-outs and equipments and modern plants and machinery, the Committee considered it desirable that a mission should be sent abroad to collect necessary data and ideas before finalising its plans and estimates for establishment of the Institute. For various reasons it has not been possible so far to send out the mission abroad and the Committee was advised by the Government that the question of erection of the Institute be deferred for some time more, due to financial stringency. The Committee now estimates that the expenditure on the establishment of the Institute may total Rs. 125 lakhs as against Rs. 50 lakhs originally earmarked for the purpose. The matter is under consideration.

APPENDIX XV

MINISTRY OF FOOD AND AGRICULTURE

APPROPRIATION ACCOUNTS FOR 1948-49—GRANT No. 53-AGRI. (PAGE 209
—REVIEW ON THE ACCOUNTS OF INDIAN AGRICULTURAL RESEARCH
INSTITUTE.)

Note for the Public Accounts Committee

Q. The high closing balance under plant and machinery, chemicals, apparatus etc. has been explained as due to most of the articles left over at the time of the shifting of the Indian Agricultural Research Institute to Delhi which are being carried from year to year. The long storage of these stores might render them unserviceable with consequential loss to Government. The Committee should like to know why these stores cannot be disposed of, if not required. What is the extent of depreciation which is chargeable to the capital cost of these stores?

A. The closing balances under the items mentioned, include cost of articles left over at the Botanical Sub-station, Pusa, at the time of the transfer of the Institute from Pusa to Delhi which were contemplated to be ultimately transferred to Delhi. Subsequently, however, it was decided to organise and carry out certain schemes of research at Pusa and to transfer certain staff from the different Divisions at Delhi for this work and these stores were earmarked for use in this connection. Some of the staff of the Chemistry, the Entomology and the Agronomy Divisions have since been transferred from Delhi to Pusa and these stores are being consumed and utilized for the work being carried out by them. As regards Plant and Machinery, any items found in excess of requirements will be disposed of at an early date. As these were purchased long time back and were left behind at Pusa after putting them to use for some time, they are likely to fetch their written down values, and the depreciation of their original capital cost is, therefore, not involved as the market rates of all such materials have since gone up considerably.

APPENDIX XV-A

MINISTRY OF AGRICULTURE

APPROPRIATION ACCOUNTS FOR 1948-49—GRANT NO. 63—INDIAN DAIRY
DEPT.

Note for the Public Accounts Committee in respect of Government Research Creamery at Anand (in liquidation).

Q. The Committee should like to know if the terms of the lease of the Government Research Creamery at Anand (in liquidation) to the Bombay Government have since been finalised.

A. The terms of lease of the Government Research Creamery, Anand to the Government of Bombay have not yet been finalised and the matter is still under correspondence with the State Government.

Q. What is the amount of financial loss sustained by the Government in the running of this Creamery?

A. The financial loss sustained by the Government in the running of the Creamery upto the 31st March, 1951 stands at Rs. 27,060/4/2.

Q. Why could not this organisation be wound up earlier if it was showing loss in the previous years?

A. The Creamery was wound up in 1932 and has not been working since then. To look after the Anand Creamery property and realise the rent for land, building, machinery etc., a store keeper has been retained. Rent etc., realised after deducting establishment charges goes to reduce the loss which stood at Rs. 28,332 on the 31st March, 1950 and stands at Rs. 27,060 on the 31st March, 1951.

APPENDIX XVI

MINISTRY OF FOOD AND AGRICULTURE

Note for the Public Accounts Committee in respect of G.M.F. Campaign

SUBJECT:—PUBLIC ACCOUNTS COMMITTEE—CONSIDERATION OF THE APPROPRIATION ACCOUNTS (CIVIL) OF 1947-48 (POST-PARTITION) AND 1948-49 AND AUDIT REPORTS THEREON.

At the meeting of the Public Accounts Committee held on 9th July, 1951, the Committee desired to know what measures the Government have adopted to satisfy themselves administratively that the results claimed under the G.M.F. Campaign have been achieved and what check and countercheck is conducted by the Government to scrutinize the veracity of the data furnished by the State Governments.

2. The financial assistance of the Centre to the States in respect of G.M.F. Schemes is now given mainly as loans and outright grants are kept at a minimum. The loans are given for undertaking schemes of permanent improvement such as minor irrigation and land improvement works. These loans are in turn passed on to the farmers by the State Governments, and a condition is usually made that the farmers should also contribute some amount of their own. As regards grants, these are usually given by the Central Government for what are called supply schemes, e.g. distribution of chemical fertilisers (other than sulphate of ammonia), manures, improved seeds etc. The general practice is to distribute the above mentioned items at a subsidised rate, the subsidy involved being shared by the Central and State Governments in the proportion of 50 : 50; in the case of Parts 'A' and 'B' States with the exception of Assam and Orissa where the ratio is 66-2/3 : 33-1/3. The entire expenditure for the Parts 'C' and 'D' States except Coorg is borne by the Central Government, the proportion in the case of Coorg being 75 : 25.

3. The first check exercised by the Central Government is with regard to the execution of the works financed by loans and the actual distribution of the supplies in the case of grants. With regard to loans, the State Governments draw the amounts required by them gradually as the works are carried out and competent officers have

to issue certificates as to the progress of the works, before the Accountants General will allow them to draw the amounts. With regard to grants, the share of the Government of India's subsidy is paid to the State Governments only after the supplies in question have been made and the Government of India's share has been determined on the prescribed basis. Here again the Accountants General authorise the drawing of the funds by the State Governments only after due scrutiny that the money is being drawn for the exact purpose specified in the Government of India's sanction. The detailed scrutiny as to whether the funds have been properly applied by the cultivator is naturally done by the State Governments themselves. For example, in order to avoid misuse of seeds supplied to farmers, they are being treated with sulphur and in order to ensure the application of fertilisers to food crops, the State Governments have selected suitable areas and fixed the time of distribution. Similar steps are taken to prevent misuse of loans and to stop supplies from going into the black-market through trade agencies.

4. Coming now to the estimates of additional production resulting from the G.M.F. effort furnished by the State Governments from time to time, the position is that so far as the works completed and the supplies made are concerned, the Government of India have an independent check on the financial side. The State Governments besides report the actual units of work done and supplies made on a fortnightly and six monthly basis. From the data thus compiled, the State Governments estimate the additional production likely to be achieved by multiplying the units of works completed or supplies distributed by certain conventional yardsticks based on the results of experiments conducted at Research Stations in the States. The Government of India are aware that there are certain defects inherent in this system of calculating the results of the G.M.F. Campaign. In order to remedy these defects and to obtain reliable estimate of the additional production resulting from G.M.F. schemes, crop cutting experiments based on random sampling technique are being conducted in various States under the technical supervision of the Indian Council of Agricultural Research in pursuance of the recommendations of an *Ad Hoc* Committee set up for the scientific assessment of the results of the G.M.F. Campaign. A number of surveys, some of a pilot nature and others on a State-wide scale, have since been carried out. Pilot experiments were carried out in Madhya Pradesh in the Kharif of 1949 in two districts and in Bombay on wheat and *jowar* in three districts of the State. This has been followed during the current Kharif by State-wide surveys on rice in Bombay, Madras, and Madhya Pradesh and a few districts in Uttar Pradesh. The results are shown in Annexure I. The surveys so far undertaken indicate that the official yardsticks used at present for estimating additional production are more or less correct in

respect of seed schemes but are somewhat high in respect of manure and irrigation schemes. The data available are not yet complete but they suggest that even if the additional production may be over-estimated, the extent of over-estimation is not likely to be higher than 15 per cent. These surveys are being gradually extended to cover other types of G.M.F. aids as also other States.

5. It will thus be seen that the Central Government have devised checks and counterchecks to ensure (i) that the works and supplies claimed to have been completed under the G.M.F. programme by the States have actually been made, and (ii) that the results of the works and supplies in the shape of additional production are borne out by random sampling crop cutting experiments. These measures ensure that the estimates of additional production claimed for the G.M.F. Campaign are about as accurate as they possibly can be. The estimates of additional production are based on the premise, that positive results must follow from the various works and supply projects which have been undertaken. If there is a well now where there was no well previously, if fertilizers are being applied to fields which were so long unmanured, there must be a general toning up of agricultural production in the area even if the entire effect is not fully reflected in additional food production. It is true that adverse seasonal factors may appear sometimes to tilt the scales on the other side, but it should not be forgotten that the net effect would have been much worse but for the G.M.F. efforts.

ANNEXURE I

G.M.F. ASSESSMENT—1950

Average increase in yield in mds. mds./acres

	Survey	Official
<i>Madhya Pradesh—</i>		
(i) Improved Paddy Seed	0.7	0.7
(ii) Manures	1.2	2.9 (cake 2.72 Ammonium Sulphate, 3.41 Ammonium Phosphate)
(iii) Seed and manures	1.2	3.6
<i>Bombay—</i>		
(i) Improved paddy seed (transplanted)	1.4	1.0
(ii) Manure mixture	2.7	2.0
(iii) Seed and Manure mixture	3.2	3.0
<i>Madras—</i>		
(i) Improved paddy seed	1.7	1.5
(ii) Fertilisers	2.3	2.0
(iii) Green Manure	1.8	3.7

G. M. F. ASSESSMENT - 1949

	<i>Jowar</i>	
<i>Bombay—</i>		
Seed	0.8	0.5
Manure (Irrigated)	4.5	3.0
<i>Wheat</i>		
Seed	1.3	0.8
Manure (Irrigated)	3.4	3.0

APPENDIX XVII

MINISTRY OF FOOD AND AGRICULTURE

Note on the Scheme "Purchase of Agriculture and Dairy Machinery" under Capital Outlay on Schemes of State Trading

*Reference para. 80-P of the Report of the Public Accounts Committee
on the Accounts of 1947-48 (post-partition).*

In 1944-45 various Provincial and State Governments wanted to place orders for tractors and connected implements for use under their food production plans. As there were heavy restrictions on exports in the manufacturing countries, it was felt that matters would be considerably facilitated if the Government of India arranged procurement in respect of the requirements of all the Provincial and State Governments. Provincial and State Governments were, accordingly, asked to intimate their requirements and a consolidated indent for 436 tractors and allied equipment, covering all their requirements was placed on the Director General Industries and Supplies for taking necessary action through the Purchasing Missions in U.S.A. and U.K. The Provincial and State Governments had accepted full financial liability in respect of the stores ordered by them.

Although it was intended to import the entire machinery by the end of 1947, the manufacturers could not accept the orders in full, due to their previous commitments to other countries, and also due to the limited quantities allowed for export. Out of the total quantity ordered under the scheme, order for 30 tractors had to be subsequently cancelled, due to unsatisfactory supply prospects and the balance of 406 tractors have, since, been received. The last consignment was received in March, 1950. All the machinery ordered has been distributed to the State Governments with the exception of a few items mentioned in Annexure I. The profit and loss Accounts, in respect of the schemes upto the end of financial year 1949-50 duly audited by the A.G.C.R. is enclosed as Annexure II. It may be noted that certain indirect charges such as pay and allowances of the staff employed by Government on the work of procurement and distribution of machinery, audit, stationery, etc., have not been taken into account in the Profit and Loss account. These charges, if taken into account, will more or less counter-balance the small gain of Rs. 5,62,973-3-0 shown in the Profit and Loss accounts. It can thus be assumed that the scheme worked on a "No-profit No-loss" basis.

As the supply position of agricultural machinery, both in the manufacturing countries as well as in the local markets, has considerably improved, it has since been decided to discontinue the scheme and, accordingly, no provision has been made in the current year's budget.

ANNEXURE I

Statement of agricultural implements to be disposed of.

Store	Quantity	Indentor	Reason for non-disposal
1. Ransoms Supertrac Ploughs .	1	Hyderabad State.	Payment awaited.
2. Polydisc Ploughs .	2	Mysore State.	Do.
3. Pigmy Chopper .	1	U. P.	This implement was received in a damaged condition and some of the parts were short landed. The question of its disposal is under correspondence with the State Government.
4. John Deere Ploughs .	16	Bihar .	Two Nos. have since been released and are in the process of despatch. The State Government are yet to furnish despatch instructions for the remaining 14 ploughs.

ANNEXURE II

Trading and Profit and Loss Account in respect of the Scheme "Purchase of Agricultural and Dairy Machinery" under Capital Outlay on Schemes of State Trading.

From the beginning of the Scheme upto 31-3-1948

	Rs.	A.	P.		Rs.	A.	P.
<i>Purchases—</i>							
Invoice price . . .	41,27,947	0	0	By sales to State Govts. (book adjustment).	56,65,960	2	0
Ocean freight . . .	3,28,436	11	0	By sales to private parties (cash recoveries).	4,92,361	3	0
Clearance charges . . .	26,568	5	0	By stock on hand on 31-3-48.	9,34,489	2	0
Incidental charges . . .	22,583	9	0				
Debit raised by D. A. G. I. & S. Calcutta <i>vide</i> details attached	15,03,019	8	0				
Interest on Capital (purchases for 6 months at 3 per cent p.a.).	90,127	13	0				
Stockist remuneration	7,04,428	13	0				
<i>Net profit</i> . . .	2,89,698	12	0				
	<u>70,92,810</u>	<u>7</u>	<u>0</u>		<u>70,92,810</u>	<u>7</u>	<u>0</u>

For the year 1948-49

	Rs.	A.	P.		Rs.	A.	P.
To Stock on hand on 31-3-48	9,34,489	2	0	By sales to Private parties	2,88,562	0	0
<i>To Purchases—</i>							
Invoice price	22,02,409	15	0	„ State Govts.	32,94,900	12	0
Ocean freight	1,62,076	10	0	„ Stock on hand on 31-3-49.	3,99,855	3	0
Clearing charges	12,837	14	0				
Incidental charges	18,918	8	0				
„ Interest on Capital (Purchases) at 3 per cent. p. a. for six months.	35,943	10	0				
„ Stockist remuneration	4,23,186	14	0				
Net profit	1,93,455	6	0				
	<u>39,83,317</u>	<u>15</u>	<u>0</u>		<u>39,83,317</u>	<u>15</u>	<u>0</u>

For the year 1949-50

	Rs.	A.	P.		Rs.	A.	P.
To by Stock on hand on 31-3-49.	3,99,855	3	0	By sales to State Govts.	6,77,911	0	0
<i>To by Purchases—</i>							
Invoice price	6,29,623	13	0	Private parties	2,19,309	7	0
Ocean freight	47,656	1	0				
Clearing charges	2,508	2	0				
Incidental charges	656	1	0				
To by interest on Capital (Purchases) at 3 per cent. p. a. for six months.	10,206	10	0	By Stock on hand on 31-3-50.	3,71,725	4	0
To by Stockist Remuneration.	98,620	12	0				
Net profit	79,819	1	0				
TOTAL	<u>12,68,945</u>	<u>11</u>	<u>0</u>		<u>12,68,945</u>	<u>11</u>	<u>0</u>

APPENDIX XVIII

MINISTRY OF FOOD AND AGRICULTURE

Note on the Rebate in Shipping Freight on Imported Foodgrains

Most of the foodgrains imported into India are brought by chartered ships with the exception of foodgrains from Burma, Thailand and certain Middle East countries, which are brought by liner steamers.

2. The chartering of ships for grains from Australia is done by the High Commissioner in London. The bookings for grain from U.S.A. and Canada are done both by the High Commissioner, London and the India Supply Mission, Washington. The High Commissioner, London, operates through the Baltic Exchange Chartering Committee, while the I.S.M. employs a broker for securing freight. Ships for grain from Argentine are arranged through a commercial firm, Messrs. Bunges Bourne & Co. The freight rates for foodgrain ships are not on the basis of a rebate being payable to the charterers. The question of the Ministry of Food securing rebates from shippers does not, therefore, arise.

3. Rebates are, however, sometimes allowed by the owners of ships to the charterers' agents who charter the ships. The rate of the discount payable by the ship-owners varies in different cases and is taken into account by them in quoting the rates of freights. In London, the Baltic Exchange Chartering Committee are paid a commission of 1 per cent. by the Government of India in addition to 1 per cent. which is received by them from the ship-owner. The commission paid for the fixtures through commercial channels is generally upto 5 per cent. In view of the low rate of commission charged by the Baltic Exchange Chartering Committee, no rebate has been claimed out of the commission received by them. In U.S.A., the broker employed by the I.S.M. for securing freight is paid a commission by the ship-owners and the arrangement is, that commissions earned over and above the first $\frac{1}{2}$ per cent. are refunded to the Government of India. In Argentine, the chartering is done by Bunges who, it is understood, get a commission of 2 per cent. from ship-owners. Bunges have not been asked to pass a share of the commission to Government as the commission of 2 per cent. earned by them is considered just remunerative in view of the comparatively small volume of imports that we get from Argentine.

4. Steamers for rice from Burma are supplied by the Burma-
freight India Conference lines and the freight quoted is net freight without any rebate. Similarly, the steamers for rice from Thailand are fixed by our Legation in Bangkok on net freight basis.

APPENDIX XIX

Copy of the Ministry of Education Memorandum No. F.10-1/51-A-4. dated the 8th August, 1951

At the meeting of the Public Accounts Committee held on the 11th July, 1951, it was decided that the chairman should be supplied with a full explanation as to why large re-appropriations were made, presumably late in the year, when in certain cases even large amounts had to be allowed to lapse in Demand Nos. 16—Ministry of Education and 50—Education. Accordingly a self-contained note, giving full explanation, is enclosed herewith.

APPROPRIATION ACCOUNTS FOR 1947-48 (POST PARTITION) AND 1948-49— MEETING OF THE PUBLIC ACCOUNTS COMMITTEE

DEMAND No. 16—MINISTRY OF EDUCATION

It is a fact that the reappropriations were made at the end of both the years 1947-48 (Post Partition) and 1948-49, because the true picture of excesses and savings under various heads could only be known in February or March each year. After making necessary reappropriations the then anticipated and the unutilized savings were surrendered in March during both the years.

1947-48 (Post Partition)

(i) Reappropriations:

Reappropriations were made under two sub-heads only as detailed below:—

From sub-head	To sub-head
E—Charges in England	E—Charges in England
E.3—Other Charges	E.1—Leave and Deputation
Rs. 4,000 (a)	salaries etc. Rs. 4,000 (b).
C—Liaison Officer in the U.S.A.	C—Liaison Officer in the U.S.A.
C.3—Allces. & Hon. etc.	C.2—Pay of Estt. Rs. 7,900 (d)
Rs. 13,400 (c)	C.4—Other Charges Rs. 5,500 (e)

- (a) & (b). The reappropriation was made to cover the excess of Rs. 4,000 under E. 1 as intimated by the High Commissioner for India, London.
- (c) Provision made for the allowances, T. A. etc. of additional officers and Accounting Officer was not utilized as the posts remained unfilled.
- (d) & (e). Excess is due to the entertainment of additional Ministerial staff and acquisition of additional furniture and equipment for their use.

(ii) *Lapses:*

The sub-head B—Office of the Director of Archives is mainly responsible for the lapse of Rs. 3,73,579 under Demand No. 16—Ministry of Education as a whole. Provision was made for additional gazetted and non-gazetted posts in connection with the development programme of the National Archives of India but the additional posts were not sanctioned. Moreover orders for appliances, equipment, etc., were placed abroad but supplies could not be received during that year.

A sum of Rs. 4,26,000 was surrendered to the Ministry of Finance *vide* this Ministry's Office Memorandum No. D. 1350/48-EI, dated the 31st March, 1948. But the Ministry of Finance did not accept the surrender as it was too late, *vide* their U.O. No. 5035-B/48, dated the 31st March, 1948.

1948-49

(i) *Reappropriations:*

The Saving under the head 'A—Sectt.' on account of some gazetted and non-gazetted posts being kept unfilled was utilised to cover a lump cut of Rs. 75,000 for economy under the head 'E—deduct Lump cut for economy' and an excess of Rs. 70,000 under the head 'C—Liaison Officer in the U.S.A., C-2—Pay of Estt.' on account of increase in staff and revision of scales of pay.

Reappropriations under the head 'B—Office of the Director of Archives' were made to utilize savings on account of certain gazetted and non-gazetted posts being kept unfilled and to cover expenditure on certain items *viz.* Jubilee Session and purchase of manuscripts etc., for which no provision was made in the budget.

Reappropriations under the head 'E—Charges in England' were made on the basis of the information supplied by the High Commissioner for India, London.

In this connection it may also be mentioned that an excess of Rs. 1,94,000 under the head 'C—Liaison Officer in the U.S.A.', was anticipated on account of increase in staff and the revision of their scales of pay. This excess was proposed to be covered as follows:

(a) Savings from other sub-heads	70,000
(b) Supplementary grant	1,24,000
	<hr/>
	1,94,000
	<hr/>

Proposals for a supplementary grant were accordingly sent to the Ministry of Finance on the 9th March, 1949. Later on savings of Rs. 35,800 under the head 'D—All India Council for Technical Education' came to light. The Ministry of Finance was requested to advise whether it was possible to reduce the amount of supplementary demand; but that Ministry intimated that it was too late to make any modifications in the supplementary Demand.

(ii) *Lapses:*

A sum of Rs. 1,55,924 lapsed under Demand No. 16—Ministry of Education for 1948-49. Sub-heads 'A.4—Other Charges' (Rs. 55,989) and 'B—Office of Director of Archives—B.3—Other Charges' (Rs. 1,08,832) are mainly responsible for this lapse. As regards the sub-head 'A.4—Other Charges' it may be mentioned that less expenditure on contingencies and UNESCO delegations was incurred than anticipated.

The savings under the head 'B—Office of Director of Archives—B.3—Other Charges' was due to non-adjustment of about Rs. 70,000 on account of stores received from U.S.A. and U.K. (including ocean freight and custom duty) and Rs. 37,000 for photographic equipment which could not be supplied by the India Supply Mission during that year.

DEMAND No. 50—EDUCATION

The following major items (small items have been left out) of expenditure incurred during 1947-48 (Post-Partition period) and 1948-49 were met by re-appropriation out of savings from other items within the Grant because no provision was made for these items in budget for these two years as they could not be foreseen at the time of framing budget proposals.

Items of Expenditure	Amount of Expendi- ture	Remarks
<i>1947-48 (Post-partition period)</i>		
Rs.		
1. Special grant to B. H. U. for its Agricultural College—		
(i) Recurring	1,69,044	} Sanctioned as a special case at the request of the Min. of Agriculture. The scheme was approved by the S. F. C. only in 1949-50.
(ii) Non-recurring	1,74,921	
2. Special grant to B. H. U. for purchase of Scientific Apparatus.	20,000	
3. D. A. grant to B. H. U. based on actual requirements (additional amount paid over and above budget provision).	48,569	Due to revised basis of D. A. grants to Central Universities (10 per cent. of total salary bill or 50 per cent. of actual D. A. paid) which was adopted during the year.
4. Special grant to the Allahabad University on the occasion of its Diamond Jubilee Celebrations.	10,00,000	This was an unanticipated expenditure.
5. Delhi Polytechnic—Pay of Establishment	125,645	Due to payment of arrears of pay to the staff on the basis of revised scales of pay fixed on the recommendations of the Central Pay Commission.
6. Building grant to the Peoples Education Society, Bombay (for Siddharth College).	3,00,000	Proposal was received late in the year.
TOTAL .	17,38,179	
<i>1948-49</i>		
Rs.		
1. Special grant to the B. H. U. for its agriculture college.	1,50,000	Paid on the recommendation of the Min. of Agriculture as a special case. Scheme was approved by S. F. C. only in 1949-50.
2. Adjustment recurring grant to B. H. U. for Agriculture College.	11,976	Do.
3. Special <i>ad hoc</i> grant to B. H. U. for its current expenditure.	4,00,000	Paid as a special case to help the University to tide over its financial difficulties.
4. Special grants to Visva-Bharati—		
(i) for general expenditure	45,000	} Due to useful work done by the instt. it was decided to increase the recurring grant from Rs. 30,000 to Rs. 75,000 and also to pay a special grant for its building programme. This excess was offset by a saving of Rs. 36,000 in a recurring grant to Vinaya Bhavana.
(ii) for building	2,00,000	

Items of Expenditure	Amount of Expenditure	Remarks
	Rs.	
5. Special grant to Jamia Millia Islamia, Delhi for revision of scales of pay.	36,000	In view of the useful work done by the institution and low salaries of the staff, it was decided to help it to increase the salaries of staff immediately.
6. Grant to Delhi Schools	29,221	Due to increased grants-in-aid to Delhi Schools on the revised basis (90 per cent. of net approved expenditure adopted during the year). (This work has since been transferred to the Chief Commissioner, Delhi).
7. Delhi Polytechnic—Purchase of machinery.	63,388	Due to debit raised for machinery ordered in previous years.
8. Expenditure on the University Education Commission.	1,25,000	Appointment of the Commission could not be firmly foreseen at the time of framing budget proposals.
TOTAL 1948-49	10,60,585	

NOTE.—In addition, as required by budget procedure, a re-appropriation to the extent of Rs. 5,50,000 was made during the year to cover the economy cut imposed by the Ministry of Finance in the grant as a whole (Sub-Head—F. Deduct lump cut for economy).

2. During the years 1947-48 (post-Partition period) and 1948-49, there have been the following savings. (only major items are given below) :—

Item	Amount	Reasons
<i>1947-48</i>		
(i) Non-recurring grants to Delhi University. Rs.		
Shifting of Colleges	5,23,490	The grants to the constituent colleges were not given as they could not shift to the University enclave. The construction of new buildings in the University enclave could not be started for want of building and other necessary materials and also lack of adequate funds with managements.
Sewage Scheme	1,00,000	Non-implementation of this scheme of the Delhi University.
Development recurring grant to the Delhi University.	1,69,044	This grant was given according to the requirements of the University on the basis of its actual expenditure on the revision of scales of pay of staff etc., during the year.
Building grant	1,81,108	Payment of lesser amount of building grant to the University during the year, as actually required.
Building grant to Lady Irwin College.	48,819	The College could not start its building programme due to the non-availability of building material.

Item	Amount	Reasons
	Rs.	
Development grants to Aligarh Muslim and Benaras Hindu Universities.	11,00,000	No development schemes were sanctioned for the Central Universities during the year. [Out of this amount however, special grants to Allahabad University (Rs. 10 Lakhs) and Benaras Hindu University (80,000) were paid].
Aligarh Muslim University	3,64,214	Due to non-payment of building grant and payment of lesser recurring grant on the recommendation of the U. G. C.
Indian Women's University	2,500	Payment of a lesser grant to the University on the basis of the grants sanctioned by the Government of Bombay.
Jamia Millia Teachers Training Institute	44,500	The saving was due to non-completion of buildings and payment of a lesser recurring grant during the year.
Training College of Domestic Science	1,40,000	No decision was reached about the starting of the College during the year.
Delhi Polytechnic	58,790	The saving was mainly due to lesser expenditure on contingencies, partly under 'pay of Officers', 'Allowances' and 'Honoraria' and 'other charges'.
Miscellaneous charges	22,506	Due to non-payment (or non-drawal) of some grants to certain institutions viz., Inter-University Board, New Delhi Social Service League, Anjuman-e-Taraqqi-e-Urdu, Primary School, at Izatnagar, A. P. T. I., etc., and non-inspection of Chiefs' Colleges.
Visva-Bharati	95,321	Payment of a lesser building grant (95,000) and recurring grant Rs. 50,000 respectively to Visva-Bharati during the year according to its requirements for the Vinaya Bhavan. Offset by additional recurring grant (Rs. 45,000) for general administration and additional D. A. of grant (Rs. 4,679) to the Visva-Bharati.
Charges in England	2,92,788	Liabilities carried forward to 1948-49.
	31,43,080	

Out of this, a sum of Rs. 17,38,179 was utilised for meeting excess expenditure under the Demand.

The savings were reported for surrender to the Ministry of Finance at the end of the year. It is regretted they could not be reported earlier as most of the grant proposals were awaiting a final decision.

Steps have however since been taken to anticipate requirements as accurately as possible, in time.

Item	Amount	Reasons
1948-49		
Rs.		
1. Grant to Delhi University, Shifting of Colleges.	2,00,000	Non-payment of the full amount to the Constituent Colleges of the University for shifting to the University enclave. Only Rs. 3.5 lakhs was paid to Ramjas College. Others could not make up their minds.
2. Introduction of double shift system	91,217	The scheme for the introduction of the double shift system at the University was not implemented.
3. Dev. Grants to Central Universities	4,30,246	This saving was due to the decision of the Cabinet not to pay any additional grants to Central Universities pending a review of their finances etc.
4. Gurukul University, Kangra	25,000	It was decided not to pay a grant in view of certain restrictive provisions in its constitution.
5. Indian Women's University	2,500	Payment of grant according to requirements.
6. Aligarh Muslim University	13,064	Owing to payment of lesser grant to the University, on actual adjustment.
7. I. A. R. I. Middle School and Government House Primary School, New Delhi.	13,400	Due to discontinuance of house rent allowance and less expenditure on contingencies.
8. Delhi Polytechnic	1,60,106	Due to non-filling of certain vacancies, non-payment of arrears/bills, lesser expenditure on repairs and house rent allowances, and non-receipt of stores.
9. Training College for Domestic Science	3,90,000	Postponement of the starting of the College. This was part of the Development Plan of the Ministry, which was curtailed.
10. Grants to Montessori Training Centre at Adyar and Kalakshetra.	25,000	Non-payment of these grants owing to non-fulfilment of conditions.
11. University Education Commission	52,463	Non-adjustment of debits in respect of expenditure on the University Education Commission.
12. Tata Institute of Social Sciences	4,00,000	Non-payment of grant to the Institute owing to non-fulfilment of conditions.
13. Scholarships to Iranian Students	10,000	Discontinuance of the Scheme for Scholarships.
14. Hindi Sahitya Sammelan	95,558	Non-payment of non-recurring grant to the Sammelan owing to non-fulfilment of conditions.
15. Stores	3,06,462	Non-availability of equipment indented from abroad.
22,15,016		

thereon including the Railway Appropriation Accounts and the Railway Audit Report before the Budget Session of the Parliament commenced on the 5th February 1951, and the Railway Appropriation Accounts and the Railway Audit Report and the other connected documents were sent to the Parliament Secretariat on the 14th March 1951 to be laid on the Table of the House in time before the Report of the Public Accounts Committee was presented to Parliament on the 29th March 1951.

4. In future the Finance Ministry will arrange to present to Parliament such of the Appropriation Accounts and Audit Reports as are received from the Comptroller and Auditor General immediately after they are received by them, if the Parliament is in session then. Otherwise, arrangements will be made to have these documents presented to Parliament early in the following session.

APPENDIX XXI

MINISTRY OF FINANCE

(DEPARTMENT OF ECONOMIC AFFAIRS)

Note for the Public Accounts Committee on the Revision of the selling rates of the India Security Press products [para. 26(a) of the Commercial Appendix to the Appropriation Accounts (Civil), 1948-49 and the Audit Report, 1950].

At their meeting held on 14th July, 1951, the Public Accounts Committee desired to know the latest position about the revision of selling rates of the Security Press products.

2. The selling prices of the Press products are normally revised after taking into consideration the results of the audited accounts of previous years. The prices were last revised on 1st April 1947 when a general 25 per cent. increase was made to allow for the anticipated increases on account of the introduction from the 1st January, 1947, of the scales of pay prescribed by the Central Pay Commission. This increase has proved on the high side. Thus, in spite of the increased expenditure in the year 1949-50 due to payment of arrears of overtime allowance or dearness allowance, the accounts for that year have shown a satisfactory profit, viz., Rs. 12,40,347 representing a mean profit on mean capital of 11.2 per cent. It is, therefore, not considered necessary at present to revise the selling rates of the Press products. The position, will, however, be reviewed again after the results of the accounts for 1950-51 are known.

3. It may be mentioned here that it is sometimes found necessary as a result of wide fluctuation in the cost of raw materials to revise the rates of individual items without waiting for a general revision of prices of all products. For example, the selling rate of registration envelopes had to be revised recently from Rs. 40 to Rs. 48 per ream as a result of considerable increase in the cost of paper required for manufacturing these envelopes.

4. The current manufacturing rates of Postal items are given overleaf.

CENTRAL STAMPS STORE, NASIK ROAD

Manufacturing rates of Postal items as revised with effect from 1st April, 1947, which are still current

	<i>Per Ream</i>
	Rs. A. P.
Inland postcards—	
9 pies single (Trimurti Design)	3 2 0
9 pies Reply (Trimurti Design)	6 4 0
9 pies service (Special Asoka Pillar Design)	3 2 0
9 pies Service in Sheets (8 up ")	3 2 0
Unstamped Single—	
2 As. Square (Asoka Pillar Design)	3 2 0
6 1/2 As. Small Regn. (Asoka Pillar Design)	40 0 0
Unstamped Square—	
Air Mail Postcards—	
4 As. (Foreign) Constellation Air Craft	3 12 0
Air Mail Envelopes—	
12 As. (Foreign) (Constellation Air Craft)	10 4 0
14 As. (Geo. VI)	10 4 0
14 As. (Geo. VI) Surcharged down to As. 12	11 12 0
	<i>Per 1000</i>
	<i>Forms</i>
	Rs. A. P.
Air letter Forms—	
6 As. Foreign (Constellation Air Craft)	15 0 0
Post Office National Savings Certificates Per 1000 Certificates—	
5 years, 7 years, 12 Years Single Holder Jt. 'A' and Jt. 'B'	16 0 0
Postal Orders Geo. VI 2nd Issue	12 8 0
	<i>Per</i>
	<i>Sheet</i>
	As.
Postage Stamps—Public (Archaeological Series)—	
Anna series 320, 224 and 200 set	2.24
Rupee „ 160, 128 set	2.88
'Service' (Special Asoka Pillar Design) Anna Series 320 set	2.24
Rupee Series 154, 120 set	2.88
'Local' Labels in Sheets 96 set	2.00
'Air Mail' labels in Sheets 40 set	0.8

APPENDIX XXII

Copy of Ministry of Finance O.M. No. F. 10(2)-B/51, dated the 14th June, 1951 to all Ministries

SUBJECT: Disposal of Audit Objections.

In paragraph 9 of their Report on the Accounts of 1947-48 (post-partition) (extract enclosed for ready reference) the Public Accounts Committee commented on the delay in the disposal of audit objections and desired that the Government of India should impress upon the Heads of Departments that replies to audit objections should be sent with utmost promptitude and that immediate steps should be taken to remove any defects in administrative system that may be brought to notice through the Audit Notes.

The undersigned is directed to invite the attention of all Ministries of the Government of India and of Controlling Authorities to the Committee's observations and to request that immediate steps be taken to ensure that prompt action is taken on all audit objections and that any defects that may be brought to notice by audit are rectified where necessary, without delay.

An extract of para. 9 of the Report of the Public Accounts Committee on the accounts of 1947-48 (Post-partition).

* * * *

9. Audit Objections—Delay in the disposal of.—It was brought to our notice that there had been a tendency on the part of the various Executive Departments to delay the disposal of audit objections. In one case reported in Para. 21 of the Audit Report on the P. & T. Accounts the alleged non-accounting of amounts collected as Customs Duty on Foreign Inward Parcels, which was facilitated by dodging the disposal of audit objections, had resulted in a loss of Rs. 16,562 to Government. We desire that the Government of India should impress upon the Heads of Departments that replies to Audit objections should be sent with the utmost promptitude and that immediate steps should be taken to remove defects in the administrative system existing in their departments which may be brought to their notice through the Audit Notes.

* * * *

APPENDIX XXIII

Copy of the Ministry of Finance O.M. No. F. 10(1)-B/51, dated the 14th June, 1951 to all Ministries etc.

SUBJECT: *Debits for Supplies and Services.*

In para. 5 of their Report on the Accounts of 1947-48 (post-partition) (extracts enclosed) the Public Accounts Committee commented on the very large number of cases in which huge amounts of final savings were attributed to the non-receipt of debits for supplies made by other Departments. In this connection, a reference is invited to the late Finance Department Office Memorandum No. F. 1(155)-B/46, dated the 18th December, 1946, drawing the attention of all Departments of the Government of India and of Controlling Authorities to the observations on this point contained in para. 7 of the Report of the Public Accounts Committee on the Accounts for 1944-45.

2. It is important that a close liaison is maintained between the supplying and receiving Departments to ensure correct estimating of funds required. It is equally necessary that the Controlling Officers keep a watch over the receipt of debits for supplies received and remind the supplying Departments if there is any delay.

3. Ministries are accordingly requested again to follow the observations of the Committee carefully and to arrange that both at the Headquarters and at the Subordinate Offices the progress of supplies as also of the debits for those supplies is watched continuously.

An extract of para. 5 from the Report on the Accounts of 1947-48 (post-partition) by the Public Accounts Committee.

5. Debits for supplies and Services.—During our examination of the Appropriation Accounts we came across a very large number of cases in which huge amounts of final savings were attributed to the non-receipt of debits for supplies made by other Departments. The Public Accounts Committee of the year 1944-45 also commented on the apparent lack of co-ordination between the receiving departments and the departments rendering the services or supplies which resulted in large lapses of funds due to non-receipt of debits for supplies and suggested that if a close liaison between the two departments was maintained such lapses could be eliminated. We suggest that the Ministry of Finance should once again draw the attention of all the Ministries to this vital aspect of the matter, and a procedure should be devised in consultation with the Comptroller and Auditor General whereby the indenting Department should ascertain telegraphically the precise position in regard to supplies within the year and estimate as accurately as possible the total expenditure against its appropriation.

APPENDIX XXIV

MINISTRY OF FINANCE (DEPARTMENT OF ECONOMIC AFFAIRS)

Note on the Small Savings Scheme and the National Savings Organisation

Objects

The objects of the Small-Savings Scheme are—

- (a) to inculcate the habit of thrift amongst the masses;
- (b) to tap the savings of the class of people who generally do not subscribe to Government Loans and thus to (i) combat inflation by immobilising surplus money and (ii) add to the funds available for the country's development projects.

The National Savings Organisation was set up in 1943 with the object of developing and popularising the Small-Savings Scheme throughout the country by means of extensive publicity and propaganda.

Investments offered under the Small Savings Scheme

2. To draw the savings of the middle and lower classes who do not normally invest in regular Government Loans Government have from time to time been offering investments carrying attractive rates of interest. The investments at present open to the public under the Scheme are—

(a) *Postal Savings Bank*.—Interest is allowed at $1\frac{1}{2}$ per cent. on balances below Rs. 200 and at 2 per cent. on balances which do not fall below Rs. 200 at any time during a financial year.

(b) *National Savings Certificates*.—There are three series—5-Year, 7-Year and 12-Year. Interest, which is on a graded scale to discourage premature encashment, works out, at maturity, to 3 per cent., $3\frac{4}{7}$ per cent. and $4\frac{1}{6}$ per cent. respectively. It is payable along with the principal at the time of encashment.

The Certificates, which are non-transferable, are available in convenient denominations of Rs. 5, 10, 50, 100, 500, 1,000 and 5,000, to suit various types of investors. For persons who are unable to save even Rs. 5 at a time, there are Savings Stamps of Re. 1, Annas 8 and Annas 4, which may be purchased and pasted on a Savings Card.

obtainable free from Post Offices, which can be exchanged for a certificate of Rs. 5 or Rs. 10 when the value of the Stamps reaches these figures.

(c) *Ten-Year Treasury Savings Deposit Certificates*.—This investment was introduced recently (as from 1st February, 1951) to meet the need of those who while able to keep their capital invested for a number of years wanted meantime a regular income therefrom. Interest at $3\frac{1}{2}$ per cent. is paid or remitted to the depositor annually. On prematurity withdrawals a discount, on a graded scale is charged to bring down the interest yield. The Certificates, which are non-transferable, are available in multiples of Rs. 100 from Public Debt Offices of the Reserve Bank of India and branches of the Imperial Bank of India transacting Government Treasury business.

3. As these investments are intended primarily for the small-saver and carry interest which is not only comparatively high but also tax-free, it has been necessary to impose maximum limits, in order to prevent diversion of money from Government Loans. Different limits have been prescribed for different classes of investors, the present limits for individuals being—

- (a) Rs. 10,000 for Postal Savings Bank;
- (b) Rs. 25,000 for National Savings Certificates;
- (c) Rs. 25,000 for Treasury Savings Deposits.

Position before Re-organisation

4. Upto May, 1948, the control of the Scheme in the Provinces (now Part A States) was in the hands of the Provincial Governments. Practically in each Province there was a Provincial National Savings Officer at the Provincial headquarters and Assistant National Savings Officers at Divisional headquarters. The staff was under the control of Provincial Governments but its cost was borne by the Centre. Sales of National Savings Certificates were effected through authorised agents as well as direct at Post Offices. The agents were paid commission at $2\frac{1}{2}$ per cent. on sales passing through their hands. Assistant National Savings Officers received, besides their pay, a bonus of one anna per cent. subject to a maximum of Rs. 210 per mensem, on sales effected, in their respective areas, through authorised agents.

5. The Indian States (now Part B States), which set up their own organisations, were paid $2\frac{1}{2}$ per cent. commission on sales effected through authorised agents and in addition 1 per cent. on gross sales (sales through authorised agents plus those effected directly at Post

Offices) to meet the cost of staff, etc. Besides the staff employed by the States, a States National Savings Adviser was appointed by the Government of India in each of the 5 under-noted areas—

Punjab States,

Eastern States,

Rajputana States,

Central India States,

South Zone States (Baroda, Western India and Deccan).

Each Adviser had a staff of one clerk and one peon.

6. In addition to the organisations in the Provinces and States, as indicated above, there was a Central Bureau with headquarters at Simla, under a National Savings Commissioner. The principal functions of this Bureau were to publicise the Scheme and to co-ordinate and guide the efforts of the provinces and States.

Re-organisation of the Scheme

7. On 1st June 1948 the Scheme was reorganised. The staff in Part A States was placed under the administrative control of the National Savings Commissioner who was made responsible to the Ministry of Finance for the progress of the Scheme throughout the country. The system of sales through authorized agents was discontinued as certain abuses had crept into that system. Instead, paid District Organisers were appointed roughly at the rate of one Organiser per District, for doing propaganda and helping and guiding investors. Payment of bonus to Assistant National Savings Officers was stopped. Payments for commission and working expenses to Part B States were discontinued and most of them wound up their organisations.

8. The present set-up of the National Savings Organisation is as indicated below.

There is a National Savings Commissioner with his office at Simla.

In each Part A State (except Bihar) there is a Provincial National Savings Officer, assisted by a staff of Assistant National Savings Officers and paid Organisers. (Staff has been reduced to the absolute minimum—some Assistant National Savings Officers control more than one Division and several Organisers are in charge of two or more districts).

Delhi and Ajmer are in the charge of a Provincial National Savings Officer, but other Part C States have been tacked on to the neighbouring Part A States.

There are non-official Savings Committees in most States—in some cases with subsidiary committees in Districts and Towns—which help the Provincial National Savings Officer in formulating policy and devising ways and means of popularising the scheme.

Publicity methods

9. Besides oral propoganda through its paid staff, and authorised agents where employed, the National Savings Organisation conducts extensive publicity through the press. Leaflets, brochures, folders, etc., containing information regarding the investments offered under the Scheme are freely and widely distributed. Neon Signs, hoardings and posters are displayed. Various other useful devices, such as cinema slides, publicity vans, gramophone records, are used to publicise the Scheme. Occasionally, speeches of national leaders and highly-placed officials regarding the Savings Movement are broadcast from the All-India Radio and, frequently, their messages are obtained and published in leaflets, etc. Savings Weeks are held each year under the patronage of State authorities and concerted drives for securing investment are made.

Investments obtained and their cost

10. The following statement shows the investments secured in National Savings Certificates and the expenditure on the Small-Savings Scheme during the years 1943-44 to 1949-50—

Year	Net Sales of N. S. Cs.	Expenditure on S.S.S.	Percentage of cost to investment
	Rs.	Rs.	
1943-44 . . .	8.65 Crores	1.25 lacs (Actuals)	.15
1944-45 . . .	19.54 "	5.67 " "	.29
1945-46 . . .	23.11 "	50.16 " "	2.17
1946-47 . . .	18.30 "	54.76 " (R.E.)	2.99
1947-48 . . .		25.74 " (Actuals)	5.94
(Pre-partition)*	4.33 "	} 58.45 lacs	} 4.32
1947-48 (Post-partition)	9.21 " } 13.54 crores		
1948-49 . . .	15.84 "	31.05 " "	1.96
1949-50 . . .	15.52 "	21.17 " "	1.36

11. It will be observed that sales showed a steady improvement during War years, when there was increase in money supply and scarcity of consumer goods. Then, at that time most of the Certificates were still within the lock-up period and were not encashable. Also, in some areas it was alleged that coercive methods were employed. The fall in sales on the termination of the War was only to be expected. Then, came the Partition of the Country which disturbed the economy of more than one Province and effected sales to no small extent. Discontinuance of the authorised agency system

in June 1948 was another upsetting factor though its effects were counterbalanced to a large extent by the increased limits for investments offered in October that year. Bearing in mind these adverse circumstances, it can be said that, on the whole, sales in partitioned India do not compare very unfavourably with those in the undivided India.

12. Net sales of National Savings Certificates in the year 1950-51 were 17.24 crores. In addition Government received in two months—February and March—of this year Rs. 5.30 crores in the shape of Ten-Year Treasury Savings Deposits. This welcome improvement of about Rs. 7 crores on the figures of each of the two previous years is due mainly to intensification of propaganda and introduction of the afore-mentioned new investment and to a small extent to the re-introduction of the authorised agency system in some of the States, to which matter a reference is made in paragraph 14. The expenditure on the Scheme in 1950-51 was Rs. 31.50 lakhs (these are revised estimates, actuals are expected to be lower) which is 1.39 per cent. of the investments.

Economy in expenditure

13. From the statistics given in paragraphs 10 to 12, it will be observed that substantial economies in the expenditure on the Small-Savings Scheme have been effected during the past few years.

Re-introduction of the authorised agency system

14. In response to a persistent demand from the public and from certain State Governments, the authorised agency system has recently been re-introduced, in a somewhat modified form, in the States of Bombay, Madras, and West Bengal, as an experimental measure. The agents appointed in these States are now required to guarantee a minimum investment and to promote and run Savings Groups. They have to execute a regular agreement and to furnish security or sureties. Commission, which is allowed only on the 12-Year series of Certificates, has been reduced from 2½ per cent. to 1¼ per cent. on all denominations except the 5-Rupee Certificate for which the rate remains unchanged at 2½ per cent. No bonus is paid to Assistant National Savings Officers.

15. It was only towards the end of 1950-51 that the experiment started working in right earnest and it is too early yet to attempt appraisal of results. The experiment is to continue upto 31st March 1952 when the position will be reviewed. If it is found that past abuses can be avoided and that the additional money obtained is worth the expense involved, adoption of the system as a permanent arrangement in these, and also other, States will be considered.

Steps to improve investments

16. The following important measures, which are likely to result in a substantial further improvement in Small Savings Scheme investments, are being taken—

(a) *Bihar*.—The Small Savings Scheme organisation in this State was wound up by the State Government in 1946. With the approval of that Government arrangements are now being made to set up an organisation again.

(b) *Part B States*.—At the time of the re-organisation of the Scheme in 1948, the position in Part B States was somewhat fluid and they could not be effectively tackled. Now that the position has crystallised, arrangements to set up Small Savings Scheme organisations in these areas have been taken in hand.

(c) *Rural Savings*.—With a view to carrying propaganda for thrift into the interior and tapping the savings of the rural population, arrangements are being made to employ extra-departmental Branch Postmasters in villages as authorised agents of Government for the sale of National Savings Certificates on a commission of 1½ per cent. Similarly, in States where the Registrars of Co-operative Societies agree, selected rural co-operative societies are also being appointed agents on commission.

Prospects for 1951-52

17. Unless any unforeseen adverse economic factors come into operation, it is expected that net sales of National Savings Certificates and Treasury Savings Deposit Certificates during the year 1951-52 will be in the region of Rs. 29 crores which is the amount that has been taken in the budget. The cost of the Scheme during this year is estimated at Rs. 37·45 lakhs which, if expectations regarding investments materialise, will give a percentage of 1·29.

APPENDIX XXV

MINISTRY OF FINANCE

Statement showing the cost *per capita* (of population) on education in States in India.

1948-49	
Assam	1·6
West Bengal	2·9
Bihar	1·2
Bombay	5·4
Madhya Pradesh	2·0
Madras	3·2
Orissa	1·3
Punjab	3·1
U. P.	1·8
Hyderabad	1·9
J. & Kashmir	0·8
Madhya Bharat	0·8
Mysore	3·5
PEPSU	1·1
Rajasthan	1·0
Saurashtra	2·9
Travancore-Cochin	2·9
Ajmer	5·0
A. & N. Islands	2·4
Bhopal	0·8
Bilaspur	0·9
Coorg	4·6
Delhi	8·6
Himachal Pradesh	0·6
Kutch	1·3
Manipur	1·0
Tripura	0·9
Vindhya Pradesh	0·5
Total	2·1

APPENDIX XXVI

MINISTRY OF FINANCE (REVENUE DIVISION)

Pilferage of Opium from Ghazipur factory

Extracts from the meeting of the Public Accounts Committee held on the 14th July, 1951.

“Shri T. N. Singh: Some years ago the chemist of this opium factory at Ghazipur was found misusing his position. A certain amount of opium was misused by him and his services were ultimately terminated. Again from local knowledge, I know there is a lot of pilferage and loss in the Ghazipur factory itself.

Chairman—Suggested that a note might be sent to the Secretary of the Finance Ministry and he would supply the necessary information.”

The position is explained below:

2. Evidently Shri T. N. Singh refers to the incident which happened in 1945 when an officer of the Central Revenues Chemical Service was in charge of the alkaloid factory as Opium Chemist. The Board had then received reports of the fraudulent loss of morphine sulphate from the factory and instituted a departmental enquiry into the matter as a result of which the officer was removed from service.

3. Simultaneously with the departmental enquiry referred to above, investigation into the affairs of the Ghazipur factory and the re-organisation of the opium department was undertaken and the Collector of Central Excise, Allahabad was placed in the administrative charge of the opium department including Ghazipur factory. A special officer of the Central Revenues Chemical Service with previous experience of the work was temporarily posted in charge of the factory to put it in order. Subsequently another senior officer of the Chemical Service, was appointed as Opium Chemist as a long-term arrangement. Nothing untoward has been heard of since about his work. The Collector of Central Excise, the Chief Chemist, who is the technical head of the factory and officers of the Directorate of Inspection visited the factory from time to time to carry out the required improvements and to ensure that the factory is working on approved lines. When this Opium Chemist was due to retire

in 1949, a thorough check of the factory stock and accounts was instituted and it was noted that there was nothing seriously wrong during the regime of that Chemist. The present incumbent of the post is also an officer of the Chemical Service and his work has been well reported upon by supervising officers, who have inspected the charge, and there have been no adverse comments by audit during this period.

4. As regards security arrangements, the factory premises approximately covers an area of a square mile and is enclosed by walls. A 24-hour guard by shifts is kept around the factory and at the gates and those entering or leaving the factory are subjected to search. Since a few years back the search staff at the gate were also local people and it was noticed that when they searched the workmen, who happened to be their relatives or compatriots, there might be occasion for smuggling out insignificant quantities of opium. When this was detected in 1950 the local search guards have been replaced by Gurkhas and since then no such small pilferages out of the factory have been noticed. To make the security arrangements more effective, sentry posts have also been provided. Further possibility of making the security arrangements foolproof is always engaging the attention of the Deputy Collector, Opium who is the officer in overall charge of the Ghazipur Opium Factory.

5. The whole of the opium department including the Ghazipur factory has now been placed under the Narcotics Commissioner, who was appointed at the end of last year and who is frequently visiting the various units under his charge to effect all possible improvements in order to avoid leakage of opium in any form and to tone up the administration of the department.

6. While the above is the position, the Finance Ministry will not hesitate to take prompt and adequate action against any officer or servant suspected of improper conduct if anything concrete is brought to their notice. If the Hon'ble Member would bring to the notice of this Ministry any such incident from his personal local knowledge as indicated in his remarks before the Public Accounts Committee on the 14th July 1951, it will be fully investigated.

APPENDIX XXVII
MINISTRY OF FINANCE

Note on the Control of Production of Opium and its Manufacture

I.—General administration.

Under Article 59 of List I—Union List—in the Seventh Schedule to the Constitution, the Government of India are concerned only with the “Cultivation, manufacture and sale for export, of opium”. Thus the following matters fall within the purview of the Central Government:

- (i) the fixation of acreage to be put under poppy cultivation in any particular area in the various cultivating units.

(These comprise mainly certain districts of Uttar Pradesh, Rajasthan and Madhya Bharat, the minor cultivating areas of Bilaspur and Kashmir which grow poppy for their own internal consumption, and Himachal Pradesh where poppy cultivation, which is a legacy from pre-integration days, has been allowed to continue only as a transitional measure in order not to upset the agrarian economy of the region.)

- (ii) the manufacture of the opium received from cultivators into excise opium, suitable for issue to State Government excise shops, or for export;
- (iii) the fixation of issue price to State Governments and of sale price to foreign countries;
- (iv) the fixation of quantities to be exported.

2. Prior to the inauguration of the Constitution, the “Indian States” had the right to cultivate poppy and produce opium. These States mainly fell into three categories:—

- (i) those which produced for their own internal consumption;
- (ii) those which produced exclusively for supply to the factories of the Government of India;
- (iii) those which produced both for their internal consumption as well as for supply to the factories.

The area which was to be cultivated for delivery of opium to the factories of the Government of India was determined by the Government of India under agreement with the States concerned, and

the States were required to make over the yield therefrom to the Government factories through the agency of an officer known as the Joint Opium Officer who was stationed at Neemuch. So far as internal consumption was concerned, the States were generally at liberty to cultivate poppy for their requirements. This not infrequently led to excessive cultivation and consequent smuggling of opium.

3. On the inauguration of the Constitution, the Centre has assumed (since the 1st April 1950) the functions laid down in Article 59 of the Union List (referred to above) in Part B States also, excluding Jammu and Kashmir. This has been an epoch-making change in the history of opium in India, since it has brought about, for the first time, a fully integrated form of control over the production of opium throughout the country, excepting Jammu and Kashmir. The immediate results of this change are as follows:

- (i) The old State factories manufacturing opium with the exception of the one at Kotah, have been closed down.
- (ii) Cultivation of poppy is being regulated strictly according to the essential requirements for internal consumption, and for export mainly for medical and scientific purposes.
- (iii) The price to the cultivator in Madhya Bharat and Rajasthan has been brought at par with that paid to the cultivator in Uttar Pradesh.
- (iv) The royalty which was previously required to pay to the State authorities to the tune of Rs. 3/- per seer has been abolished.
- (v) Internal requirements of all States are being supplied from the factories at Ghazipur and Neemuch.

4. A Narcotics Commissioner has been appointed to be in over-all charge of the Central opium administration, and he has been charged with the responsibility of rationalising the pattern of cultivation, the reorganization of administrative and preventive units in collaboration with the States, so as to secure the maximum of production (as may be needed for the yearly demand) from a minimum of area under poppy, and to reduce leakage into illicit channels.

II.—Factory control with reference to security arrangements.

5. From the centres of weighment to the Factory, the opium is despatched in sealed bags under chalans giving full details of such consignment. The consignments are conveyed in bullock carts under an escort of Ziladars to the nearest Railway station, and from there despatched in locked and sealed wagons. In all cases where

transshipment is necessary from broad to narrow gauge railways, it is effected under the supervision of an officer deputed from the Factory. During such transshipment, as well as at destination, opium from damaged bags or jars is transferred to fresh containers, and, as far as is practicable, any opium which has leaked out is also collected.

6. For despatches made to the State treasuries or to Ports for purposes of export, the packed chests are placed in Railway wagons at the Factory siding, or sent under armed escort, to the Railway station. All consignments are covered by insurance while in transit, or accompanied by an armed escort to the destination.

7. The factory is guarded, day and night, by armed and unarmed guards. Staff and labour employed are thoroughly searched when leaving the Factory. Packages sent out of the factory are covered by a permit and examined at the main gate before removal is permitted.

III.—Losses during manufacture.

8. These losses are of two kinds—"Receipt" losses and "Issue" losses. Receipt losses are attributable to causes such as—

- (a) dryage and leakage, .
- (b) absorption into the containers,
- (c) handling at the time of collection and of tests at the collecting centres,
- (d) sampling.

The average of "Receipt" losses is of the order of 1.25 per cent.

9. "Issue" losses are attributable to:

- (a) sampling,
- (b) handling during issues,
- (c) adhesion to labourers' hands and feet, and to receptacles used for issues.

The average loss during these operations is from 1 per cent. to 1.25 per cent., making the average Receipt and Issue losses 2.25 per cent. to 2.5 per cent.

10. Apart from these two kinds of losses, there is yet another kind of loss which is more imaginary than real. These "losses" occur due to variations in "consistence" of the opium delivered by the cultivators. The average consistence is 70 degrees, *i.e.*, the opium if divested of its moisture and other foreign matter would be reduced to 70 per cent. of its weight in the form in which it is delivered by

the cultivators. All opium varying in consistence by no more than 3 degrees is processed together. As it is not mixed into a homogeneous mass, accurate estimation of consistence is not always possible. Hence the weight (being calculated on a basis of consistence) ascertained at different stages shows the variations ranging from 0.3 per cent. to 6.25 per cent.

11. The powers which the Narcotics Commissioner is authorised to exercise in the matter of write-off of losses are as follows:—

I.—Write off of losses in the Ghazipur Factory—

(i) Deficiencies of opium found on stock taking	Upto value of Rs. 1,000.
(ii) Losses detected on exhaustion of vats	Upto 1.25 per cent. the quantity of opium originally received.
(iii) Manufacturing losses	Upto to 0.5 per cent.

II. Write off of losses in Neemuch Factory—

(i) " Malkhana " * Losses	0.5 per cent.
(ii) Manufacturing and storage losses	3 per cent.
(iii) Warehouse losses	0.25 per cent.

*NOTE.—" Malkhana " is a godown in which raw opium received from the cultivators is stored prior to manufacture. The period of such storage is limited and a small amount of dryage and wastage occurs. The dryage and wastage which occurs subsequently is indicated at (ii) and (iii).

IV.—Fixation of prices to cultivators to State Governments and for sales to foreign countries

12. The opinion produced by cultivators has to be delivered to the opium staff at a price fixed in advance by the Government of India. This price is generally derived from an estimate of the returns which the cultivator would get by cultivating other crops such as wheat, sugar-cane, potatoes, etc. It is not so high as to divert the land from food crops to poppy, nor so low as to divert the produce into illicit channels. The Government of India cannot take into account the price offered by smugglers for each seer of opium clandestinely retained by the cultivator, for this is neither feasible nor desirable. Under the law, opium is a Government monopoly and the cultivator is bound to deliver all his produce to Government.

13. Excise opium manufactured at the Factories is supplied to the State Governments at cost price, since under Article 51 of List II in the Seventh Schedule to the Constitution, excise duty on opium is a State subject. The Central Government issue price is based on the previous year's working costs at the factories, and any losses incurred in the course of any year are made good by a corresponding addition to the producing costs in the following year. The Central Government, therefore, incurs no irrecoverable losses on the production and sales of excise opium.

14. On exports of opium a reasonable profit is realized. The prices quoted are generally on a competitive basis, having regard to the price from other countries.

APPENDIX XXVIII
MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

Review of the Financial Position of the Department of Insurance

1. The Public Accounts Committee at its meeting held on the 17th July 1951 desired to know whether the gap between the income and the expenditure of the Department of Insurance could be filled up, and wanted that a self-contained note should be put up for the information of the members of the Committee.

2. The position briefly is that during the debates in the old Legislative Assembly in September 1937, when the Insurance Act, 1937 was under consideration, it was accepted in principle that the organisation concerned with the administration of the Insurance Act should be self-supporting. It was, however, not possible at the time, owing to the absence of reliable data, to estimate the income from the number of licences to be issued under the Act. Nor was it possible to determine the expenditure that was likely to be incurred on the organisation itself, as the organisation was still in its incipient stage. In these circumstances, the fees for the registration of insurers and the annual fee for agents' licences had to be prescribed on a somewhat arbitrary basis. The matter was reviewed in 1940 and it was found that during the year 1940-41 the expenditure of the organisation would exceed its income by about Rs. 80,000. The question, therefore, arose as to the nature of the steps that should be taken to increase the income so as to balance the entire expenditure and also whether Government should meet a share of expenditure from General Revenues in some fixed proportion. At the time when certain amendments to the Insurance Act, 1938 were being debated in the Assembly in 1940, the discussions in the Legislative Assembly showed that there was a strong core of opposition to the principle of a fixed minimum contribution, and in deference to this attitude, the Commerce Member gave a categorical undertaking to the effect that it was not the intention of Government that all new expenditure incurred on the administration of the Insurance Act would be financed by a levy on the interests concerned. He also gave the assurance that Government would be making a contribution from General Revenues towards the expenses of the Department up to

Rs. 1 lakh per annum. It was also decided at the time that to meet the additional expenditure, which was being incurred on organisation, the fees levied under the Insurance Act should be suitably revised.

3. The income and the expenditure of the Department of Insurance during the last 10 years have been as follows:—

Year	Income	Expenditure	Excess or Saving
	Rs.	Rs.	Rs.
1941-42	1,57,893	2,22,171	+ 64,278
1942-43	1,80,004	2,95,108	+ 1,15,104
1943-44	2,38,171	3,12,198	+ 74,027
1944-45	3,16,798	3,67,542	+ 50,744
1945-46	3,45,309	4,39,015	+ 93,706
1946-47	3,55,867	4,47,834	—91,967
1947-48	2,49,000	2,40,632	—8,368
1948-49	4,68,324	5,37,350	+ 69,026
1949-50	4,15,687	5,28,739	+ 1,13,052
1950-51	9,27,030	5,04,469	—4,22,561

For the current year, the receipts are estimated at Rs. 7,91,000 while the expenditure is likely to be of the order of Rs. 6,33,000.

4. It will be observed from the actuals given above that the excess of expenditure met from General Revenues has not gone above Rs. 1 lakh except in 1942-43 and 1949-50. During 1950-51, the receipts exceeded expenditure by Rs. 4,23,000 approximately and the current year's estimates also indicate a surplus of receipts. The main reason for this increase is the levy of certain new fees on Principal, Chief and Special Agents. Besides, ordinary Agents are now required to take licences for a period of 3 years at a time on a payment of an increased fee of Rs. 5 per licence.

5. Although the position at the moment is not clear beyond doubt, it is possible to make a rough forecast of the income and the expenditure of the Department for the next one or two years. It is estimated that the income will be of the order of Rs. 8,16,000, as shown below:

	Rs. .
(a) new registration or renewal of registration ...	1,20,000
(b) licences for ordinary insurance agents ...	6,00,000
(c) licences for Principal, Chief and Special Agents	96,000
	8,16,000
Total	8,16,000

On the expenditure side, it may be assumed that the direct expenditure may not be substantially different from the current year's

Budget Grant. On this basis, it would appear that the Department will have an excess of receipts to the extent of approximately Rs. 1,75,000 per year.

6. The figure of expenditure given above does not, however, take into account anything on account of indirect expenses, as, for instance, the liability on account of pensions and for certain items of contingent expenditure like rent, etc. Apart from these, as the amended Insurance Act, 1950 has imposed a large number of statutory duties on the Controller of Insurance, there is a marked extension in the range of activities of the Department which will obviously require to be strengthened substantially, if it is at all to become as useful and effective as it is intended to be. On the income side, the available actuals, since they relate only to one year, are not representative enough to enable us to form any valid conclusions. The fact that the Department earned a surplus only last year can hardly be overlooked, and even though the prospects for the current year too seem to be hopeful, it would be rather hazardous to presume that it will attain any measure of stability in its working in the near future. It is therefore proposed that the financial position of the Department should be carefully watched and reviewed for some time more before final conclusions are formulated in regard to the future policy.

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APPENDIX XXIX

**Copy of the Central Board of Revenue, Memorandum No. 14(20)-IT/
51, dated the 18th October 1951**

SUBJECT: *Income-tax assesseees—Number of, in Parts A, B, C States
and Merged Territories.*

In the course of their examination of the accounts for the year 1948-49 relating to the Ministry of Finance (Revenue Division) on the 14th July 1951, the Public Accounts Committee desired to be furnished with information regarding the number of assesseees in Parts A, B, C States and in the Merged Territories on 1st April 1950 and 1st April 1951 and the number of new assesseees discovered in those areas during the year 1950-51 as a result of survey and other operations. A statement giving the above information is attached:

STATEMENT SHOWING THE NUMBERS OF INCOME-TAX ASSESSEES IN INDIA.

S. No.	Commissioner of Income-tax	Number of assesses on										Number of New Assessee in 1950-51					Total
		1st April, 1950					1st April, 1951					A.	B.	C.	M.	Total	
		A.	B.	C.	M.	Total	A.	B.	C.	M.	Total						
1	MADHYA-PRADESH	16,317	...	859	1,382	18,558	17,700	...	847	1,388	19,935	2,946	...	398	56	3,400	
2	PUNJAB	35,619	11,245*	417	138	37,419	26,316	7,787	490	37	34,570	4,473	1,118	72	...	5,663	
3	DELHI	...	...	34,126	...	34,126	...	19,480	32,496	...	51,975	16,186	1,852	...	...	18,038
4	BOMBAY NORTH	44,039	14,597	794	22,632	81,972	45,456	16,117	694	22,343	84,610	4,275	1,392	...	1,444	7,111	
5	HYDRABAD	...	16,882	...	...	16,882	...	18,888	...	...	18,888	...	2,189	...	...	2,189
6	BIHAR AND ORISSA	30,131	...	...	1,946	32,077	30,172	...	...	1,485	31,657	1,703	...	...	...	1,703
7	BOMBAY CITY	1,32,037	...	...	...	1,32,037	1,42,950	...	...	...	1,42,950	7,043	...	...	...	7,043
8	BOMBAY SOUTH	29,210	...	...	6,926	36,136	30,517	...	...	7,191	37,708	558	...	...	...	833
9	(CENTRAL) BOMBAY	753	...	...	...	753	704	...	...	...	704	...	...	...	...	...
10	MADRAS	1,02,752	...	...	14,201	1,04,172	1,04,888	...	...	1,252	1,06,140	...	...	...	129	12,081
11	(CENTRAL) CALCUTTA	468	...	...	...	468	511	...	...	...	511	...	...	...	...	...
12	ASSAM	10,755	...	1,001	...	11,756	10,787	...	987	...	11,774	1,124	...	221	...	1,345	
13	UTTAR PRADESH	63,888	...	...	1,032	64,920	82,571	...	1,180	1,191	84,942	5,945	...	1,180	76	7,801
14	WEST BENGAL	1,20,008	...	...	1,514	1,21,522	1,35,130	...	...	1,229	1,36,359	16,229	...	...	388	16,717
15	MYSORE	...	25,249	485	...	25,734	...	27,397	481	...	27,878	...	3,920	41	...	3,961	
		5,75,977	67,883	37,682	36,990	7,18,552	6,27,702	89,669	37,115	36,116	7,90,602	56,348	24,803	3,764	2,368	87,285	

NOTE— A—Part A States.
 B—Part B States.
 M—Part C States.
 *As on 31st April, 1950.

The differences between the figures in Columns (2) and (3) does not represent the number of new assessee, because several old names have been re-moved from the old list.

APPENDIX XXX

MINISTRY OF EXTERNAL AFFAIRS

APPROPRIATION ACCOUNTS—1948-1949 AND AUDIT REPORT 1950

Points in which the Public Accounts Committee called for written information

PAGE 32, PARA 25 (c)

Q. 1. *What steps have been taken to guard against the recurrence of the losses referred to in this Para. in future and what disciplinary action has been taken against the delinquent officials responsible for disregard of the Rules?*

A. A telegraphic reference has been made to the High Commissioner for India in London as to what disciplinary action, if any, has been taken and a reply from him is still awaited.

PAGE 355—NOTE 8—ADMINISTRATION OF THE SCHEME OF ASSISTANCE

Q. 2. *What is the total upto date amount of advances made to evacuees and the latest position in regard to their recoveries? What is the amount debitable to the Central Government written off so far by the Provincial (now State) Government?*

A. About Rs. 7 crores of repayable advances were paid to the evacuees from Burma, Malaya, etc., under the general scheme of assistance during the period 1941-48. This amount includes the advances paid to the evacuees now in the territories in Pakistan. The scheme was administered by the various State Governments on behalf of the Government of India. The position regarding the amounts paid by the various State Governments, the amounts recovered, and the amounts written off is explained below:—

Authorities	Amount advanced	Amount recovered	Amount written off	Upto
	Rs.	Rs.	Rs.	
Govt. of Madras	3,95,45,800	6,04,500	34,37,300	May 51
*Govt. of Bombay	35,96,700	..	..	..
Govt. of West Bengal	16,37,500	49,100	3,15,300	Apr. 51.
†Govt. of U. P.	15,60,500	23,300	48,100	Jan. 51.
Govt. of Punjab	3,69,400	13,600	63,400	Mar. 51.
†Govt. of Bihar	4,23,600	3,700	8,100	Jan. 51.
Govt. of Madhya Pradesh	90,200	8,000	10,300	Dec. 50.
Govt. of Assam	39,100	200	19,900	May 51.
*Govt. of Orissa	46,08,700	..	..	..
C. C., Delhi	83,300	1,600	5,700	May 51.
C. C., Ajmer	11,100	3,600	7,000	May 51.
Indian Embassy, Rangoon . . . . .	...	3,40,200	5,800	May 51.
R. G. I. in Malaya, in Singapore . . . . .	...	30,400	...	May 51.
Agent, Kuala Lumpur . . . . .	...	8,400	...	May 51.
	5,19,65,900	10,86,600	39,40,900	

NOTE.—*Governments of Bombay and Orissa.—Accurate figures regarding advances paid have not yet been received from these two Governments, despite repeated reminders. Information regarding the amounts recovered and the amounts written off has not also been received from them. This matter is, however, being actively pursued.

†Governments of U. P. and Bihar.—Accurate figures regarding the amounts advanced have not been received from those two Governments, despite repeated reminders. The matter is being pursued.

It may be added that, though the scheme of assistance was wound up on the 29th February 1948, some staff still continues to be employed in the States of Madras, West Bengal, and Orissa mainly on the recovery work. This staff is under the administrative control of the State Governments and paid by the Government of India. The progress of recovery has not at all been satisfactory, although the attention of the State Governments has been invited to this. Ways and means to speed up recovery are under active consideration and a decision will be reached as soon as certain particulars are received from some State Governments. Some of the evacuees have since returned to Burma, Malaya, etc., where our Missions are effecting recoveries. For this purpose, some staff has been engaged in Rangoon and Singapore. The budget provision for 1951-52 for the above-mentioned staff is Rs. 3,18,900. The total actual expenditure will, however, depend on the strength of the staff actually employed and the duration for which they will have to be maintained.

PAGE 355—NOTES 10 AND 11.

Q. 3. A note on the working of the schemes referred to in these notes, with special reference to their present position, may be furnished. What is the further amount of probable expenditure to be incurred on the continuance of these schemes?

A. NOTE 10—CENTRAL REFUGEE OFFICERS

The Refugee Officers' Organisation, which was set up in 1942, to assist evacuees from Burma, Malaya, etc., in securing financial assistance, trade facilities and employment, was finally wound up on the 29th February 1948. Certain outstanding claims of officers and staff relating to arrears of pay, leave salary, etc., were pending and have since been cleared. No further expenditure is likely to be incurred in future in this regard.

NOTE 11—CONTRIBUTION TO PROVINCES, ETC., IN RESPECT OF EXPENDITURE ON ORPHANS.

The scheme was introduced in 1945 with a view to providing for the maintenance, care and education of the refugee orphans from Burma, Malaya, etc., and is likely to continue for about 5 years more. The State Governments, to which the refugee orphans belong, bear 50 per cent. of the expenditure and the other 50 per cent. is borne by the Government of India. Provision has been made for Rs. 38,900 during 1951-52 to meet the share of the Government of India.

PAGE 355—NOTE 12.

Q. 4. What is the present position regarding the scheme of repatriation of evacuees and also the present book value of the Camp Equipments, materials, etc., which are still awaiting disposal? Have

any proper arrangements been made for the safe custody of these stores? When was the physical stock-verification of these stores made?

A. SCHEME OF REPATRIATION OF EVACUEES

About 4 lakhs of Indians were evacuated to India from Burma at the time of its occupation by the Japanese. When Burma was re-occupied, economic and other conditions in that country were far from normal and it was considered necessary that repatriation of the evacuees should be regulated by a system of priority. Owing to shipping and other difficulties, elaborate arrangements were made for systematic and regulated repatriation of evacuees. For this purpose Evacuee Transit Camps were established at the ports of Madras, Visakhapatnam, Calcutta, Berhampore and Chittagong (the last being transferred to Pakistan after partition)—which were all closed by the end of February 1948. Certain Camp equipments, stores, consisting of tables, chairs, blankets, etc., which were awaiting disposal, have all since been returned to the local military authorities, from whom they were originally taken.

APPENDIX XXXI

MINISTRY OF EXTERNAL AFFAIRS

Note regarding India's contributions to the U.N.O., F.A.O., and I.C.A.O. during 1947-48 and 1948-49

APPROPRIATION ACCOUNTS—1947-48

1.—6. CONTRIBUTION TO THE U.N.O. (P. 134 OF APPROPRIATION ACCOUNTS 1947-48)

Undivided India's contribution to the U.N.O. for 1948 was fixed by the U.N. at \$1,370,571 which was equivalent to the Indian Rupees 45,34,600 (It is not clear how the A.G.C.R. has put the figure at Rs. 45,40,194).

India undertook to pay the entire contribution for 1948 on behalf of Pakistan also subject to eventual recovery from that Government. The first instalment of India's contribution for 1948 had to be paid before the 31st March 1948. To meet this expenditure a sum of Rs. 1,70,050 was provided by reappropriation against which the actual expenditure was Rs. 1,68,550. It was anticipated that the share recoverable from Pakistan on this account would be recovered during 1948-49 along with the contribution paid in further instalments.

1948-49 APPROPRIATION ACCOUNTS. (p. 156—APPROPRIATION ACCOUNTS 1948-49)

In 1948-49, a sum of Rs. 45,51,000 was provided in the original estimates but on the correct fixation of India's contribution it was noticed that only a sum of Rs. 44,95,700 would be required and accordingly the balance of Rs. 55,300 was reappropriated. This figure of Rs. 44,95,700 includes Rs. 1,29,207 as divided India's contribution for 1949. Therefore, a sum of Rs. 45,34,600 was paid in all as contribution of India and Pakistan for 1948 out of which Rs. 8,03,600 (in the ratio 14:65 for Pakistan and India respectively) is recoverable from Pakistan. The question of recovery is under active consideration; and at one stage Pakistan claimed a share in the assets of defunct League of Nations and the Working Capital Fund of the U.N. Their claim is being examined in consultation with the Ministry of Law and the Partition Secretariat and it is hoped to reach a decision shortly. At the time of framing the original estimates it was expected that the amount recoverable from Pakistan would be only Rs. 7,96,000 (17½ per cent. of Rs. 45,51,000). As no recovery was made during the year, there was an excess to this extent.

The other excess of Rs. 3,97,108 shown in the Appropriation Accounts for 1948-49 by the A.G.C.R. appears to be due to a mis-adjustment in his office. According to the advice received from the U.N. Headquarters a sum of Rs. 5,17,953 was payable as India's contribution for 1949 in Swiss Francs. The first instalment of this amount viz., Rs. 1,29,207 had to be paid before the end of the financial year 1948-49 and the A.G.C.R. was requested to authorise a remittance of Swiss Francs equivalent to Rs. 5,17,953 to the Legation of India at Berne to enable them to pay the first as well as subsequent instalments on the due dates. Instead of adjusting only Rs. 1,29,207 to 1948-49 accounts, the A.G.C.R. debited the entire remittance to that year's grant thus resulting in an excess of Rs. 3,97,108. The A.G.C.R. was informed on the 25th March 1949, that out of Rs. 5,17,953 remitted to the Legation at Berne, only a sum of Rs. 1,29,207 representing the first instalment of contribution for 1949 payable in Swiss Francs should be debited to the grant for 1948-49. It is not understood why this readjustment was not made by the A.G.C.R.

1.—7. CONTRIBUTION TO THE FOOD AND AGRICULTURAL ORGANISATION:
PAGE 134 OF 1947-48 APPROPRIATION ACCOUNTS.

During the post-partition period of 1947-48 India paid a sum of Rs. 2,63,959 as a joint contribution. The question of recovery from Pakistan of her share is still being pursued by the Ministry of Food and Agriculture, who are now concerned.

1.—8. CONTRIBUTION TO THE CIVIL AVIATION ORGANISATION: PAGE 134-
135 OF 1947-48 APPROPRIATION ACCOUNTS.

India's assessed contribution for 1947-48 (1st July 1947 to 30th June 1948) was Rs. 2,95,973 of which Pakistan's share was Rs. 51,792. This is now the concern of the Ministry of Communications who are presumably pursuing the question of recovery.

APPENDIX XXXII

No. D/5/178

PRIME MINISTER'S SECRETARIAT,

New Delhi, the 29th September, 1947.

My dear Bhoothalingam,

I write this in confirmation of my telephone conversation this morning in which I told you, under instructions of the Emergency Committee, that the sales of stocks under the Disposals Directorate should be stopped pending further instructions from the Ministry of Relief and Rehabilitation. That Ministry has been asked to ascertain its requirements of stocks under disposal and communicate them to your Ministry.

2. The attention of the Emergency Committee was drawn in particular to a sale in Calcutta which has been advertised for tomorrow. This sale should also of course be stopped.

Yours sincerely,
H. V. R. HENGAR.

S. Boothalingam, Esq., O.B.E., I.C.S.,
Joint Secretary, I. & S. Ministry.

Press Note

Hindustan Times, Dated 30th September 1947

At the special meeting of the Emergency Committee of the Cabinet on Monday morning, which was attended by the Governor, Premier and Ministers of East Punjab, it was decided to freeze all the disposal stocks of the Government of India until the Ministry of Refugees has ascertained the refugees requirements, says a Press note.

It was also decided to stop the sale of all stocks at present advertised in the Press as being for sale.

APPENDIX XXXIII

MINISTRY OF WORKS, PRODUCTION AND SUPPLY

Public Accounts Committee—Meeting held on 12th July 1951—Audit Para. No. 24(i) of the Audit Report 1950 regarding sale of Brass Rods by Disposals Organisation.

The circumstances leading to the reinstatement of the 6 sale letters in January, 1948, without regard to the purchasers' default as well as the appreciation of the market rate are explained below. The part of the sale covered by the 6 sale letters was reinstated by the then Director General in consultation with Finance and the Development Officer (Metals). The question now arises as to whether the executive authority exercised the discretion properly and in the best interest of the State. It is necessary to give briefly the circumstances in which the purchasers were unable to adhere to the conditions of the contract and fulfil their obligation within the time stipulated. It is also necessary to examine whether by cancellation of the contract and resale by advertised tender in January, 1948, Disposals authorities had any reason to believe that higher prices would be realised.

2. The firm accepted the terms of the sale in January, 1947, and 13 sale letters covering 717 tons of Brass Rods of various sizes located in 10 different Depots and involving payment of Rs. 8,75,000 were issued. The stations where the stores were located were as under:—

Kanpur, Bombay, Aruvankand, Kirkee, Calcutta, Cossipore,
Dehra Dun, Lucknow and Jubbulpore.

The firm had their Headquarters at Calcutta. The communal situation which prevailed especially in the upcountry areas throughout the year 1947 and dislocation of transport facilities, etc., which followed the Partition of the country, made it difficult for the purchasers to effect removal as provided for in the contract. They had, therefore, to ask for extensions of time for making payment as well as removal of stores time and again. The special circumstances which were beyond the control of the purchasers thus stood in the way of their fulfilling the contract. The executive authorities who reviewed the case in January, 1948 had in fairness to allow for these circumstances and, therefore, exercised their discretion to reinstate the contracts without penalty.

3. With regard to rate, the Audit Authorities have calculated the potential loss on the basis of rise in the price of Brass Ingots of standard quality in place of Brass Rods of various sizes which were sold to the firm. However reasonable may be the assumption of the Audit that appreciation in the price of Brass Ingots will be reflected in the price of Brass Rods *pro rata*, a close scrutiny of the published records of the prices of Brass Ingots and the Brass Rods would show that this is not actually the case. The following table illustrates this:—

Period	Market rate of Brass Ingots	Market rate of Brass Rods
June 1948	Rs. 75 to Rs. 80	Rs. 130 to Rs. 160.
Feb. 1949	Rs. 73 to Rs. 85	Rs. 130 to Rs. 160.
Sep. 1949	Rs. 63 to Rs. 66	Rs. 130 to Rs. 160.

The material sold from Disposals is of uncertain composition and quality—is sold without any guarantee. Experience of subsequent sales subject to this condition shows that fluctuation in the price of Brass Ingots does not result in a consequent fluctuation in the price of Brass Rods.

In July, 1949 after lifting of the bans on the sale of surplus stores to the public, it was decided to offer 100 tons of non-ferrous metals of each item including Brass Rods of various sizes to test out the market. The quotations which were received for Brass Rods were much lower than the market rates indicated. Against Rs. 130 to Rs. 160 per cwt. for Brass Rods Rounds, quoted in the Metal Market Review for the latter half of July, 1949, the highest offer received (which was for a relatively small quantity) did not exceed Rs. 72/8/- while an equal proportion had to be sold at Rs. 64/3/-. This would show that the market rate quoted in the Metal Market Review for standard material during the concurrent period had no relation to the highest prices that could possibly be obtained for non-standard material sold "as is where is" without any guarantee of quality or quantity, by tender.

In the circumstances explained above, it would appear that the then Director General (Disposals) exercised his discretion properly, in consultation with the Development Officer (Metal) and Disposals Finance.

APPENDIX XXXIV

MINISTRY OF WORKS, PRODUCTION AND SUPPLY

Note setting forth the position with regard to the outstanding sale accounts referred to in item 21 of the statement showing action taken on the recommendations of the Public Accounts Committee.

The 6438 outstanding sale accounts referred to in paragraph 66 of the Audit Report on the Accounts for the year 1946-47 were reduced to about 4000 by April 1950. It is however not known as to who furnished the figure of 3150 representing the outstanding cases in November 1949, to the Public Accounts Committee. No information is available in this respect either in the Ministry or in the Directorate General, Supplies & Disposals. The latest position with regard to these outstandings is that on 1st June 1951 the number was reduced to 3166 which included 1818 cases pertaining to sales to private parties and the balance (1348) to Government Departments.

2. It would be observed that a little more than 50 per cent. of the outstanding sale accounts (of the figure originally indicated in paragraph 66 of the Audit Report) have already been cleared. It is not unlikely that most of the outstanding sale accounts of private parties relate to the transactions in which sales have either been cancelled or Depots have been transferred to the Pakistan Government. Necessary information in this connection is being collected from the authorities concerned and it is hoped that as soon as the above information becomes available, the balance figure will be cut down considerably. Further with a view to expedite liquidation of outstanding sale accounts in respect of sales to private parties, possibility of making adjustments on the strength of only the number and date of the relevant treasury receipts, is also under consideration. If this is agreed to, the number of such outstandings will be cut down to a great extent. In the case of sale accounts pertaining to releases to Government Departments also, there is a proposal to simplify the procedure by raising debits against the indentors concerned. This step will also help in reducing the number of the outstandings.

3. In conclusion it may be stated that every possible step is being taken to bring these old outstanding sale accounts to an expeditious close.

APPENDIX XXXV

MINISTRY OF WORKS, PRODUCTION AND SUPPLY

Memorandum showing the action taken pursuant to item 9 of the outstanding recommendations of the Public Accounts Committee (1950-51) on the Accounts of the year 1947-48 (post-partition) re: standardization of contract forms.

So far as the standardization of the contract forms in the Central Public Works Department is concerned, that Department already has standard contract forms *viz.*, P.W.D. 6, 7, 8, 9, 10, 11, 11-A and 12 of the 'Book of Forms' referred to in Paragraph 17 of the Central Public Works Department Code, and contract agreements are invariably entered into on these Forms. The contracts are signed by the competent authority (a technical officer) after due technical advice has been obtained. As the Forms are already standardised the necessity of taking legal advice is not felt in all cases except in regard to 'Special Conditions' incorporated in these Forms. The Chief Engineer, C.P.W.D. is being asked to let us have a copy of all 'Special Conditions' which are generally included in agreements for scrutiny by Law Ministry.

2. It may be stated that recently two important Organisations of contractors desired certain modifications to be made in some clauses of contract forms of C.P.W.D. to make them bilateral as they considered that the present contract forms were uni-lateral and safeguarded the interests of Government to the disadvantage of the contractors. Concrete suggestions from the Organisations were invited and final reply from one of them is awaited. The question of modification of the Forms is under consideration in consultation with Engineer-in-Chief and the Central Works Advisory Board. The Forms when modified will be supplied for perusal of the Public Accounts Committee.

3. The question of replacement of one-man-arbitration system by Tribunal Arbitration has already been considered in detail by the Central Works Advisory Board. They have decided that the present system of single-man-arbitration should continue.

4. With regard to furnishing standard forms of major contracts in common use in the Central P.W.D., attention is invited to Forms Nos. P.W.D. 6, 7, 8, 9, 10, 11, 11-A and 12 of the Book of Forms referred to in Para 17 of the Central P.W.D. Code, a copy of which has already been furnished to Parliament Secretariat.

APPENDIX XXXVI

MINISTRY OF FINANCE

Rules for the chartering of Aeroplanes .

A. By Hon'ble Ministers—

1. An Hon'ble Minister may on his own authority and subject to the provisions of Rules 2 and 3, sanction the chartering of an aeroplane for a journey required to be undertaken by him in the public interest. Subject to the provisions of these rules being observed the concurrence of the Ministry of Finance may be presumed.

2. An aeroplane may not be chartered for a journey between two points connected by a regular air service, unless in the opinion of the Hon'ble Minister it is necessary in the Public interest to travel by a chartered plane instead of by the regular service. The reasons for chartering a machine in such cases shall be recorded in writing and a copy of the same communicated to Audit.

3. As soon as a journey by air is decided upon, the Hon'ble Minister should communicate his requirements to the Hon'ble the Defence Minister with a request that one of the planes included in the Royal Indian Air Force Communications Flight may be made available to him. It is only if such a plane is not made available that a copy of the Hon'ble Minister's orders together with the names of the entitled persons (whose number should be kept to the absolute minimum) accompanying the Hon'ble Minister should be communicated to the Director General, Civil Aviation, who will thereupon arrange to charter an aeroplane of the smallest capacity available sufficient to accommodate the entitled persons undertaking the journey. In chartering the plane the Director General, Civil Aviation should see whether any other Minister can make use of the plane.

NOTE.—For the purpose of this Rule an "Entitled Person" means a Government servant who is entitled to travel by air under S. R. 48-B and who is required by the Minister to travel on duty with him in a chartered plane. It has been decided that a Private Secretary, a Personal Assistant and a Jamadar and/or a private servant accompanying an Hon'ble Minister on duty in a chartered plane will be treated as entitled persons. Any officers required to travel with

Hon'ble Ministers under the rules for the protection of their persons will also be treated as entitled persons.

In case a Minister certifies that it is necessary for the purpose of his visit on Government duty to take any other person with him that person too will be treated as an "entitled person".

4. An Hon'ble Minister may subject to no additional expenditure being caused thereby to Government, take a non-entitled person with him in a chartered plane on payment to Government of a first class full or half railway fare, as the case may be, and in the case of a journey between two stations not connected by rail but connected by a regular air service, one or half standard air fare as the case may be. In case no regular air service exists the fare should be calculated at the rate of 4 annas per air mile.

5. Communication of sanctions to audit: a copy of the order sanctioning the chartering of the machine shall be endorsed to the Accountant General, Central Revenues, indicating therein that no plane of the Royal Indian Air Force Communications Flight was available for that journey. The sanction should indicate the purpose of the journey and the names of the entitled persons required to travel by the aeroplane. In cases falling under Rule 2 the sanction should be accompanied by the requisite certificate from the Hon'ble Minister. A certificate that the plane actually chartered was the smallest available with reference to the number of entitled persons and that the rates charged are correct shall be recorded on the bill for hire charges by the Director General, Civil Aviation before it is sent to the Accountant General, Central Revenues for payment. The bill should be accompanied by the Air company's list of passengers who travelled by the chartered plane.

B. By other officers of the Government of India—

1. Each proposal for the chartering of an aeroplane must come up to Finance Ministry for sanction. The proposal should indicate the purpose of the journey, the reasons for chartering an aeroplane and the number of entitled persons who are to travel by the chartered plane.

2. As in the case of the Hon'ble Ministers, chartering will be arranged by the Director General, Civil Aviation "who will as far as possible combine the requirements of officers travelling in the same direction on the same day."

3. The Head of the Department concerned may, subject to no additional expenditure being caused thereby to Government, permit

a non-entitled person to travel by the chartered plane on payment to Government of a full or half first class railway fare as the case may be, and in the case of a journey between two stations not connected by rail but connected by regular air service one or half standard air fare as the case may be. In case no regular air service exists the fare should be calculated at the rate of 4 annas per air mile.

4. The rule regarding communication of sanctions and arrangements for check and payment of bills will be the same as in the case of Hon'ble Ministers.

APPENDIX XXXVII

Points on which the Committee desired to be furnished with written information

MINISTRY OF HOME AFFAIRS—POLICE

APPROPRIATION ACCOUNTS (CIVIL) 1948-49.

GRANT NO. 36(A)—SPECIAL POLICE ESTABLISHMENT

Q. (a) *Has the Special Police Establishment got its branches in all the Part 'A' States? Have its branches also been established in all Part B and C States? If not, why not?*

(b) *Are these headquarters of these State Branches in the various States after which they are named (e.g. Assam Branch etc.)?*

(c) *Do they act under instructions from their Central Office at Delhi or directly from the Ministry of Home Affairs in each and every case?*

(d) *What is the procedure laid down for taking instructions from the Centre? Does the process of taking instructions from the Centre entail any delay and if so can it be avoided?*

(e) *What are the main functions of the Special Police Establishment in the States and at the Centre? Can they investigate any matter which comes to their notice or they can do so only when ordered by the high officer of the department or when approached direct by the Ministries or their attached or subordinate offices or the State Governments concerned?*

(f) *If some complaint is brought to their notice regarding a subject included in the Union List, will they take cognizance of it and start the investigation or wait for orders either from their Central office or from the Ministry of Home Affairs? How do they initiate the enquiries?*

(g) *Can the State Branch act on the orders of State Government?*

(h) *Has the Special Police Establishment got any C.I.D. Branch to help them? In its absence how do they plan investigations? Can action be initiated on information emanating from private sources?*

(i) *Does the Ministry feel the necessity of increasing the strength of the establishment in order to check rising corruption in the various Offices under the Union Government?*

(j) *What methods are being adopted to increase the efficiency of this Department besides imparting of training in the Training College?*

(k) *Have some cases of complaints against the persons employed in Special Police Department been brought to the notice of the Ministry? If so, how many, and, what action was taken? Which is the Department entrusted with the investigation of cases against such Officers?*

(l) *What is the mode of recruitment of personnel (other than I.P.S. Officers) to this Special Police Establishment?*

(m) *How many cases were entrusted to this Department for investigation in the years 1947, 1948, 1949 and 1950? (The figures may be given branch wise).*

(n) *How many cases out of them were successfully investigated and prosecutions launched?*

(o) *In how many cases were the accused convicted by the Lower Court and in how many cases were the sentences passed by these Courts set aside by the High Courts on appeals filed by the accused?*

(p) *Have there been any cases in which the appeals were lodged by Government against the decision of the Courts acquitting the accused persons?*

A. (a) The Delhi Special Police Establishment have Branches in all Part A States and Part C States of Delhi and Ajmer. It has no Branch in Part C States which have been formed out of the former Indian States and Part B States because, until some time ago, the law under which this Establishment has been established, did not extend to those States. The law has now been extended to those States and the question of having Branches of the Delhi Special Police Establishment in those States is under consideration.

(b) The Headquarters of the Branches of the Delhi Special Police Establishment are known by the names of the States in which they are situated, e.g. the Assam Branch, etc.

(c) The Branches act under instructions from the office of the Inspector-General of the Delhi Special Police Establishment who, in turn, consult the Ministry of Home Affairs in important matters.

(d) According to the procedure which has been followed since April, 1951, the discretion of the Delhi Special Police Establishment Branches in the States has been curtailed and they have to obtain the prior sanction of the Inspector General, Special Police Establishment, before taking up investigation of any case, except trap cases where delay in obtaining orders from Headquarters may spoil the chances of a successful trap. The process of taking instructions from

the Central Office does not entail any unnecessary delay because, where the matter is urgent, the officers in charge of the Branches in the States can obtain verbal orders on telephone from Headquarters.

(e) The functions of the Special Police Establishment are to investigate offences in connection with matters concerning the Central Government of the categories indicated below. The Branches in the States investigate the offences committed within their respective areas. The Central Office, that is, the Inspector General's Office, is concerned with the administration of the establishment. There is a small investigating staff at Headquarters which is entrusted with the investigation of cases which may be considered important enough to be investigated directly under the auspices of the Special Police Establishment Headquarters. The Special Police Establishment take up cases in respect of which any of the specified offences might have been committed either at the instance of the Government Departments concerned or on receipt of information through their own sources.

- (i) offences punishable under section 161, 162, 165, 379 to 382, 406 to 409, 411 to 414, 417 to 420, 465, 466, 468, 471 and 477A of the Indian Penal Code, 1860 (Act XLV of 1860) and section 5 of the Prevention of Corruption Act, 1947 (II of 1947) and offences under Foreign Exchange Regulation Act, 1947 and Export and Import Trade (Control) Act, 1947;
- (ii) offences punishable under section 7 of the Essential Supplies (Temporary Powers) Act, 1946 (XXIV of 1946);
- (iii) attempts, abetments and conspiracies in relation to, or connected with, the offences mentioned in sub-clauses (a) and (b).

(f) The procedure regarding the taking of cognizance of offences and starting of investigation has been explained above. The types of offence into which the Delhi Special Police Establishment can investigate are also stated above. In any case which comes to the notice of the Special Police Establishment, they first hold preliminary enquiries to find out whether there are sufficient grounds for registering a case and holding further investigation.

(g) The Branches of the Delhi Special Police Establishment in the States are not subordinate to the State Governments and do not receive orders from them.

(h) Each Branch of the Special Police Establishment has a complement of officers, such as, Deputy Superintendents of Police, Inspectors, Sub-Inspectors, Head Constables, Constables. The officer entrusted with the investigation of a particular case plans the course

of investigation in consultation with the superior officer and carries it out with the help of his subordinate officers. They develop their own sources for collecting information required in connection with any particular investigation. They also have the co-operation of the Local State Police in this matter and sometimes they obtain valuable information and assistance from private sources regarding commission of offence and evidence pertaining to it.

(i) Due to financial stringency there is for the present no proposal to increase the strength of the Delhi Special Police Establishment. When its activities are extended to Part B States and to the remaining Part C States, the question of augmenting the present strength will be taken up according to the requirements in those States.

(j) Most of the staff of the Special Police Establishment is obtained from the States on deputation. They are already trained officers. There is no question of imparting further training to them as policemen. From the organization point of view, the question of steps to be taken to increase the efficiency of the Delhi Special Police Establishment are under consideration and a Committee of M.Ps. under the Chairmanship of Dr. Tek Chand have made certain recommendations which are in the process of implementation.

(k) A few complaints have been brought against members of the Special Police Establishment. As the disciplinary control over the members of that establishment rests with the Inspector General, Special Police Establishment, those complaints are referred to him and are investigated by him through the Central Investigating Agency of the Special Police Establishment which works directly under him. Appropriate action is taken by the Inspector General in consultation with the Ministry, where necessary, against the persons concerned.

(l) Officers for the various posts in the Special Police Establishment are generally obtained on deputation from the police forces of the States for fixed periods of tenure. Due to the inability of certain States to depute the requisite number of officers for the Special Police Establishment, it has been found necessary to make direct recruitment to certain posts. The direct recruits are mostly displaced police officers from Sind, Baluchistan, N.W.F.P., Punjab, and Bengal.

(m) to (o). A statement giving information regarding the number of cases entrusted to the Delhi Special Police Establishment for investigation during 1947; 1948, 1949 and 1950, (2) cases successfully investigated and prosecuted and (3) cases in which conviction was secured in lower courts and the number of cases in which conviction secured in lower courts was set aside in appeal by the higher courts is enclosed.

(p) There have been a number of cases in which the orders of acquittal in the cases prosecuted by the Special Police Establishment have been challenged in appeal and the decisions of the lower courts got reversed.

Year	No. of cases taken up for investigation **	Cases successfully investigated and prosecution launched	Cases resulted in conviction by lower courts	Cases in which convictions were set aside in appeal
1947	212	114	44	12
1948	476	189	62	11
1949	731	464	109	13
1950	492	276	154	18

** Figures given Branch-wise are shown in the attached statement.

Cases taken up for investigation in various Branches in the Special Police Establishment in the years 1947—1950.

Branch	1947	1948	1949	1950
Ajmer	Not opened	Not opened	10	13
Ambala	"	"	16	17
Bombay	16	28	202	110
Calcutta	53	83	77	64
Central Investigating Agency	Not opened	Not opened	10	11
Delhi	39	133	135	30
Jabalpur	29	63	95	46
Lucknow	Not opened	Not opened	33	64
Madras	26	47	55	59
Puri	4	4	20	32
Ranchi	15	88	36	21
Shillong	1	30	42	25
Lahore	21		...	...
Peshawar	1		...	...
Quetta	5		...	...
Rawalpindi	2	...	...	...
	212	476	731	492

APPENDIX XXXVIII

MINISTRY OF HOME AFFAIRS

GRANT NO. 36 POLICE—(B) LUMP SUM CHARGES PAID TO PROVINCIAL GOVERNMENT.

Reasons for the increase in the expenditure under this sub-head from year to year since the partition of India.

F.(I) Section are not concerned with all the items under this sub-head. They are only concerned with the expenditure relating to the checking of passports and registration and surveillance of foreigners in India. So far as these items are concerned, the increase in the expenditure since the partition of India is due to the following facts:—

- (i) **Due to the integration of the Indian States**, the responsibility for the control of foreigners in the various States fell on the Centre and expenditure relating to the control of foreigners in India had to be met from the Central Budget.
- (ii) **Checking posts on the Indo-Pakistan Border**: As a result of setting up of the Dominions of India and Pakistan, it was considered necessary from the security as well as administrative point of view that the travel documents of foreigners travelling between Pakistan and India should be checked at the Indo-Pakistan Border. It was accordingly decided that passport checking posts should be established without delay at the important rail and road crossings of Indo-Pakistan Border and at the Ports of first entry of ships and aircrafts from Pakistan. Such posts have been established in Punjab, West Bengal, Bombay, Bihar and Delhi. The annual expenditure on these posts is estimated to be Rs. 3,20,000.
- (iii) **Check Posts on the Indo-Tibetan Border**: In view of the incursion of Chinese forces in Tibet it was decided in January 1951 that some check posts should be set up on the Northern and North-Eastern Frontiers to prevent infiltration into India of undesirable persons from Tibet. Such posts have been established in Jammu & Kashmir, Himachal Pradesh, Punjab, West Bengal, Sikkim and

Assam. The total annual expenditure on these posts is estimated to be about Rs. 3,24,000.

2. It will be observed that the expenditure of Rs. 65½ lakhs in the present financial year includes an expenditure of Rs. 40 lakhs on account of Hyderabad. This Section is however not concerned with this expenditure. It is understood that the provision for this expenditure has been made by the Ministry of Finance in consultation with the Home Minister and the Minister of States.

3. As regards the cost of Police guards posted to Central Government buildings and offices like the Vizagapatam and Madras Harbours, Income-Tax, Mint and Shipping Offices, Bombay, Civil Offices located in military buildings, Calcutta and Government House and Private Secretary's Press at Simla, these are the permanent charges and provision on this account is made from year to year by the Administration Section of this Ministry in consultation with other Ministries concerned.

APPENDIX XXXIX

MINISTRY OF HOME AFFAIRS

COMMERCIAL APPENDIX (CIVIL) FOR 1948-49—PAGE 58—PARA. 90—
SHIPPING DEPARTMENT, ANDAMANS.

Losses in the Shipping Department, on account of recovery of labour charges for loading and unloading at lower rates.

The suggestion of audit for revising the rates of recovery has been accepted. The exact figures are under consideration by the Chief Commissioner.

2. PAGE 66—PARA. 98—MARINE DEPARTMENT, ANDAMANS.

Deficit in the Afloat Section of the Marine Department.

The losses in the 'Afloat' Section of the Marine Department for the period under review are on account of grant of Andamans special pay and dearness allowance at increased rates to the staff. Although actual maintenance charges have greatly exceeded income but maintenance of this Section is essential for Administrative reasons. The work increases greatly when chartered ships are in the Port and Government have to employ larger establishment.

The following steps have been taken to reduce the losses:

- (i) Marine and Forest Afloat Establishments are being amalgamated; and
- (ii) Long Ferry is now being operated departmentally as an experimental measure.

3. PAGE 66—PARA. 100.

Losses in the Dockyard Establishment

The points raised by Audit under the para. are under the consideration of the Chief Commissioner.

It is not possible to introduce casual labour system in the Islands as the labour is imported from the mainland and is not available locally.

4. PAGE 67—PARA. 101.

Losses in the running of the Electricity Plant.

The cost of generating was high on account of the high cost of running the old Diesel Engine. It is not practicable to increase rates

as they are already high viz. 6 annas per unit (as against 3.5 annas per unit in Delhi). The Central Electricity Commission has, however, been approached in the matter and they are considering all probable fixed costs and running charges as in a commercial venture and the full information is expected to be received when the new A. C. Plant starts functioning. The new plant will improve position as more powerful station will mean more consumers. This steam plant burns wood and will prove more economical.

5. PAGE 67—PARA. 102.

Physical verification of stores.

Physical verification of the stores during the year 1948-49 could not be carried out on account of non-availability of stacking facility due to lack of accommodation. This has since been straightened and physical verification was conducted during the year 1949-50.

APPENDIX XL

Ministry of Information and Broadcasting Memo. No. 23/5/51—F on the Working of the Films Division

In view of the importance of documentary films and newsreels as a medium of publicity, the Government of India decided towards the end of 1947 to revive the film organisation. Sanction for the establishment of the Films Division was accorded in January, 1948 and a provision for Rs. 34,16,000 was made in the budget for 1948-49. The first of the 6 film units was formed in February. The setting up of Division in full was, however, delayed owing to difficulties in getting accommodation, procuring equipment and recruiting suitable personnel for the technical posts the pay of which was not comparable with remuneration obtained in the industry. The distribution of documentaries and newsreels on an All-India Scale actually commenced in June 1949.

The Division releases films every week in the form of a weekly newsreel and a documentary. A total of 87 documentaries and 184 newsreels have been produced so far. All films intended for internal circulation are produced in five languages, viz., Hindi, Bengali, Tamil, Telugu and English. News-items are covered by seven cameramen stationed in different parts of the country. In addition to items of topical news, they include items which have special significance for rural audiences. News-items dealing with food production and the progress of different development projects in the country are periodically covered. Special editions are released on important occasions. Besides the weekly newsreel, a monthly edition is also produced for exhibition abroad. The subjects covered in documentaries are selected in consultation with the various Ministries of the Government of India. Special films are also produced on cultural and educational subjects as well as for external publicity. The normal annual programme, which has had to be reduced as a measure of economy during the current year, is to release 52 documentaries, out of which a certain number is entrusted to private producers. The quality of the documentaries has risen steadily since the inception of the Division and they have been appreciated both in India and abroad. Three of them won Awards at the International Festival held in Canada in 1950; two obtained second and third places and the third received honourable mention.

Documentaries and newsreels are now distributed through 140 circuits to 3,197 cinemas out of a total of 3,232 cinemas in the country.

Of these 188 are situated in big cities like Bombay, Madras, Calcutta, Delhi and Ahmedabad. Ten other large towns, Kanpur, Allahabad, Agra, Banaras, Lucknow, Nagpur, Bangalore, Hyderabad, Indore and Amritsar account for 131 cinemas; over 800 are cinemas which exhibit mostly in rural areas. Besides, various State Governments together possess about 200 mobile vans and portable projectors which are regularly used to show films in the interior. As the cinemas have at least two shows a day, the audience reached by this medium can be estimated as 50 crores of people in a year taking only an average attendance of 300 per show and a working year of only 300 days. It may be added that the seating capacity of permanent cinemas alone was estimated in 1949 as about 14 lakhs.

16 mm copies of documentaries approved for external publicity, and of the monthly edition of the news-reel are supplied to our Embassies, High Commissioners, Legations and other Missions abroad for non-commercial exhibition. The number of foreign posts now on our mailing list is 37. The films are also lent to clubs, associations, schools, colleges and cultural and other societies as well as individuals. The films are also used in television circuits in the U.K., U.S.A. and France. A number of our documentaries have been exhibited in International Film Festivals and Trade Fairs held in the U.K., New Zealand, Canada, France, Italy, Switzerland, Belgium, Czechoslovakia, Germany and U.S.A. By an exchange arrangement with certain foreign news-reel producing Companies, steps have been taken to have news-reels relating to important events in India shown abroad as part of foreign news-reels; in return foreign news items are received free for suitable use in India. Arrangement for the commercial distribution of documentaries has also been made in Indonesia and Bahrein. Negotiations with prospective Distributors in Belgium, Japan, East Africa, Malaya, Fiji, Mauritius and Burma are in progress.

Rentals are charged from cinemas in India for the films supplied to them under mutually agreed contracts. The rentals work out to Rs. 5 per week in the case of more than 1,200 cinemas, though larger cinemas pay higher rates subject to a maximum of Rs. 150 per week. Some revenue is also derived from the supply of films to the television circuits abroad; in 1949-50 it amounted to the equivalent of Rs. 10,000 from U.S.A. In the arrangements for commercial distribution, provision is made for the payment of royalty by the Distributors.

Financial Implications

The actual expenditure on the Films Division in 1948-49 was Rs 10,10,460. This, however, did not represent the normal expenditure, as the Division did not start functioning in full swing till June,

1949 and even thereafter recruitment to some of the posts through the Union Public Service Commission or Selection Boards could not be completed for some time. The actual expenditure in 1949-50 was Rs. 29,23,000. Mainly due to the extension of the distribution scheme and the higher cost of raw film, the expenditure rose in 1950-51 to Rs. 33,75,780. For 1951-52 however the Budget Estimates have been reduced to Rs. 31,82,000. The reduction has been made in spite of the fact that the price of raw film has been increasing. There was a rise of 25% after devaluation and recently there has been a further increase of 10%.

The income of the Division has steadily increased since June, 1949. The collections in 1949-50 amounted to Rs. 9,05,000 and rose to Rs. 22,31,740 in 1950-51.

Economies

A statement of the economies effected in 1949-50, 1950-51 and 1951-52 is attached. In addition to the economies shown for 1951-52, certain further measures are under consideration. Of these the main item relates to the cost of supply of documentaries and news-reels to State Governments. One copy of each documentary and news-reel produced by the Films Division is supplied free to all State Governments which have the necessary equipment for exhibiting them. Thus 19 copies of documentaries and an equal number of copies of news-reels are supplied at a total cost of Rs. 1,50,000, which is at present borne by the Films Division.

On the revenue side, the schedule of rentals chargeable from cinemas has been revised without disturbing the maximum or the minimum rate. The full effect of the revision will be visible in 1952-53 when it is estimated that the collections rentals will be in the neighbourhood of Rs. 26½ lakhs.

Films for external publicity

16 mm copies of documentaries selected for external publicity and of the monthly overseas edition of the news-reel are supplied to Indian Missions abroad for non-commercial exhibition. A copy of the documentaries is also supplied to the UNESCO library in Paris. 37 copies of the news-reel and 39 copies of the documentaries are supplied at present. Apart from the monthly overseas edition of the news-reel, 6 documentaries are produced specially for external publicity. Further, copies of certain Indian feature films are also supplied occasionally to our Missions. The entire cost of these supplies is borne by the Films Division. The amount involved is of the order of Rs. 2,50,000. The question whether the expenditure should not be recovered from the Ministry of External Affairs is under examination.

Conclusion

To sum up, it will be seen that the gap between revenue and expenditure has been steadily reduced since the Films Division came into existence in January, 1948.

	Expendi- ture	Revenue	Deficit
	Rs.	Rs.	Rs.
1948-49	10,10,460		No revenue accrued as the distribution of films did not start until June, 1949.
1949-50	29,23,000	9,05,000	20,18,000
1950-51	33,75,780	22,31,740	11,44,040
*1951-52	31,82,000	23,00,000	8,82,000

*Estimates.

Out of the amount of Rs. 8,82,000 which is the estimated deficit for the year 1951-52, a sum of Rs. 2½ lakhs represents the custom duty paid on imported raw film; Rs. 2½ lakhs is the expenditure incurred on films for external publicity; Rs. 1½ lakhs is the expenditure on documentaries and news-reels provided free of cost to State Governments. If debits are raised against the External Affairs Ministry and State Governments, for the sums of Rs. 2½ lakhs and Rs. 1½ lakhs respectively the actual deficit would be only Rs. 2,32,000. As has been mentioned above, the rental tariff has been revised and its full effect will be visible by 1952-53, by which time the revenue from this source is expected to increase by Rs. 4,20,000 which on the basis of present expenditure will offset the deficit entirely.

FILMS DIVISION

Statement of Economies

1949-50—	RS.
1. Surrender or holding in abeyance of posts	92,000
2. Reduction of provision for accommodation	75,000
3. Economy in production expenditure by reducing ratio of raw stock and publicity charges	50,000
	<u>2,17,000</u>

<i>1950-51—</i>	Rs.
1. Surrender and holding in abeyance of posts	75,000
2. Reduction of provision for number of copies for foreign posts for 42 to 35	9,000
3. Reduction in ratio of raw stock	41,700
4. Discontinuance of slogan trailers	8,500
	<hr/> 1,34,200
 <i>1951-52—</i>	
1. Surrender of posts or holding in abeyance	62,000
2. Reduction in number of documentaries to be produced by the Division	72,000
3. Reduction in number of films to be purchased from private pro- ducers	60,000
4. Reduction in expenditure on production of Indian language versions	44,000
5. Saving in rent of accommodation	42,000
6. Recovery of 50 per cent of cost from State Governments on account of films to be produced on subjects suggested by them	45,000
	<hr/> 3,25,000

APPENDIX XLI

MINISTRY OF INFORMATION AND BROADCASTING MEMORANDUM NO. 5(12)/51—BII ON THE MEASURES ADOPTED TO REDUCE LOSSES ON A.I.R. JOURNALS

At their meeting on 13th July, the Public Accounts Committee desired to be furnished with a memorandum on the following subject:

“What steps do Government contemplate taking to effect economy in expenditure to counteract the losses sustained in the publication of the journals named ‘Indian Listener’, ‘Betar Jagat’, ‘Vanoli’ and ‘Nabhovani’? What other remedial measures, if any, have been devised to improve the financial working of these journals?”

The items of expenditure which enter into the cost of production of a timed journal are the establishment charges, printing and paper costs and miscellaneous charges such as blocks, photographs, postage, despatch, commission on sales, share of Headquarters charges etc. The revenue items are advertisements and sales. In the case of A.I.R. Programme journals, besides some increase in establishment charges, the cost of paper and printing has been rising while advertisement revenue has not kept pace with the increase in printing cost and other items of expenditure.

Partition affected the circulation of a number of these journals and indirectly advertisement revenue, while as a result of the disturbances in Delhi and the closing of the Latifi Press where ‘Indian Listener’ was being printed, arrangements had to be made at very short notice for printing in Bombay at high rates. Subsequently, arrangements were made by the Controller of Printing and Stationery to print at another press in Lucknow after calling for tenders. The new rates were however higher than the rates which had been obtained from the Latifi Press.

Similarly in the case of ‘Awaz’, printing had to be transferred from the Jayyad press which closed down during the disturbances to another press whose rates were higher than the previous rates.

The number of pages of these journals also increased as programme details of a larger number of stations had to be accommodated, still further increasing printing and paper costs.

Efforts were therefore made wherever possible to reduce the number of pages devoted to other features and introduce new page

lay-outs with a view to save as much space as possible in the arrangements and presentation of programme details.

It was also decided to print 'Indian Listener' on newsprint as being cheaper and a new contract was entered into with a Press in Delhi through the Controller of Printing and Stationery providing for a flat rate per copy inclusive of cost of newsprint. It was however found necessary to convert 'Indian Listener' into a weekly as the publication of the programme details of all the 21 stations of A.I.R. made the fortnightly issue too large.

The new contract for 'Indian Listener' had a favourable feature in that it was based on print order and not on cost of newsprint which had since been steadily rising in price, though it held good only up to print order of 25,000 copies.

On the other hand, advertisement revenue has been showing a steady fall, the sole agency which canvasses advertisements for 'Indian Listener', 'Awaz' and 'Sarang' has not secured sufficient revenue inspite of the fact that besides a 25% sole agency commission, it was entitled to a bonus of 2½, 3¼ and 5% respectively on a business turnover exceeding Rs. 75,000, Rs. 1,00,000 and Rs. 1,24,000.

It was decided to set up an *ad hoc* committee to examine the expenditure on and the printing and distribution of journals of A.I.R. The Committee made several recommendations for increasing revenue which are now being given effect to.

The financial working of the journals is now expected to improve as follows:—

INDIAN LISTENER

Establishment

It has been decided to keep certain posts in abeyance and this will effect a saving of Rs. 35,480 per annum.

Advertisements

Steps are being taken to change the present agency with a view to achieve an increase in advertisement revenue of at least 25% compared with 1949-50 figures. This would account for an additional revenue of about Rs. 30,000 per annum.

The advertisement tariff has also been examined. The present contract rate of Rs. 10 per column inch is in conformity with the international mille rate of four annas per column inch per thousand copies with a surcharge of 100%. No increase in the advertisement tariff has, therefore, been proposed at present.

Printing

It has been decided to reduce the number of pages by 4 by condensation of talks and other material reproduced in the journal. This would yield a saving of Rs. 30,000 per annum under printing and paper cost.

Since an appreciable proportion of the expenditure on 'Indian Listener' is on account of printing, the question of undertaking publication of this journal in the Publications Division of I. & B. Ministry instead of an outside press is also being considered. It is felt that provided the necessary additional printing equipment is sanctioned it should be possible to effect economy to the extent of about Rs. 50,000 on printing cost.

Price

While improving the get-up of the journal by printing the cover page on superior paper and making up the additional cost by an advertisement on the cover page, it has been decided to increase the selling price of 'Indian Listener' from three annas to four annas. An additional revenue of Rs. 39,000 per annum is anticipated on this account.

BETAR JAGAT

In the case of 'Betar Jagat', the circulation has been steadily increasing as also advertisement revenue. But in order to make up the loss, it has been decided that the journal should be priced at five annas instead of four annas and that there should be a reduction in the number of pages by four. These measures are expected to increase sales revenue by Rs. 15,960 and effect a saving in printing of Rs. 29,496.

The advertisement tariff for 'Betar Jagat' is also under examination and will be revised if possible in the light of its present circulation.

VANOLI

Steady
it has
blocks,
Economy
the
In the case of 'Vanoli', which has also been registering steady increase in circulation as also in advertisement revenue, it has been decided that miscellaneous expenditure on postage, blocks, des- des- patching, etc. should be carefully examined to effect economy sufficient to make up as much of the loss as possible. Roughly the saving anticipated would be about Rs. 20,000.

NABHOVANI

In the case of 'Nabhovani', which was taken over by A.I.R. in December, 1948 and is now printed at Ahmedabad, it has been decided to print the journal in Bombay in order to increase sales and advertisement revenue.

SARANG

In the case of 'Sarang' with a view to increase circulation and revenue from sales the possibility of printing this journal in Lucknow or Allahabad is under consideration. Steps are also being taken to increase advertisement revenue by employing a more efficient advertising agent. The revenue from these measures is estimated at Rs. 16,524.

In view of the importance of Hindi, however, it is not proposed to make any reduction in the number of pages carrying programme details as at present.

AWAZ

In case of 'Awaz' the possibility of a two-page lay-out instead of the present three-page lay-out to cut down the number of pages, effecting a saving of Rs. 5,784 per annum is under examination.

Cheaper printing arrangements by inviting fresh tenders if necessary are also being considered.

VANI

As regards 'Vani', which was started as recently as May 1949, the existing advertisement tariff has been revised so as to attract more advertisements and thereby increase advertisement revenue.

The effect of these remedial measures described above has been shown in the attached statement in respect of each journal of A.I.R.

SAVINGS AND ADDITIONAL REVENUES ON A.I.R. JOURNALS

	Rs.
<i>Indian Listener</i> —	
Economy in staff	35,480
Increase of advertisement revenue by 25 per cent. over 1949-50 figures	30,000
Reduction in number of pages by four	30,000
Revenue from increase in price	39,000
	1,34,480
<i>Betar Jagat</i> —	
Reduction in pages by 4	29,496
Increasing price from As. 0-4-0 to As. 0-5-0	15,960
	45,456
<i>Vanoli</i> —	
Reduction in miscellaneous expenditure	20,000
<i>Sarang</i> —	
Revenue from increased sales and advertisements	16,524
<i>Awaz</i> —	
Introduction of 2-page lay-out	5,784

APPENDIX XLII

Note submitted by the Ministry of Rehabilitation explaining reasons why savings under Demand No. 73 for 1947-48 could not be surrendered.

The original budget for 1947-48 (Post-partition period)—the first budget of this Ministry—was prepared sometime in October 1947. At that time we had no details and no experience of work of this kind. Varying estimates were made by different persons but ultimately a sum of Rs. 22.00 crores was provided for.

2. Expenditure on displaced persons was incurred by various authorities all over the country and no information of the booked actuals was available to guide us in arriving at the revised estimates either. Ultimately, after taking various factors into consideration a sum of Rs. 1287.80 lakhs was considered sufficient for the year 1947-48 in the light of experience gained. Consequently a sum of Rs. 912.20 lakhs was surrendered. Against this final grant the booked expenditure amounted to Rs. 272.09 lakhs only, resulting in a saving of Rs. 1015.71 lakhs. The saving mainly occurred under the following heads:—

(Figures in lakhs of Rs.)

Head of account	Savings	Remarks
(i) Evacuation	56.65	Savings mostly occurred under rail charges due to non-settlement of allocation of expenditure between India and Pakistan and delay by Railways in raising debits.
(ii) Relief—		
(a) Fooding, Clothing, Medical Charges and Establishment.	190.39	Mainly due to non-receipt of debits for supplies made by the other Ministries etc., and non-adjustment of expenditure incurred by Provinces due to delay in the issue of orders regarding allocation of expenditure.
(b) Accommodation	118.09	
(c) Grants to Provinces	628.82	
(iii) Rehabilitation	25.00	Anticipated expenditure on rehabilitation schemes did not materialise.
Total	1018.95	

3. It will be noticed that the savings were due mainly to other Ministries and State Governments not having adjusted the expenditure incurred. The Ministry did not surrender the amount, as it was anticipated that debits from State Governments etc. will be adjusted in the March Final or Supplementary accounts. Actually the expenditure was adjusted in the accounts of next year (1948-49) when we had to obtain a supplementary grant of 911.32 lakhs. It would thus be seen that, on the whole the estimates prepared by the Ministry for 1947-48 and 1948-49 turned out to be accurate. The saving in 1947-48 and the supplementary grant in 1948-49 almost cancel out each other.

APPENDIX XLIII

MINISTRY OF HEALTH

Memorandum explaining the reasons for variations in original grant, final grant and actual expenditure under Grant No. 72-Misc. P—Assam Relief Measures. P-2. Other Charges for 1948-49.

In September, 1948, the Government of India sanctioned the payment of an *ex-gratia* grant @ Rs. 400 per house/shop in respect of 800 houses in the Manipur villages within a radius of 5 miles of Imphal and 60 pucca shops in the area formerly known as the British Reserve of Manipur, which were destroyed by Japanese bombing during World War II, subject to the condition that, in each case, no financial assistance had till then been received by the person concerned from any other source for the rebuilding of the house or shop. An expenditure of Rs. 3,44,000/- was anticipated on this account and the amount was provided in the final appropriation for 1948-49 by a supplementary grant of Rs. 2,69,000/-. As, however, no claims for payment were preferred by the Manipuris till about the end of the financial year, the entire provision lapsed and resulted in the final unadjusted saving. No expenditure was incurred in subsequent years also as no data could be found to have definite proofs of such claims. The idea of giving such compensation was held in abeyance and a proposal for a lump grant to the Manipur State was then made. This proposal was also subsequently reviewed in December 1949 and abandoned. It was decided in 1950 to revert to the previous procedure of examining individuals claims by a Special Officer and the C. C. Manipur, was empowered to settle all such claims.

APPENDIX XLIV

INDIAN POSTS AND TELEGRAPHS DEPARTMENT

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 (now Accountant General Posts and Telegraphs) 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 (*Annexure I*) which indicates the action taken on the various suggestions of the then Chief Accounts Officer, Stores and Workshops. In regard to workshops, however, a Board of Management has since been formed and the suggestions relating to the workshops have to be considered *de novo* by this Board of Management. The present system of working in the Stores and Workshops is working satisfactorily and no serious irregularity has so far come to notice.

ANNEXURE I

Statement

C.A.O's Recommendations. 1	Action taken 2
1. <i>Location of Alipore Storeyard and Workshops.</i> Suggested shifting of the Alipore Stores and Workshops.	The Director of Telegraph Stores and Workshops has been addressed to pursue vigorously the question of an alternative site. The matter is under discussion with the West Bengal Government.
2. <i>Purchase, inspection and custody of Stores.</i> Suggested (1) Separate Committee for purchases and (2) Separate organization 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.
3. <i>Forecast for purchase of Stores.</i> Suggested that the normal rules should be followed strictly.	Instructions have been issued that the normal rules for submission of forecasts should be followed.

1	2
<p>4. <i>Contracts for purchase of Stores.</i> Suggested formal Contracts to be entered into for purchases in excess of Rs. 2,000.</p>	<p>The views of the Director of Accounts, Telegraph Stores and Workshops have been called for.</p>
<p>5. <i>Checking of Rates.</i> Suggested that copies of all contracts and orders for purchases should be sent to the Accounts Office.</p>	<p>This is already being done.</p>
<p>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 Registered firms should be kept and revised every year.</p>	<p>Proposal has been accepted.</p>
<p>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.</p>	<p>Recommendation accepted and instructions issued.</p>
<p>8. <i>Splitting up of purchases.</i> Suggested withdrawal of orders relating to splitting up of purchases.</p>	<p>Instructions have been issued to stop with immediate effect splitting up of purchases.</p>
<p>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.</p>	<p>Proposal accepted.</p>
<p>10. <i>Estimate of Work Orders.</i> Recommended a formal Schedule for issue of raw materials for each type of work.</p>	<p>Proposal accepted. General Manager, P. & T. Workshops is being asked to implement this.</p>
<p>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.</p>	<p>Accepted and instructions issued to the Director of Telegraph Stores and Workshops.</p>
<p>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.</p>	<p>The matter is being referred to the Board of Management of the P. & T. Workshops.</p>
<p>13. <i>Control over the employment of labour in Workshops.</i> Recommended that S.Ws. power of employment of labour should be restricted.</p>	<p>The matter is being referred to the Board of Management of the P. & T. Workshops.</p>

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<p>14. <i>Check of attendance.</i></p> <p>Suggested that Head Time Keeper should be placed under the administrative control of the A.O. and independent check of absentee list should be made by preparing two absentee lists, one by the Head Time Keeper and the other by the Shop Clerk.</p>	<p>Recommendations accepted and instruction issued for their implementation.</p>
<p>15. <i>Promotion of Workers.</i></p> <p>Promotions of workers should be on the lines in the State Railway Workshops. Service rolls should be opened for each worker.</p>	<p>This is being referred to the Board of Management for consideration.</p>
<p>16. <i>Payment by results, Piece work and Bonus system.</i></p> <p>Suggested adoption of the Railway system of assuring certain more wages to the workers and also a production incentive.</p>	<p>This is being referred to the Board of Management for consideration.</p>
<p>17. <i>Booking up of idle time.</i></p> <p>Suggested that idle time due to delays and holdups due to breakdown of plants should be booked separately.</p>	<p>A report has been received from the Cost Accounts Officer and the same is being referred to the Board of Management for consideration.</p>
<p>18. <i>Control of the Workshops Stores Depots.</i></p> <p>Suggested that the Workshops Store Depots should be transferred to the control of the C.T.S.</p>	<p>This is being referred to the Board of Management for examination.</p>
<p>19. <i>On Cost.</i></p> <p>Suggested modifications in the system of On Cost percentage.</p>	<p>The report of the Cost Accounts Officer has been referred to the Board of Management for consideration.</p>

APPENDIX XLV

Director General of Posts and Telegraphs Memorandum No. F.1-1/50/- Pt. dated the 15th June 1951, to all Heads of Circles

SUBJECT:—*Disciplinary Action for Negligence or misappropriation of Government Money.*

Attention of all concerned may kindly be invited to the instructions contained in para. 2 of the Director General's Memo. No. F. 1-1/50 dated the 31st January, 1950 (Copy enclosed) and to Rule 103 of P. & T. Manual Vol. II, and all punishing authorities may be instructed to keep in view the loss sustained by the Department while considering the question of awarding any of the statutory penalties, including that of recovery of a part or whole of the loss sustained by the Department, not only from the officials held responsible for the same but also from those who by their negligence or omission contributed to the commission of the offence or to the hindrance or the frustration of the enquiries.

2. Receipt of this letter may kindly be acknowledged and a copy of the instructions that may be issued by you in the matter, may be forwarded to this Office for record.

Copy of Memo. No. F. 1-1/50, dated 31st January 1950, from the Office of the D. G. P. & T., New Delhi, to All Heads of Circles (By Name).

The Public Accounts Committee, before whom I appeared on the 20th January, 1950 expressed themselves strongly regarding the losses which the Department suffers on account of forged money orders, loss of insured covers and misappropriation in Savings Bank Accounts. They considered that lapses on the part of the officials were sometimes viewed lightly and that there was a general tendency to give officials the benefit of the doubt regardless of whether the doubt was reasonable or otherwise. They desired that every one should have a livelier realisation of the responsibility arising from his trusteeship of public money.

2. Where the Department is put to loss, the responsibility of every one whose negligence or misconduct has contributed to the loss must be fixed, and the punishment imposed must be such as will have a deterrent effect on others. Officials should not be allowed to evade punishment by retiring etc. To be effective, the punishment should be not only sharp but prompt, since delay only dulls its edge.

3. If there is any tendency on the part of your subordinates to take too light a view of embezzlements etc. or to be dilatory, you should not hesitate to step in and pull them up or in the alternative to inform the Directorate. They must be made to realise that all cases of loss and irregularities are brought to the notice of the Public Accounts Committee and through them to the Parliament and that the Director General is closely questioned about the action taken by them of those cases. Where Officers go wrong, he will admit their mistakes before the Committee and later on will be constrained to take disciplinary action against not only the punishing authorities but also their superior officers who failed to take sufficient cognisance of the mistakes.

4. Please acknowledge the receipt of this to Mr. R. C. Vaish, Deputy Director General. Spare copies of this letter are being enclosed for transmission to subordinate punishing authorities.

APPENDIX XLVI

INDIAN POSTS AND TELEGRAPHS DEPARTMENT

OFFICE OF THE DIRECTOR-GENERAL OF POSTS AND TELEGRAPHS

Memorandum regarding items 1 and 40 of the statement of losses written off referred to in the Audit Report 1948 (prepartition)

In compliance with paragraph 45 of the proceedings of the Public Accounts Committee meeting held on 12th January 1951, further action taken in the cases mentioned above is furnished below:—

- (i) In the first case of loss at Nowgong treasury, the punishing authority did not take any further action against the treasurer Nowgong post office for the following reasons:—
- (a) that no charges could be established against the treasurer since at the time of occurrence of the loss the rules regarding responsibility of the person escorting cash remittance was not explicit;
 - (b) that the treasurer was already required to pay a sum of Rs. 1,500 in connection with the non-receipt of a parcel insured for Rs. 3,000 sent from Nowgong Head Office to a branch office. The treasurer was at that time working as sub-account clerk of Nowgong head office and the penalty imposed was for his failure to observe the provisions of rules 635 of P. & T. Manual Vol. VI regarding the closing of bags containing valuables to branch offices, and
 - (c) that any further monetary recovery from the treasurer would cripple him and affect his efficiency.
- (ii) In the case regarding loss of Rs. 5,000 in currency notes at the Imperial Bank of India, Gorakhpur, the then head postman and the Assistant Treasurer of Gorakhpur head office were held responsible for the loss. The head postman having died shortly after the occurrence and the resignation of the Assistant Treasurer having been accepted by the Superintendent of post offices no recovery was made towards adjustment of the loss and the

entire amount was written off. Before accepting the resignation of the Assistant Treasurer, the Superintendent of post offices enquired from the Postmaster-General whether the official's resignation could be accepted. In reply, the Postmaster-General told him to use his discretion in the matter. The Assistant Treasurer was not actually present in the Bank at the time of loss and as such, the Superintendent of post offices was not inclined to hold the Assistant Treasurer responsible for the loss and accepted his resignation.

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APPENDIX XLVII

Copy of Office Memorandum No. 4668-A/51 dated the 22nd August, 1951 from the Ministry of Communications to the Parliament Secretariat

SUBJECT:—*Financial results of the working of the agreement with the Air India International for the calendar years 1948 and 1949.*

A reference is invited to the Ministry of Communications Memorandum No. 23-A/2-51, dated the 15th January 1951* giving the principal financial provisions of the agreement between Government of India and Air India International and the financial results for the calendar years 1948 and 1949.

2. As regards the calendar year 1950, it was stated in the Memorandum that the Company expected that the operations during that year would show a small profit. The audited accounts of 1950 are now available and according to them the Company made a profit of Rs. 19.72 lakhs. It should, however, be mentioned that out of this a sum of Rs. 11.4 lakhs represents the difference between the depreciated book value and the original cost of one of the Company's aircraft which was lost in an accident in Europe and the full replacement cost of which was recovered from insurance. Under the terms of the agreement with the Government of India, 50% of the annual profits are to be paid to Government towards reimbursement of amounts paid by Government to the Company in making good previous losses including initial expenses incurred prior to the commencement of operations. Accordingly a sum of Rs. 9.86 lakhs representing half the profit for the year has been transferred from the profits for the year 1950 to the Government Indemnity Account. The Government Indemnity Account as on 31st December 1950 stands as follows:—

	1950	
	Rs.	Rs.
To 1/5th of Initial Expenses including Training recoverable from Government	2,54,037	2,54,037
To Balance repayable to the Government of India (subject to adjustment)	7,31,988	2,10,229
	<hr/>	<hr/>
	9,86,025	4,64,266

*Cf. Appendix XXI of the Report of the Public Accounts Committee on the Accounts of 1947-48 (post-partition).

		1950	1949
	Rs.	Rs.	Rs.
By balance due to the Government of India as per last account	2,10,229		
Less—paid this year	2,10,229		
By 50 per cent. of Profit of the year		9,86,025	4,64,266
		<u>9,86,025</u>	<u>4,64,266</u>

NOTE :—

Amount contributed by Government towards previous losses			19,79,254
Less—Amount repaid out of 1949 profits	2,10,229		
Less—Amount repayable out of this year's profits	7,31,988		
			<u>9,42,217</u>
Balance repayable out of future profits			<u>10,37,037</u>

It will be seen that the Company's contingent liability to Government to be met out of future profits was Rs. 10.37 lakhs at the end of the calendar year 1950.

3. The Company has also created a special Government Indemnity Reserve Fund by the appropriation of Rs. 10 lakhs out of profits. Assuming that no losses will be incurred in 1951 or future years, this Reserve Fund will suffice to repay practically the entire balance still due from the Company to Government.

APPENDIX XLVIII

MINISTRY OF TRANSPORT

Note in respect of para 23(d) of the Audit Report 1950—Financial Settlement with U. K. Ministry of Transport in respect of Indian Registered Ships requisitioned by them during the Last War

During the last War a number of ships borne on the Indian Register were requisitioned by the Government of India and placed at the disposal of the military authorities at the request of the United Kingdom, Ministry of Transport. These ships were used exclusively in HMG's service, but as the requisitioning was done by the Government of India, the task of settling the terms of hire etc. to be paid to the shipping companies fell on the Government of India. In this connection the arrangements made between HMG and British ship-owners in respect of ships requisitioned in the U.K. were examined but in view of the fact that the position of shipping companies and the other relevant conditions in India were greatly different from those in the U.K., the Government of India took the view that, while in general form the U.K. scheme could be made applicable, the terms for compensation in respect of individual items comprised in that scheme would have to be modified to suit conditions in India. The U.K. Government did not, however, accept this view and informed the Government of India that they considered it unreasonable for the U.K. to pay higher rates for Indian shipping than for the U.K. and Dominion shipping. They accordingly proposed that, whatever arrangements might be made between the Government of India and ship-owners, the arrangement between the two Governments should be based on the U.K. terms. This proposal was agreed to by the Government of India in 1946. Subsequently, after negotiations with the shipping companies, the then Controller of Indian Shipping communicated to them the terms finally settled by the Government of India. Payments have since been made to the shipping companies in accordance with these terms by the Government of India on behalf of the U.K. Ministry of Transport.

2. As regards the steps taken for recovery of the amounts paid by the Government of India, this question was taken up in 1946 as soon as the terms of hire were finalised. The details of the claims are complicated and voluminous. After examination of the whole issue carefully by the late Controller of Indian Shipping and the late

Commerce Ministry in consultation with the Ministry of Finance, the U.K. Government was addressed through our High Commissioner in London in December 1947.

Reminders for expediting settlement were sent to the High Commissioner from time to time and the High Commissioner for India in his turn reminded HMG for early settlement. But the latter pointed out that owing to the intricacy of the subject, it would take time before they were in a position to furnish a final reply.

In May 1948, the Sterling Balances Delegation to England was furnished with a brief regarding the case. The U.K. Government handed to this delegation certain counter-proposals which however the delegation did not discuss in the U.K., as it was felt that issues not connected with the Sterling balances negotiations (including our claim against HMG for compensation in respect of Indian requisitioned ships) could not be mixed up with those negotiations and would have to be pursued in the normal way. The substance of the U.K. Government's counter-proposals was that their previous proposals should generally be adhered to. The proposals were examined in detail by the Controller of Indian Shipping and necessary material for conducting further negotiations was prepared. It was, however, considered by the late Commerce Ministry that having regard to the scale of the transactions involved and the delay that had already taken place, it would be justifiable to depute an officer from India to U.K. to carry on personal negotiations with HMG and arrive at a quick and equitable settlement. In July, 1949, the Finance Secretary who was proceeding to the U.K. on official business took the brief with him but did not get time for the discussions. He therefore handed over the papers to the High Commissioner for India who agreed to take over the negotiations and continue to press HMG for a reasonable and acceptable solution.

In August, 1950, the Government of India received the U.K. Government's reply which the Director General was instructed to examine. As the issues involved were complicated and as the details regarding figures had to be checked up in consultation with the Accountant General, Bombay, the Director General of Shipping could not send his comments till January 1951. In February 1951, the Indian Trade Commissioner in London suggested to the U.K. Ministry of Transport that the latter might make a provisional payment of the sum that was mutually agreed to be beyond dispute, without prejudice to the final settlement. The U.K. Government did not agree to this. After obtaining further clarification from the Director General on all outstanding points and obtaining the concurrence of the Ministry of Finance, the draft to London containing

the fresh proposals of the Government of India was issued in June 1951. It is hoped to finalise the settlement soon.

3. India's final claims against the U.K. Government work out to approximately Rs. 5,76 crores against which they have agreed to a figure of approximately Rs. 5,43 crores. The amount still in dispute is about Rs. 33 lakhs. The High Commissioner has been adequately briefed to pursue the negotiations with the U.K. Ministry of Transport and reach an early settlement.

APPENDIX XLIX

Proceedings of the Meeting of the Public Accounts Committee held on Wednesday, the 9th May, 1951

1. The Committee met from 5-30 P.M. to 7 P.M.

2. Those present were:—

Shri B. Das (*Chairman*).

Prof. K. T. Shah.

Pandit Krishna Chandra Sharma.

Shri H. S. Rudrappa.

Shri S. N. Das.

Shri T. H. Sonavane.

Shri Ram Chandra Upadhyay.

Dr. Mono Mohon Das.

Shri M. V. Ghule.

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Members

Shri P. D. Pande, Deputy Comptroller and Auditor-General of
India, New Delhi.

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

3. At the outset the Honourable the Speaker addressed the newly elected Committee (cf. *Annexure I*) regarding the scope and functions of their work and how it should be carried out under the new constitutional set-up. The Chairman thanked the Honourable the Speaker for his having addressed the Committee.

4. The Committee then took up the next item on the Agenda, *viz.*, the fixation of the programme for the examination of the Appropriation Accounts of the year 1948-49 and Audit Reports thereon and the unfinished Accounts of 1947-48 (post-partition). After a brief discussion it was decided to postpone consideration of this item till the 22nd May, 1951 when it was expected that the Comptroller and Auditor-General would be able to attend the meeting of the Committee. Referring to the present state of the Appropriation Accounts for 1948-49 and Audit Reports thereon, the Deputy Comptroller and Auditor-General (who represented the Comptroller and Auditor-General) stated that all these documents were nearly ready and that

they would be made available to the Ministry of Finance for being laid on the Table of the House before the current session concluded. In view of the impending elections during November-December the Committee desired that they should meet for a fortnight or so from the middle of July next and complete examination of the Accounts of 1947-48 (post-partition) relating to those Ministries which could not be taken up by the previous Committee for want of time simultaneously with the Accounts of 1948-49.

5. A reference was made to the implications involved in the suggestions put forth by Prof. K. T. Shah, in his letter dated the 3rd March, 1951* suggesting certain changes in the form and structure of the Report of the Public Accounts Committee as also the extension of the scope of functions of the Committee to the scrutiny of the Revenue side of Government Accounts, Borrowing, Public Debt, etc. Since Prof. Shah's letter envisaged certain radical changes in the entire structure of Government accounting and other fundamental principles underlying the compilation and audit of accounts, it was considered expedient to defer discussion on the matter till the comments of the Comptroller and Auditor-General had been received.

6. The Committee adjourned to meet again at 5 p.m. on the 22nd May, 1951.

ANNEXURE I

Address delivered by the Honourable the Speaker at the Meeting of the Public Accounts Committee held on the 9th May, 1951.

Friends,

It is a pleasure to be with you after a long period of about a year. Last year, when this Committee was constituted, I came to the first meeting and placed before the Committee what I felt should be the proper functions of the Committee. I then made it clear that, I was not coming as an expert; I was only giving the layman's ideas about the functions of experts. For, I have always believed that, after all, whatever the quality and quantum of expert knowledge, it has to be tested by the service it renders to the common consumer and, therefore, the consumer or the layman's ideas in this respect have to be taken into consideration.

Now I have to say something more. A couple of days back, I met our friends on the Estimates Committee. Their functions, in a sense, having to do with the running expenses of the year, have

something more to do with the running administration. By that, I do not mean to suggest that this Committee has nothing to do with the administration or that its functions are merely *ex post facto*. It can influence a good deal, even the running administration, as we always profit by past experience. So the experience and suggestions of this Committee will be helpful a good deal to the Estimates Committee and their deliberations also are bound to be helpful to you—though not as much as your deliberations are to the Estimates Committee. That way both the Committees are inter-related. It may also be said that all Committees of Parliament are inter-related, because, they are merely different organs of the same body or body-politic of our Republic, intended to serve the best interests of the People. It is our experience even in the smallest sphere of a joint family, having a large number of members (ten, fifteen or twenty), that it is the principal man or the head of the family who has to be careful, keeping a very close eye on every item of expenditure. The members work with a feeling of oneness with the family, the resources are theirs and they are no doubt careful. Still they cannot be expected to be careful to the extent to which the principal man cares for them. And when we come to a large administration of a governmental machinery, particularly such a big administration as the Government of India, which is concerned with the entire Union, there is a much greater need of the financial control. When we say financial control, it is not the idea that we try to sit tight on somebody. No, we try to sit tight on ourselves. Because, we are all functioning towards the same end through different directions. The Ministry functions. Then, the several Ministries connected with the whole administration function, though of course they function as Departments. But they function for one common idea. Just as in the body the same blood must run through all the veins and the purity of the blood has to be maintained, so that the vein in each organ might develop into proper proportions and strength, so in administration also, though different functions are allotted to different bodies or different departments, the purity or the ideal must be the same all-round. Unless, we are in a position to achieve that, it will not be possible to run an ideal administration in the best interests of the people taking into consideration the welfare of every person. It is not a rule for the few but for the entire benefit of all people. From that point of view, a system of financial control very properly devised and very carefully worked is, to my mind, the *sine qua non* of good administration. The administration, of course, will not be just a machine. It will have a human element, a human touch. We shall not be rule-bound: yet it does not mean that we shall all be free to act as we like. We must go by certain rules and regulations. But a financial control is necessary, because, when the administration is so wide that one part of it does not know what the other part

is doing, each part looking to its own little field of jurisdiction, it tends always to become more costly; sometimes it becomes wasteful by duplication of the same thing in different departments. It is, therefore, necessary that there should be a complete check-up of all expenditure. And, when we are exercising the power of taxing the man in the remotest corner of the country who is not yet conscious of his right to ask for accounts from us of what is taken from him as taxes our responsibility becomes all the greater. I, therefore, believe that there can never be too much of financial control in any parliamentary or democratic Government. It is possible that some of us may sometime be criticising wrongly or may be having fantastic notions—may be, having notions which have no relation to realities or facts; and yet taking all that into consideration, it is not possible to complain that there is too much of control. The control has to be there and, therefore, you will see that, in the system of Government, control at various stages is contemplated. In the first place, Government cannot spend what you do not sanction. That is the first control. If you are dissatisfied with the way in which the Government are acting, then we say: "We will not allow you the budget grants". How far we are able to do that is another matter. I am talking about the theory of it and our attempt has been to reach the ideal through this parliamentary system of Government. The second control is that they must put the whole amount into the Consolidated Fund, so that nothing can be drawn out merely because the vote is there. Before drawing, the legislature or the departments are to be satisfied that the money is being taken out for the purpose of which it has been sanctioned.

Then, there is the Estimates Committee which also exercises a sort of control, examines the thing as to how far these estimates are correct, what scope of economy is there, etc. Then after this, there is audit which is to see that the money is spent in a proper manner and the accounts are properly maintained. The keeping of accounts is not merely a formal matter, but it is a matter of substance. Many people ask "what is the good of writing all these accounts: I know what I earn and what I spend". This may do so far as individuals are concerned; even there I do not think, it is all right because, we must train our minds to a habit of organizing and planning things, of having an estimate as to how we spend our lives and our monies; and it is that habit of accounting—not for the love of money or as to how much money is saved,—for which, it is necessary that we must keep accounts—and those accounts must be kept very carefully, correctly and truly. The object of keeping of accounts is to have the truest possible picture of everything, not only to give us an idea as to how far the anticipations as to estimates have come out true but further to give us an idea for the future also. Therefore,

audit is there and in the long course of about 35 years of public life, I have always considered it necessary that, there should be an audit of every little account of every little public body. In fact, I have insisted upon accounts being properly kept and shown in public whenever anybody wants that to be done. Sometimes, if somebody asks us: "Well, we gave in your charge Rs. 1,000. What have you done? How have you done?" The first reaction of many of us is: "Well, why don't you trust me? Do you mean to say that I have not properly spent them?" That, to my mind, is a wrong conception. There can be never a more anti-self-government attitude than this kind of thing. We want the people in *Swaraj* (self-government) to be so strong and to be so intelligent that they will refuse to part with a single pie by way of taxation to any Government including their own, unless, the Government is in a position to account for every pie that is taken as taxation, and satisfy the people that Government have spent the money for the best purpose possible and for their benefit. In fact that is, I believe to be the substance of self-government. That is what we want. So from that point of view, accounts are a matter of great importance and, therefore, we have several rules to devise, as experience has grown, various methods of keeping accounts, checks and counter-checks etc. The idea is not merely to stop leakage somewhere here or there but to be exact in all respects. The Auditor looks into the little things brought before him viz., the vouchers etc. and he certifies that the accounts are quite all right. After the accounts are audited by the Comptroller and Auditor-General, they come up before your Committee. That is, I believe, the final stage of check-up. Here, people from outside say: "What is the good of this Public Accounts Committee? What is the Committee going to do after the monies are spent? Even if you criticise, it is not going to come back from the pockets of those who have mis-spent the money. What is the Public Accounts Committee going to do further now?" This is not, to my mind, a legitimate or proper question to be put. It is true that, so far as the expenditure is concerned, the auditor's findings are, in a sense, limited. They are bound to be, because we want to examine the whole field of expenditure by compartments—by division of responsibilities. The auditor, when he sees an item of expenditure, will first verify as to whether there has been a budget provision for this, whether the money was voted for a particular item or head of account and whether the expenditure is incurred with proper sanctions which are required by the rules and regulations of the department, i.e., the Ministry of Finance. That means the auditor will be sitting as a sort of watch-dog to see that nothing is removed outside unless that is authorised by the budget grant passed by the Parliament and that, whatever is removed, is spent for the purpose for which it has to be used. If grain is given for purposes of seed, if I

may use this analogy, the auditor will see that the seed is not utilised in preparing cakes, that it goes to the field to be used as seed. That is the purpose of the audit. Ultimately, of course even if you find that the money has been properly spent but still if the money has not been spent with proper sanction or in a proper manner, the auditor will point out the defect. All this knowledge is of importance to see as to how far the rules we have made to achieve the highest degree of efficiency; for spending and accounting, are properly adhered to. Of course, the question of false vouchers and false accounts is quite a different matter. In spite of the best control exercised by the Government, Legislature and the Auditor, false accounts and false reports are brought to light in the course of public administration. They are, of course, matters of exception rather than the rule. Such matters come before the Public Accounts Committee with the report of the Auditor who will point out all sorts of irregularities, cases involving expenditure not covered by the grant, and the re-appropriation of funds within a grant or appropriation without the formal orders of the competent authority.

Then it will be for this Committee to see something beyond that. As the Committee consists of Members of Parliament it means that it consists of people charged with the responsibility to ensure that every item of expenditure is incurred in accordance with the rules laid down for the purpose. As Members of the Public Accounts Committee, without looking into the merits of the expenditure posted in the accounts, you are charged with satisfying yourself that the moneys shown in the accounts were legally available for and made applicable to the service or purpose to which they have been applied. Being the Members of Parliament, who sanction the budget, the knowledge that you get here ought to be helpful to you in exercising or checking the estimates when they are being sanctioned and that knowledge is useful for the Estimates Committee as also for the Standing Finance Committee. Therefore, the Committees of Parliament which apply their mind to this expenditure at one stage or another will take into consideration the objective as to why the monies were sanctioned; they will not discuss the policy underlying them; they will try to grasp the policy. I will make the point clear by going a little further and say that the Committee will have, to my mind, the authority to consider as to whether the money spent for a particular policy has been fruitfully spent or not. The auditor cannot go into that. The auditor will say: 'According to the Resolution, the money has been spent'. He will certify to that effect, but it will be for the Committee consisting of Members of Parliament responsible for good administration of the country, to see whether the expenditure, though properly incurred so far as the keeping of

accounts is concerned, and so far as the financial sanctions are concerned, whether the policy in pursuance of which the work has been undertaken has really been a good policy, and whether from that point of view the money has been actually and properly applied or not. This function is a little wider but in substance the opinions that you form, the experience that you gain, are useful for the administration. That to my mind, broadly speaking, is the function of this Committee. It is not, merely, the function of the Committee hereby to point out the irregularities. You have been appointed by the Legislature and if you do not express where you are not satisfied, then there is no meaning in having a Parliamentary Committee. The usefulness of the Parliamentary Committee is to bring under examination, in the light of experience gained after having worked the schemes, to be able to advise and report to Parliament whether the monies that they have voted have really been spent for services which, in the opinion of this Committee are useful or serviceable to the nation. The Estimates Committee will deal with the estimates and that is a different aspect but the same aspect practically in a different form. They also will apply their mind in the same manner as this Committee will apply their mind, in the light of your experience because after all they are trying to save something for the future but here you have a picture of the past and that places the Ministry of Finance, the Government and the Estimates Committee in a better position. That seems to me to be the scope of the Committee. Sometimes, much is made of the rules, whether under this rule it can be done or under that rule it can be done etc. To my mind, in any administration if you want to have the administration as a composite one and not in compartments, there is nothing which is quite independent of another. All things are interdependent on one another. All things are interdependent and, though my hand is separate from my eyes, my body being a whole, the same blood is being circulated and one part has got relation with the other. For purposes of finance and better work, we have departments and we have different committees, but, if anybody asks me as to whether that is exclusive of the other, I am prepared to say that theoretically at least it cannot be. They are all interdependent, taking a broad view of the matter and not trying to be too technical about it. These, as I have already stated are the objectives.

A note on "Parliamentary Control of Public Accounts" by Basil Chubb has been circulated to you. I take it that you must have gone through it. It is very interesting to read it and I should like to invite your attention to three points only. The functions of the Committee as defined there are to ensure that money is spent as Parliament intends. That is the most important point. Members of Parliament will better understand the intention and the mind of

Parliament than the Comptroller and Auditor-General and they can better exercise their discretion and judgment. The second is, to ensure due economies and, the third, is, to maintain a high standard of public morality in all financial matters. Wherever we find that something is done which is of an extravagant character, even though it comes in conflict with the interests of a particular officer or for the matter of that, even a Member of Parliament, it should be the duty of this Committee to point that out. If we really want to rise in the eyes of our countrymen, our function should be strictly honest. If a matter is wrong, we must raise our voice and create a public opinion even though it may involve the displeasure of some. It is one of the most important things to maintain a high standard of public morality.

I need not go into the other matters; there are one or two things which I found very useful in this note and to which I may invite your attention. So far as the Budget Estimates are concerned, so long as the proposals are before the House for sanction, not only you may have, but you should have your party alignments; because you come with a programme and you are entitled to say this much should be spent on this and this much should not be spent on that. But, the moment it is sanctioned, whether by a huge majority or a small majority, it is the sanction of the entire House and it becomes the business of every man in the country and every Member of Parliament to respect the final decisions of the House. We do not pass all our Bills unanimously; there are many dissentients. But, still, is it open to anybody to say when he is prosecuted under a particular law, that that law does not apply to him because he had voted against that law? Similarly, as soon as the expenditure is sanctioned by the House, whether you like it or not, at the time the expenditure comes for examination, party politics should never enter into the consideration. You are not sitting in judgment on the expenditure incurred keeping in mind your likes and dislikes. You cannot ignore an irregular expenditure merely because it is incurred say, on *Khaddar*. You may like the idea of, say, the upliftment of the Tribal areas. The moment you find that some money is spent irregularly, you should not say, it is all right, because it is spent for a good purpose. You are sitting there to go by what the Parliament has thought over the matter. That is the principle of democratic Government on Parliamentary basis. We are divided, opposed, so long as we discuss a matter, and so long as finality is not reached. The moment finality is reached, it should be the effort of every one to support that. Of course, it is open to any one to agitate and reverse the decision; that is a different matter. So long as the decision stands, it must be loyally given effect to. Unless we have that kind of mentality, it is not possible to run successfully any

Parliamentary system of Government. The direct corollary is that there must not be any party politics so far as examination of these accounts is concerned.

The other point, which I have often stressed, is that our approach to this examination has not to be that of an opponent who is sitting only to find faults, though it is the duty of the Committee to find out the defects and to correct them. The officials of the Government, the officials of the Audit Department, the officials of the Parliament Secretariat and Members of Parliament are all conceived to be a bigger family, each one playing his part for a common objective. Therefore, the approach of looking upon the permanent officers of the Services either in the Executive Government, or in the Audit Department or in any of the Government offices as some kind of opponents, who can never be trusted, who have always to be cross-examined, and in that cross-examination, one has to start with the presumption that they have to hide something from us, is a wrong approach. It is only a mere chance that one is in the Services and the other is in the Parliament. A man in the Services is no less honourable or less patriotic than a man who comes to the Parliament. I have, sometimes, noticed this sort of approach even in putting questions; sometimes, when I hear the questions in Parliament, my blood curdles: not at the way in which the question is put, but the mind behind the question. We can never proceed further if we have an approach of antagonism, if I may say so, an approach of distrust. It is only trust that will beget trust; it is always courtesy which begets courtesy. We cannot carry on a Government on democratic lines, unless, we understand and realise that, every one has got his self-respect, appreciates courtesies and confidence that you place in him; that is the only way, to my mind, of securing the loyalty and co-operation of the Services; not by regulations and rules. Whatever rules we may have, they will remain on paper and the human ingenuity will always find a way to avoid the rules. Therefore, even in cases, where you find that money has not been properly spent or proper sanction has not been obtained, or that the interpretation put by the Executive Officers, or the Audit Department is wrong, we have to see their point of view; and unless, one is convinced by proof, not by mere suspicion, that there is something wrong somewhere, in the sense that there is some misappropriation or mishandling of the money, our approach has always to be one of sympathy and one of give and take. That is my approach. If we follow that approach, I am sure, the Committee's work will be not only facilitated, but the Committee would be getting more help from those who are in the know of the day to day administration. After all, to what extent can the Committee look into the administration? It is only those who are in the know of day to day administration that can tell us. Only if your attitude is one of sympathy if you

treat them as colleagues, there is a greater chance of success in the examination than if your attitude is of mere criticism.

I saw your report. It is a very good document. I was making one suggestion to the Secretary, rather two, the first relating to procedure. I said, and, I say this with reference to a large number of Parliamentary reports that come in. I started the examination from the point of view of economy. I came to the same conclusion from another point of view also which is more important. In the course of our parliamentary life, we get a large number of reports, circulars, books and pamphlets. I do not know, I should not say about any other Member, but I can say for myself, whether members can or do ever read all of them. I have no doubt that at least 95 per cent., if not 99 per cent. of them go without being read. The fault is not ours, we have so little leisure to go through these reports. Papers are so accumulated that after a few years, they are either moth-eaten or are destroyed. We find the Government of India Book Depots disposing of, at the end of four or five years, a lot of material, as things to be destroyed. But, at all times, there is such a pressure on the printing presses and such a demand of paper which ultimately goes to waste. I was telling the Secretary, whether it will not be possible for the Parliament Secretariat to strengthen our Research Staff—I should not call it Research Staff—whatever the name may be—and have two or four men whose business it will be to cull out and bring forth small summaries in a popular manner, for the benefit of Members who cannot afford the time to go through all these bulky or technical reports. Take the University Commission Report, for example, a report of about 800 pages. It is not possible to study that. Therefore, I was asking the Secretary whether it was not better to have some kind of machinery whereby, just as we write textbooks for young students, small summaries could be prepared. While we are stalwarts in some branches, every one is a child in other branches. I am sure those who are not Doctors are quite like children so far as medicine is concerned. Though all these records are necessary to be preserved, still, for the benefit of the general public and for the use of Members of Parliament, it is necessary, I think, to have epitomised literature, giving the results in a manner which a layman can find interest in. If that had been so, I thought I could better benefit by the report of the Public Accounts Committee. I do not mean to suggest that you should present it in that form. My idea is that it should be one of the improvements. As regards printing also, I find all the proceedings are printed *in extenso* and it is in such a small type. It is a job to read them. This is also related to the approach to the question which I have in mind *viz.*, that the approach should be popular.

I thank you very much for giving me this opportunity to meet and talk to you.

APPENDIX L

Proceedings of the Meeting of the Public Accounts Committee held on Tuesday, the 22nd May, 1951.

1. The Committee met from 5 P.M. to 6-45 P.M.
2. The following were present:

Shri B. Das—*Chairman*.

Shri B. S. Hiray
Prof. K. T. Shah
Shri M. L. Dwivedi
Pandit Munishwardatt Upadhyay
Shri Tribhuan Narayan Singh
Shri S. N. Das
Shri T. H. Sonavane
Shri Ram Chandra Upadhyay
Dr. Mono Mohon Das
Shri M. V. Ghule.

} *Members.*

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

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

3. The Committee considered the programme of the meetings to be held in July, 1951 to examine the Appropriation Accounts of the year 1948-49 and the unfinished Accounts of 1947-48 (post-partition). The Committee decided to hold its sittings at 9 A.M. daily from the 9th to 19th July, 1951. It was also decided to hold a preliminary meeting with the Comptroller and Auditor-General of India at 5 P.M. on Sunday, the 8th July, 1951. The Committee agreed to the detailed programme of the meetings as set forth in *Annexure I*.

4. The Comptroller and Auditor-General of India then apprised the Committee of the latest position regarding the compilation of the Appropriation Accounts of the year 1948-49 and Audit Reports

thereon and their transmission to the Ministry of Finance for presentation to Parliament, as indicated below:

Name of the Accounts	Present position
1. Appropriation Accounts (Civil) and Audit Report, 1950.	Forwarded to the Ministry of Finance on the 21st May, 1951.
2. Appropriation Accounts of the Posts and Telegraphs Department, and Audit Report, 1950.	Forwarded to the Ministry of Finance on the 3rd May, 1951.
3. Commercial Appendix to the Appropriation Accounts (Civil) and Audit Report, 1950.	Will be forwarded to the Ministry of Finance shortly.
4. Appropriation Accounts of the Defence Services and Defence Audit Report, 1950.	Not yet ready. Will be forwarded to the Ministry of Finance shortly.
5. Commercial Appendix to the Appropriation Accounts of the Defence Services and Audit Report thereon.	Forwarded to the Ministry of Finance on the 16th March, 1951.
6. Appropriation Accounts of the Railways in India and the Railway Audit Report, 1950.	Expected to be forwarded to the Ministry of Finance by the end of May.

5. The Committee then took up for consideration the question of delay in presentation to Parliament of the Appropriation Accounts of the Railways in India for 1947-48 (post-partition) and the Railway Audit Report, 1949 in accordance with the ruling given by the Honourable the Speaker in the House on the 21st March, 1951. In this connection, the Comptroller and Auditor-General stated that there should be a provision similar to that which exists in the Exchequer and Audit Department Act passed by the U.K. Government whereby the latest date by which the Accounts and Audit Reports must be submitted by the Comptroller and Auditor-General to the President as also the date by which the President must lay them before Parliament, is specified and a further provision whereby it would become incumbent upon the President to send copies of the Audit reports direct to the Honourable the Speaker, if the report could not be laid before Parliament by the specified date. Elucidating the point further, he said that even in the absence of a provision to that effect, he had a feeling that under the Constitution, it would be permissible for him to act in that manner. Before, however, the Committee proceeded in the matter, they desired that the Ministry of Finance should furnish a detailed memorandum* explaining the reasons for the delay in the

*Since circulated *vide* Appendix XX.

presentation of these Accounts to Parliament and the remedial measures, if any, taken or to be taken to avoid such delays in future.

6. The Committee then discussed Prof. K. T. Shah's letter dated the 3rd March, 1951 which *inter alia* suggested the audit of Revenue receipts of the Government of India. The Comptroller and Auditor-General pointed out the difficulties that stood in his way in undertaking the work at the moment. These difficulties he said were mainly due to lack of adequate machinery and trained staff. Further discussion on the matter was postponed to a later meeting.

7. As questions asked in Parliament on the 12th May 1951, involved important issues, the Comptroller and Auditor-General made a statement (*Annexure II*) before the Committee clarifying the position in regard to the general principles underlying the drafting and presentation of the Audit Reports.

8. The Committee further wished to know in some detail the procedure in regard to the drafting of Audit Reports, giving opportunities to the Executive Government to make such observations on facts of important cases of financial irregularities proposed to be included in the Audit Reports. The Comptroller and Auditor-General described how the Audit Reports were made up and how each tier both on the Audit side and the executive side worked. He also stated that the Department or Ministry concerned was given an opportunity of suggesting correction or modification to the draft in such matters in which it was proposed to question their action. Elucidating the matter further, he stated that he was not an Executive Officer but he worked on his papers only and his inferences were based on the documents placed before him. It was only fair both to himself and to the Department concerned that he should ask them as to what they had got to say about the specific matter, and he had then to consider whether any modification was necessary to his earlier conclusions in the light of facts thus brought to his notice.

Attention of the Comptroller and Auditor-General was, however, drawn in this connection to the sub-para. under para. 5 of the Prefatory Remarks contained in the Audit Report, Defence Services, 1949 which reads as below:

“As there was considerable delay in some cases in the acceptance of the paragraphs of the Audit Report sent to the Departments (*now* Ministries) concerned, the Military Accounts Committee in their Report on the accounts of 1943-44 desired that not more than a period of six weeks be allowed to the Departments (*now* Ministries) to accept or modify the form of the paragraphs of the

Audit Report. If the Departments (*now* Ministries) were unable to do so within the prescribed time, Audit would be justified in treating its own draft as final".

The Comptroller and Auditor-General agreed with the Committee that the wording of the above passage was rather unfortunate. He, however, reiterated his viewpoint that since he had to deal with the Appropriation Accounts and Audit Reports of as many as eighteen or nineteen State Governments in addition to the four principal Accounts of the Government of India, he was anxious to see that his Audit Reports were a faithful record of facts. The Committee desired to know from the Comptroller and Auditor-General the precise position followed in this behalf in the U.K. and the U.S.A. The Comptroller and Auditor-General promised to prepare a note for the information of the Committee.

9. The meeting of the Committee concluded with thanks to the Comptroller and Auditor-General for his exposition of the position.

ANNEXURE I

PARLIAMENT OF INDIA

PUBLIC ACCOUNTS COMMITTEE

Programme of Meetings

APPROPRIATION ACCOUNTS 1947-48 (POST-PARTITION) AND 1948-49 AND AUDIT REPORTS THEREON.

JULY, 1951

	Time	Accounts to be examined	Ministry to be examined
Monday, the 9th	9 A.M. to 11-30 A.M.	1947-48 (post-partition) & 1948-49.	Food & Agriculture.
	11-30 A.M. to 12 NOON.	Do.	Labour.
	12 NOON to 12-30 P.M.	Do.	Law.
	12-30 P.M. to 1 P.M.	Do.	Supreme Court.
Tuesday, the 10th	9 A.M. to 11-30 A.M.	Do.	Home Affairs.
	11-30 A.M. to 12 NOON.	Do.	States.
	12 NOON to 1 P.M.	Do.	Information and Broadcasting.

	Time	Accounts to be examined	Ministry to be examined
Wednesday, the 11th	9 A.M. to 10 A.M.	1947-48 (post-partition) and 1948-49	Education.
	10 A.M. to 11 A.M.	Do.	Health.
	11 A.M. to 12 NOON.	Do.	External Affairs.
	12 NOON to 1 P.M.	Do.	Rehabilitation.
Thursday, the 12th	9 A.M. to 9-20 A.M.	Do.	Cabinet Secretariat.
	9-20 A.M. to 9-40 A.M.	Do.	Secretariat of the President.
	9-40 A.M. to 10 A.M.	Do.	Prime Minister's Secretariat.
	10 A.M. to 10-20 A.M.	Do.	Union Public Service Commission.
	10-20 A.M. to 10-40 A.M.	Do.	Partition Secretariat.
	10-40 A.M. to 11-30 A.M.	Do.	Ministry of Works, Mines & Power (now split up into Ministries of Works, Production & Supply and N. R. & S. R.).
	11-30 A.M. to 12-10 P.M.	Do.	Department of Scientific Research (now Ministry of N. R. & S. R.).
	12-10 P.M. to 1 P.M.	1948-49	Works, Production & Supply
Friday, the 13th	9 A.M. to 11-15 A.M.	Do.	Commerce and Industry.
	11-15 A.M. to 12 NOON	Do.	Transport.
	12 NOON to 1 P.M.	Do.	Communications.
Saturday, the 14th	9 A.M. to 1 P.M.	Do.	Finance (including Revenue Division).
Monday, the 16th	9 A.M. to 1 P.M.	Do.	Railways.
Tuesday, the 17th	9 A.M. to 1 P.M.	Do.	Posts and Telegraphs.
Wednesday, the 18th	9 A.M. to 1 P.M.	Do.	Defence Services.
Thursday, the 19th	9 A.M. to 1 P.M.	Do.	Defence (<i>Civil Grants</i>).
			Defence Services Accounts. Works, Production & Supply —(Defence Services Accounts).
			Food & Agriculture—(Defence Services Accounts).

ANNEXURE II

Statement made by the Comptroller and Auditor-General of India at the Meeting of the Public Accounts Committee held on the 22nd May, 1951 re: the procedure followed for the preparation and submission of Audit Reports to Parliament.

I have noticed in the *Hindustan Times* (Dak Edition) of the 13th May, 1951 that there was a debate in Parliament on Saturday, the 12th May, on the question of my visit abroad, my audit reports and whether those reports were available, and so on and so forth. There was further a specific question whether the Comptroller and Auditor-General after presenting the Audit Report to Government had subsequently edited it, that is, deleted certain portions or qualified his statements in some respects or added something to it for presentation to Parliament.

I was astonished to see this. There is possibly a misunderstanding because, we in the Audit Department do our work very quietly. The nature of our work is not known because we do not publicise it. I think it is just as well. The Police must not allow too many outsiders to peep into their methods of operation. In the same way, we, who exercise some sort of policing of public expenditure, financial matters and so on, do our work very quietly. There is a lot of ignorance prevailing about this, which is pardonable; of course, we suffer for that.

I am going very briefly to explain how the audit work is done. The accounts come to the Accounts Officers. They are all examined and checked up. So many questions are sent out, some of which may be for eliciting information. We ask the Executive for their explanation. The explanation comes. Then, if we are not satisfied, the Audit Officer sends it to the higher Officer asking him what he has to say. He may, perhaps, explain or say that the person concerned has been warned and so on. Perhaps, the Audit Officer may be satisfied after the receipt of the explanation, that there was nothing really wrong. That is how most of the things happen. There are some bigger things which are discovered in the course of audit. Correspondence may even go on with the Government and most of the correspondence is of the nature of asking for an explanation from the Government or for eliciting information or facts. Such correspondence is not a report. There are various stages and processes for Audit to satisfy itself that a transaction was regular or irregular. The Audit Officer may find that it is a bad enough matter, or it may be an ordinary irregularity which should not be

repeated, regarding which we would like to report to the Parliament. There may also be cases in which, at the instance of Audit, improvements in financial or accounts rules and procedure have been devised, or the authorities have refused to accept the advice of Audit. The Audit Report ultimately includes, at the discretion of the Audit authorities, an account of irregularities and other important or interesting matters. The more serious cases where the delinquents have not been adequately punished, are also reported. We report even where people have been sent to jail, and all sorts of things, which in our opinion ought to be reported to Parliament.

As to the process of preparing the Audit Reports, all the materials are collected in the form of Draft Paras by the Audit Officer concerned. The Draft Paras contain allegations of things that have happened or have been discovered in the course of the Audit. It is only right and fair to the Audit department as well as to the administration that the facts stated therein should be verified. These Drafts are not Audit Reports under Article 151 of the Constitution at this stage. These drafts are sent to the departments for their comments on the facts stated therein. If they say that they do not accept the facts, arguments ensue between the Audit, on the one hand, and the administration on the other. If they say that the facts stated are not correct, we ask them what the correct facts are. Then, they say that the facts are such and such. Evidence has to be produced by the administration in support of their statements being correct. If adequate evidence is produced to justify a correction in the Draft Paras, they have to be amended because the Audit Report must be a faithful statement of facts. It is prepared without fear or favour; without any affection or ill-will. It would be a miserable document if it were a prejudiced one or untrue to facts. Therefore, we give every opportunity to the authorities concerned to contradict our statement of facts and produce the requisite evidence in support of their case. After having done all this, the report is finalised. Until this stage is completed, the Paras are only drafts or provisional statements without any authority.

For all that is included in the Report, including opinions, the ultimate responsibility is that of the Auditor-General, who countersigns the report but he holds his Accountant-General responsible to himself. The Report could be challenged by the witnesses who may be called up by the Public Accounts Committee. The witnesses can say that the facts are not correct which rarely happens. Arguments ensue between the Committee and the witnesses. The Committee is helped by the Auditor-General. None of the preliminary correspondence or any correspondence taking place between the Auditing authority and the Government can be treated

as the Report. Even a commercial Auditor who goes to a firm, does all this preliminary work; that is not his report. The Auditor may have been wrong in his suspicions, and if adequate evidence is produced and if he is satisfied, there is nothing more to be said about it. The point that I want to make is that you cannot regard the intermediate correspondence between the Audit Officers or the Auditor-General, on the one hand, and the Administrative Officers or even the Government, on the other, as Audit Reports. Audit Reports are formal documents such as you have seen. They are formal documents bearing the certificate saying that this is the Report under Article 151(1) of the Constitution which I present to the Parliament through the President. Nothing else is a Report. I can assure you, nobody can tell me what I should or should not put in this Report. They may say that this or that statement of fact is not correct in which case it will be my responsibility if, in spite of their saying that it is not correct, I include it in my report. It is absolutely a matter for my discretion what to include. Of course, I have to rely on my Audit Officers to advise me as to what should be included here. Once any matter has been included in the Report and the latter presented to the President under Article 151 of the Constitution, there is no question of amending it and submitting a different report to Parliament from what I have put down in my Report under that Article. The discussion in Parliament has been very unfortunate and has been unfair both to the Government and to me. Indeed, I had commenced writing a letter to the Finance Minister on this matter, asking him to place it before the Speaker. To sum up, any correspondence that takes place between the Government on the one hand and myself or my Officers on the other, in the course of audit, with a view to eliciting further information or requiring the Government to take any particular action are not reports within the scope of Article 151. It is only when a final verdict has been reached on any particular matter and it is considered by me necessary to incorporate it in the Report submitted to Parliament that it is included. Correspondence cannot be treated as reports. Likewise, Draft Reports which are sent to the various authorities for vetting the facts are also obviously not reports under the Constitution. They become reports only after they are finalised in the light of the fully ascertained facts and are finally approved by me for submission to the President and the Parliament. It is most unfair to suggest that either the Government suppresses any of my reports, which they cannot and which I will not permit them to do—if I am asked to suppress any such report, there will be trouble; I shall report that to you if I am true to the Constitution. Once a formal report has been made under Article 151(1), it has to be submitted to Parliament and if any amendment is made by me subsequently, that amendment will also have

to be treated in the same formal manner. Normally, no such occasion has arisen except in the case of routine amendments of any inaccuracies in figures. Some figures might have been printed wrongly.

I noticed from the Press Reports that Shri Ananthasayanam Ayyangar had enquired whether there was any rule whereby certain portions of the Auditor-General's Report could be marked confidential and withheld from the Parliament. My Report to the President under Article 151 (1) of the Constitution is not confidential and no portion of it can be withheld from Parliament. And it is also a priced publication. It is a printed document. After it is laid on the Table of the House it can be purchased by the general public. Shri Kunzru was also wrong in assuming that after presenting the Audit Report to Government, I might subsequently add or delete some portion or qualify the statements. Again, I emphasise that draft paragraphs sent by my officers for verification or comments are not reports. You may prepare a rough draft, but until you sign it, it is only a draft, it is not the final document. It is a tentative statement under the consideration of audit. The Finance Minister has stated that unless he saw the Auditor-General's Report to the Public Accounts Committee, he would not be in a position to say whether there was any difference between that and the Audit Report that the Comptroller and Auditor-General submitted to President. There is some misconception here, because the Audit Report submitted to the President under Article 151(1) is precisely the same as that which is laid before the House and which is thereafter taken for consideration by the Public Accounts Committee. There is no separate Audit Report to the Public Accounts Committee from the one presented to Parliament.

You may, perhaps, like to show this to the Speaker or if necessary, make use of this information should there be a further occasion. Since one newspaper here has suggested that the Auditor-General might be interrogated or examined by the Public Accounts Committee, it struck me this might as well be cleared up here and included in the proceedings.

APPENDIX LI

Proceedings of the Meeting of the Public Accounts Committee held on Tuesday, the 18th September, 1951

The Committee met from 5 P.M. to 6-30 P.M.

Those present were:

Shri B. Das—*Chairman.*

Shri Ram Chandra Upadhyay

Prof. K. T. Shah

Shri M. L. Dwivedi

Shri Gokul Lal Asawa

Shri S. N. Das

Shri B. N. Munavalli

Dr. Mono Mohon Das

Shri Murlidhar Vishvanath Ghule. }
} *Members.*

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

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

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

At the outset, the Chairman informed the Committee that the draft report on the Appropriation Accounts (Civil) and (Posts & Telegraphs) 1948-49 and unfinished Accounts (Civil) 1947-48 (post-partition) examined by the Committee in July last was ready and would be circulated to the Members by the evening of the 18th September. The Committee agreed to hold a meeting at 4 P.M. on the 20th September, 1951 to consider the draft Report.

The Committee further agreed to meet at 4-30 P.M. on the 21st September, 1951 for a preliminary discussion with the Comptroller and Auditor-General of India on the various points arising out of the Comments contained in the Defence and Railway Audit Reports, 1950.

2. The Committee then considered the programme for the examination of the Appropriation Account (Railways) and (Defence

Services) and the unfinished Accounts (Civil) of 1948-49 and Audit Reports thereon. The Committee decided to meet daily from 3 P.M. to 5-30 P.M. from the 25th to 29th September, 1951 to examine these Accounts. They also agreed to the detailed programme of the Meeting as set forth in *Annexure I*:

3. The Committee then proceeded with the further consideration of the next item on the Agenda *viz.*, the letter dated the 3rd March 1951 (*Annexure II*) from Prof. K. T. Shah, a Member of the Public Accounts Committee—suggesting changes in the form and structure of the Report of the Committee and also extension of the scope of the functions of the Committee to the scrutiny of the Revenue side of the Government Accounts with special reference to the Borrowing, Public Debt, etc. The Comptroller and Auditor-General agreed with the views held by the honourable Member that the audit of Revenues should be undertaken and that the Revenue Accounts should also be examined by the Committee. He further stated that the Finance Accounts, which are 'an auditor's presentation of all the Government accounts *viz.*, receipts and outgoings of the Government for each financial year, that is to say the revenue and capital accounts, the accounts of the public debt and of the liabilities and assets of the Government concerned as deduced from the balances recorded in its books', contained an Audit Report and that like the Report on the Appropriation Accounts these would also be presented to Parliament. In regard to the position of the compilation of these Accounts he informed the Committee that the Accounts for 1946-47 were practically ready and they were being put into final form. As regards the Accounts for 1947-48—the year of partition of the country—he said that the main difficulty in the finalization of the compilation of the Accounts was due to the non-settlement of the Debt Balances on the date of partition with the Pakistan Government. He added that unless these Accounts were ready, they could not take up compilation of the Accounts for the subsequent years as the balances under the various Heads are required to be carried forward. The Committee expressed concern over the delay in the compilation of these Accounts. The Committee observed that their work would not be complete until the audit of the Revenue side and Debt Heads was also taken up. The Committee's aim for the examination of the Finance and Revenue Accounts was to explore the various sources of revenue, how they should be developed and utilized. The Comptroller and Auditor-General stated that with the idea of conducting a more thorough and scientific examination of the Finance and Revenue Accounts, he had already set up a separate wing with Accounts Officers having financial and statistical background.

To start with, the Committee desired that until the compilation of the F. & R. Accounts was brought up-to-date, the C. & A.G. should

furnish to them in an appropriate form to be devised by him an Account of the Revenue-earning Ministries showing the various sources of income and the total amount credited to the Exchequer together with his Audit Report. This Account should also embrace the Borrowing and Debt sides of the Government's activities. Such a compilation, the Committee observed, would enable them to suggest measures for economising public expenditure. The Comptroller and Auditor-General promised to furnish the Committee with the Accounts and Audit Report on the Revenue, Debt and Borrowing sides of the Central Government's Accounts as soon as it was compiled.

4. The Committee then adjourned to meet again at 4 P.M. on the 20th September 1951.

ANNEXURE I

PARLIAMENT OF INDIA

PUBLIC ACCOUNTS COMMITTEE

PROGRAMME OF MEETINGS

September, 1951 Session

Appropriation Accounts 1947-48 (post-partition) and 1948-49 and
Audit Reports thereon.

SEPTEMBER 1951

	Time	Accounts to be examined	Ministry to be examined
Tuesday, the 25th	3 P.M. to 5-30 P.M. .	1948-49	Defence (Appropriation Accounts Defence Services).
Wednesday, the 26th	3 P.M. to 5-30 P.M. .	Do.	Do.
Thursday, the 27th	3 P.M. to 6 P.M.	Do.	Railways (Appropriation Accounts of Railways).
Friday, the 28th	3 P.M. to 3-30 P.M. .	1947-48 (post-partition) and 1948-49	Supreme Court.
	3-30 P.M. to 3-55 P.M.	Do.	Cabinet Secretariat.
	3-55 P.M. to 4-15 P.M.	Do.	Union Public Service Commission.
	4-15 P.M. to 4-35 P.M.	Do.	Prime Minister's Secretariat
	4-35 P.M. to 5 P.M. .	Do.	Secretariat of the President.
	5 P.M. to 5-30 P.M. .	Do.	Partition Secretariat.
Saturday, the 29th	3 P.M. to 5-30 P.M. .	...	Residual work, if any, not finished on other days.

ANNEXURE II

COPY OF A LETTER DATED THE 3RD MARCH, 1951 FROM PROFESSOR K. T. SHAH, MEMBER, PARLIAMENT OF INDIA, TO SHRI M. N. KAUL, SECRETARY TO PARLIAMENT, NEW DELHI.

Reference: Your D.O. No. 188-FC/51, dated the 24th February, 1951.

I have gone through the Draft Report attached to the above letter, and have to make the following suggestions regarding the form and structure of the Report, as well as the order of its contents:

2. Looking at the draft as it stands, it seems to me that it starts and proceeds much too abruptly. Discussion of individual departments begins at once, without any preface or introduction; and that presupposes not only an amount of familiarity with the working of the National Financial System but also with the underlying principles regarding its accounting and auditing by the Public Accounts Committee of a sovereign Parliament. The facts, however, do not correspond to these assumptions. Many Members are new to this Branch of Parliamentary work. Several also lack adequate acquaintance with the theory and practice of Public Finance, its accounting and audit.

3. I would accordingly suggest that there should be, at the commencement of the Report, an Introductory Section. It should briefly lay out the nature and scope of the Public Accounts Committee's work. In the forefront, I would suggest, there should be a statement of facts, giving the appointment of the Committee, its composition, and the number of meetings held as well as the individual attendance thereat, and the programme of work before each. The last may well be in an Appendix if you so think proper. But I think it is necessary, if only to show the degree of enthusiasm and earnestness shown by the Members in the work of the Committee. It would, besides, be nothing more than a statement of facts which is commonly given by all other Parliamentary or Government Committees in the very first Chapter of their Reports, or in an Appendix. We would, therefore, be doing no more than following a well-established procedure by adopting this method.

4. The Second Section should, I think, give an idea or explanation of the terms of reference. There are perhaps no precise terms of reference, as such, in the Resolution appointing the Committee of Public Accounts. Nevertheless, it is desirable to have an idea of the scope and nature of the Committee's work, and the most

effective mode of dealing with it. This is the more desirable and, in my opinion, the more necessary, as the entire structure has changed since the new Constitution came into operation. Formerly, before 1950, the Public Accounts Committee worked on a totally different line. Now it has sovereign authority with its own Chairman, its own programme and procedure, and without any restriction on the scope of the inquiries and observations it may choose to make. The past tradition of this Committee may have some bearing; but its analogy should not, I suggest, be pushed too far. The nearest comparable model for the working of this Committee is provided by the corresponding British Parliament's Committee. I believe you yourself have made some extracts or notes on the working of that body, which, in my opinion, would fittingly find a place in this—the First Report of our Committee since the Republican Constitution came into operation. I need not add that I would be willing to assist your office in compiling a Draft for such an Introduction, if so desired and requested.

5. The next Section, Section III of the Report, should also be a general one, giving a bird's eye view of the Financial system whose details have been audited by the Auditor-General and are to be reported upon by the Committee. It is true that, in recent years, India has had to suffer a good deal of dismemberment. The Accounts, therefore, of her national finances may not be comparable over a long number of years. Nevertheless, I think, in order to give a really complete picture, or the necessary basic information and guidance, to the Members of the Committee, and of Parliament, it would be desirable to give comparative statistics. I would suggest beginning at 1935-36 when the first big cut took place, namely the separation of Burma. The figures of that year may not be a good base or standard; but they would suffice to show the magnitude of the changes that have occurred. Intervening years since that date till the beginning of World War II may be skipped over, as there was nothing particularly noteworthy therein to deserve special mention. But the last pre-war year, 1938-39, may well serve as a base for comparison. Statistics should therefore be given continuously from 1938-39, in order to make our picture more complete. The first war year, 1939-40, may serve its own purpose as a starting point for a changing economy culminating in 1945-46,—the last war year for at least about half the period. That will mark the end of an epoch also. 1946-47 and 1947-48 were abnormal for a variety of reasons and circumstances. Nevertheless, the figures given for them would be worthwhile, if only to show the degree of abnormalcy that had occurred. 1948-49 would be the first normal period, the starting point and the basic year for the Republic's economy; and, as such, when we come to that period, we should have a proper foundation for an effective comparative examination of our Public Accounts.

6 Having given the comparative position, we should, in the next section, lay out briefly the method and order by which we scrutinise the audited accounts. As you will remember, I had, in the very beginning, raised the question, that, in the present set-up, the Public Accounts Committee is a sovereign Parliament whose jurisdiction must extend to every Branch and aspect of Public Finance, including revenue as well as Expenditure, States as well as Central, borrowing as well as auditing. The importance of Expenditure, believed to be the special field for Audit, may have been considerable in the days when a foreign Government was in power in this country. Now, however, that sovereign authority is vested in the Parliament of India, the importance of Revenue as well as Expenditure in shaping the country's aggregate economy is unquestioned. The same may also be said of the borrowing and lending programme, including the work of the State Trading organisations, that of the Reserve Bank, in its currency and finance operations particularly. Accordingly this section should explain briefly the Committee's programme. We should review also the working of Public Economy as reflected in the several statutory corporations. The finances of units, or the States, are also under the review of the Auditor-General of India, and should accordingly be included in the review. We have so far got the material from the Auditor-General on most of the aspects suggested by me. We should ask him, I suggest, to promise as early as possible for the Interim Report.

7. I have no objection to begin with Expenditure, as you have done. But, even there, I would explain briefly, in what order, and for what reasons, the different departments or Ministries are chosen for scrutiny and report. I consider that the magnitude of Expenditure, or and alternatively, the degree of influence on National Policy of a given Ministry, ought to be a good guide in fixing the order in which the various Ministries should be taken. Personally, I would take Defence Expenditure first, as not only the largest single Head of Expenditure, but also as affecting vitally the national policy, at home and abroad. Other Departments may be taken in a similar order. In any order however, I would suggest that the so-called Commercial Departments, like the Posts and Telegraphs, the Railways, or the State Trading Organisation, should be taken separately. They stand on a different footing, and are to be judged by different standards. Accordingly the order given in the Draft Report will have to be altered, according as you follow the one or the other standards you adopt.

8. After the Expenditure side has been reviewed and disposed of, we should take the Capital Budget, and deal with the same in a section by itself. We have not yet dealt with it in the Public Accounts Committee; nor have all the ordinary Ministries with

Revenue Expenditure been yet reviewed. The Committee has yet to meet to complete this part of its work. The present report would, therefore, have to be no more than an Interim Report. I trust that meetings of the Committee would be convened at an early and convenient date before the end of the present sessions, to complete the remaining portion of the work for 1947-48 (Post-Partition).

9. The Revenue Accounts should next be taken up, and reviewed in a series of meetings of the Committee. A great part of our Public Economy is affected by the various forms of taxation and Government revenues, both even if the Public Accounts Committee may not have dealt with this aspect in the past, we should in the new set-up deal with it effectively and report upon it accordingly. Borrowing, National Credit, Capital Budget and Analogous items should be considered next, followed by a similar review of States Finance, and of expenditure and revenue outside India. The final complete Report should be rounded up with a summary of our conclusions and recommendations corresponding to the Introductory chapter at the commencement. Remarks on financial policy, as revealed in the Accounts, ought to find a prominent place in this section.

10. We were promised by the Auditor-General the Audited Accounts of 1948-49 during this month. If they are received I would also suggest that meetings of the Committee should be held before the present session is over or as soon thereafter as possible. The Chairman of the Committee may be consulted in the matter and meetings convened to suit general convenience. I am anxious that before the first Parliament of the Republic ends, the Committee should complete a full, comprehensive, and let us hope, enlightening if not original Report.

11. I hope you would like these suggestions, and would place them before the Committee at their next meeting, which I understand, is to be on the 26th of this month.

Please acknowledge.

APPENDIX LII

Proceedings of the Meeting of the Public Accounts Committee held on Thursday, the 20th September, 1951

The Committee met from 4 P.M. to 6-30 P.M.

The following were present:—

Shri B. Das—*Chairman*.

Prof. K. T. Shah

Shri M. L. Dwivedi

Shri Tribhuan Narayan Singh

Shri S. N. Das

Shri Ram Chandra Upadhyay

Dr. Mono Mohon Das

Shri Gokul Lal Asawa

Shri Murlidhar Vishvanath Ghule.

}
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|
|
} *Members.*
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}

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

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

The Committee considered the draft Report on the Appropriation Accounts (Civil) and (Posts & Telegraphs) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition) and approved Chapters I, II and III thereof with some minor additions and alterations.

2. The Committee then took up consideration of the letter dated the 19th September, 1951 from Prof. K. T. Shah communicating certain observations for incorporation in para. 5 of the Report in regard to the compilation of the Finance & Revenue Accounts and the audit of revenues. The Comptroller and Auditor-General informed the Committee that he did not visualize that even in the next 5—10 years they could take up audit of Revenue Receipts which was a gigantic task, but that it was perfectly within the competence of the Committee to examine such Accounts.

3. The Committee decided to meet again at 4 P.M. on the 21st September, 1951 to hold preliminary discussion with the Comptroller and Auditor-General on the various points arising out of the comments contained in the Defence Audit Report 1950.

APPENDIX LIII

Proceedings of the Meeting of the Public Accounts Committee held on Friday, the 21st September, 1951

The Committee met from 4 P.M. to 6 P.M.

The following were present:—

Shri B. Das—*Chairman.*

Prof. K. T. Shah

Shri M. L. Dwivedi

Shri Tribhuan Narayan Singh

Shri S. N. Das

Shri B. N. Munavalli

Shri Ram Chandra Upadhyay

Dr. Mono Mohon Das

Shri Gokul Lal Asawa

Shri Murlidhar Vishvanath Ghule.

} *Members.*

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

Shri S. M. Banerjee, Director of Audit, Defence Services.

SECRETARIAT

Shri M. N. Kaul—*Secretary.*

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

The Committee held a preliminary discussion with the Comptroller and Auditor-General of India on certain points relating to the 'Purchases from abroad' commented upon in the Defence Audit Report 1950. The Committee desired that the representatives of the Ministries of External Affairs and Works, Production and Supply should also be asked to appear before them when they take up consideration of this subject during the course of examination of the Defence Accounts of 1948-49.

2. The Committee then resumed further consideration of the draft Report on the Appropriation Accounts (Civil) and (Posts & Telegraphs) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition). In order to save time of the Committee, it was decided that if any Member had any suggestions to make, he may communicate them to the Secretary by the 24th September, 1951 after which the Report might be finalized.

3. The Committee then adjourned to meet again on the 25th September, 1951.

APPENDIX LIV

Proceedings of the Meeting of the Public Accounts Committee held on Saturday, the 29th September, 1951

The Committee met from 3 P.M. to 3-35 P.M.

The following were present:—

Shri B. Das—*Chairman*.

Prof. K. T. Shah

Shri Tribhuan Narayan Singh

Shri Gokul Lal Asawa

} *Members.*

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

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

The Committee resumed further consideration of the draft Report on the Appropriation Accounts (Civil) and (Posts & Telegraphs) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition).

2. After a brief discussion, the Committee decided to adjourn to meet again on a date to be fixed later by the Chairman.

APPENDIX LV

Proceedings of the Meeting of the Public Accounts Committee held on Monday, the 4th February, 1952

The Committee met from 10 A.M. to 11 A.M.

The following were present:

Shri B. Das—*Chairman*.

Shri Tribhuan Narayan Singh

Shri B. N. Munavalli

Shri Gokul Lal Asawa

} *Members*

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

SECRETARIAT

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

As most of the Members of the Committee were not present, the Chairman decided that the Committee should meet at 10 A.M. on Saturday, the 16th February, 1952 to consider the draft report on the Appropriation Accounts 1948-49 etc.

2. The Committee then considered the desirability of taking up examination of the Reviews of the working of the various State Trading and Manufacturing Schemes under the overall control of the Government of India furnished by the Ministry of Finance. The Comptroller and Auditor-General apprised the Committee of his own views in regard to the setting up and financing of Government-sponsored Corporations and Companies and the scope of the audit of accounts thereof. The Committee postponed the further consideration of the matter to a later date to be fixed by the Chairman after the draft report is considered.

3. The Committee then adjourned to meet again on the 16th February, 1952.

APPENDIX LVI

Proceedings of the Meeting of the P.A.C. held on Saturday, the 16th February, 1952

Forenoon

The Committee met from 10 A.M. to 12 NOON.

The following were present:

Shri B. Das—*Chairman*.

Pandit Krishna Chandra Sharma

Shri H. S. Rudrappa

Shri S. N. Das

Dr. Mono Mohon Das

} *Members.*

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

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

The Committee took up consideration of the Draft Report on the Appropriation Accounts (Civil) and (Posts and Telegraphs) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition). The Comptroller and Auditor-General suggested a revised draft of para. 5 of the 'Introduction' relating to the early presentation of the Accounts and Audit Reports to Parliament which was approved by the Committee.

2. The Committee then discussed at some length the measures that should be devised to strengthen parliamentary and audit control over Government industrial undertakings financed from the Consolidated Fund and also whether it was within the competence of the Executive Government to set up organisations like Sindri Fertilizers and Chemicals Ltd. without specific legislation being passed by Parliament. The Committee considered that the working of the State sponsored Corporations should be regulated by Statutes of Parliament and their finances subjected to audit by the Comptroller and Auditor-General and scrutiny of the Public Accounts Committee. They accordingly desired that this para. should be revised in the light of discussions in the meeting and approved by the Chairman.

3. The Committee considered paragraph 33 relating to the Whisky deal in the U.K. and decided that it should be redrafted in the light of the discussions and submitted to the Chairman for approval.

4. The Committee deleted paragraph 8 of the 'Introduction' and paragraphs 20 and 39 of the report. The report was then approved subject to some minor additions and alterations here and there.

5. The Committee then took up consideration of the Second Draft Report on the Appropriation Accounts (Defence Services) and (Railways) for 1948-49 and approved paras. 1—9 thereof. The Committee had not concluded their deliberations when they rose for lunch. They decided to meet again at 4 P.M. to complete the report.

Afternoon

The Committee met from 4 P.M. to 6 P.M.

The following were present:

Shri B. Das—*Chairman*.

Pandit Krishna Chandra Sharma	}	<i>Members.</i>
Shri S. N. Das		
Dr. Mono Mohon Das		
Shri V. Narahari Rao, Comptroller and Auditor-General of India.		

SECRETARIAT

Shri M. N. Kaul—*Secretary*.

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

The Committee resumed further consideration of the Second Draft Report on the Appropriation Accounts (Defence Services) and (Railways) for 1948-49.

They considered para. 10 of the Draft Report relating to the purchase of jeeps from the U.K. After some discussion the Committee decided to retain the existing paragraph and desired that suitable additions should be made therein incorporating *inter alia*, their recommendations in regard to the proper functioning of the I.S.D., London, and the setting up of an independent Financial authority for advising the High Commissioner for India. The Chairman was authorised to approve the revised paragraph.

The Report on the Defence Accounts was adopted by the Committee subject to some minor additions or alterations here and there.

2. The second part of the Report relating to the Appropriation Accounts (Railways) was approved without any modification.

3. Before the Committee adjourned, they desired to place on record their appreciation of the valuable guidance given by the Chairman and the Comptroller and Auditor-General during the conduct of their business. They also expressed their gratitude to the Secretary to Parliament, who had also been working as Secretary to the Committee, for the valuable assistance and co-operation given to the Committee by him and the staff of the Parliament Secretariat in the discharge of their functions.

4. The Committee authorised the Chairman to sign the Report on their behalf, as usual, and present it to Parliament on the 26th February, 1952.

5. The Committee then adjourned *sine die*.

APPENDIX LVII

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 Meeting	Duration	Business transacted
1	2	3	4
9-5-51	9	1 1/2 Hrs.	<p>(i) Inaugural Address by the Honourable the Speaker.</p> <p>(ii) Fixation of the programme for the examination of the Appropriation Accounts of the year 1948-49 and Audit Reports thereon and the unfinished Accounts (Civil) of 1947-48 (post-partition).</p> <p>(iii) Extension of the scope of the functions of the Public Accounts Committee to the scrutiny of the Revenue side of the Government Accounts, Borrowing, Public Debt, etc.</p>
22-5-51	11	1 3/4 Hrs.	<p>(i) Consideration of the Programme for the examination of the Appropriation Accounts (Civil) and (Posts and Telegraphs) for 1948-49 and unfinished Accounts (Civil) for 1947-48 (post-partition).</p> <p>(ii) Audit of revenue receipts.</p> <p>(iii) Statement made by the Comptroller and Auditor-General of India <i>re</i> : the procedure followed for the preparation and submission of Audit Reports to Parliament.</p>
9-7-51	11	4 Hrs.	Consideration of the Appropriation Accounts (Civil) for 1948-49 and unfinished Accounts (Civil) relating to the Ministries of Food and Agriculture, Labour and Law.
10-7-51	13	4 Hrs.	Consideration of the Appropriation Accounts (Civil) <i>ibid</i> relating to the Ministries of Home Affairs, States and Information and Broadcasting.
11-7-51	10	4 Hrs.	Consideration of the Appropriation Accounts (Civil) <i>ibid</i> relating to the Ministries of Education, Health, External Affairs and Rehabilitation.
12-7-51	10	4 Hrs.	Consideration of the Appropriation Accounts (Civil) for 1948-49 relating to the Ministries of Transport and Works, Production and Supply.
13-7-51	10	3 1/2 Hrs.	Consideration of the Appropriation Accounts (Posts and Telegraphs) for 1948-49.

1	2	3	4
14-7-51 .	10	3 1/2 Hrs. .	Consideration of the Appropriation Accounts (Civil) for 1948-49 relating to the Ministry of Finance (including Revenue Division).
16-7-51 .	10	4 Hrs. . .	Consideration of the Appropriation Accounts (Civil) 1948-49 relating to the Ministries of Commerce and Industry and Communications.
17-7-51 .	11	3 1/4 Hrs. .	Further consideration of the Appropriation Accounts (Civil) relating to the Ministries of External Affairs and Food and Agriculture.
18-7-51 .	11	3 Hrs. . .	General Review of the Appropriation Accounts (Civil) and (Posts and Telegraphs) for 1948-49 and unfinished (Civil) Accounts for 1947-48 (Post-partition).
18-9-51 .	9	1 1/2 Hrs. .	(i) Fixation of the programme for the examination of the Appropriation Accounts (Defence Services) and (Railways) for 1948-49 and Audit Reports thereon ;
			(ii) Further consideration of the proposed changes in the form and structure of the Report of the Committee and also the extension of the scope of the functions of the Committee to the scrutiny of the Revenue side of the Government Accounts.
20-9-51 .	9	2 1/2 Hrs. .	(i) Consideration of the Draft Report on the Appropriation Accounts (Civil) and (P. & T.) of 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition).
			(ii) Finance and Revenue Accounts—compilation of—
			(iii) Audit of receipts.
21-9-51 .	10	2 Hrs. . .	(i) Preliminary discussion of the Appropriation Accounts (Defence Services) 1948-49 and Defence Audit Report, 1950.
			(ii) Further consideration of the Draft Report <i>ibid.</i>
29-9-51* .	4	35 Minutes .	Further consideration of the Draft Report <i>ibid.</i>
4-2-52 .	4	1 Hr. . . .	Consideration of the Draft Report <i>ibid.</i>
16-2-52 .	4	2 Hrs . . .	Final consideration 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 two *informal Meetings* on the 8th July, 1951 and 11th October, 1951 lasting 1 1/2 and 1/2 hours respectively.

*The Committee also met from the 25th to 27th September, 1951 to consider the Appropriation Accounts (Defence Services) and (Railways) for 1948-49. The record of these meetings has been shown separately in the Second Report.

APPENDIX LVIII

Statement showing summary of the recommendations of the Public Accounts Committee on the Appropriation Accounts (Civil) and (Posts and Telegraphs) 1948-49 and unfinished Accounts (Civil) of 1947-48 (post-partition)

Serial No.	Paragraph of the First Report	Ministry or Department concerned	Recommendations
1	2	3	4
1	14	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	15 (i)	Do. ----- All other Ministries.	In order to obviate cases of large surrenders 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.
3	15 (iii)	Finance	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 Governments.
4	16	Finance ----- All other Ministries.	Most of the administrative authorities are ignorant of proper budgetary procedure and lack 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 administrative authorities in their control over the progress of expenditure.
5	17	Do.	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

1	2	3	4
			<p>no real coordination 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.</p>
6	17	Finance . . .	<p>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.</p>
7	18	<p>Ministry of Finance.</p> <hr/> <p>All other Ministries.</p>	<p>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.</p>
8	19	Do. . .	<p>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 overspend 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. Steps should be taken to introduce changes in this respect gradually but effectively.</p>
9	20	<p>Finance . . .</p> <hr/> <p>All other Ministries.</p>	<p>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.</p>

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10	21	<u>Finance . . .</u> All other Ministries.	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.
11	22	<u>Finance . . .</u> <u>External Affairs</u> 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.
12	23	<u>Finance . . .</u> All other Ministries.	The introduction of the 'Administrative Audit System' 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.
13	24	<u>Finance . . .</u> All other Ministries.	If the State-sponsored Corporations, such as the Indian Telephone Industries, Bangalore, Sindri Fertilizer, Chemical 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.
14	25	<u>Finance . . .</u> All other Ministries.	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 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 severely.

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15	26 (i)	Finance . . . All other Minis- tries.	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.
16	26 (ii)	Commerce & 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.
17	Do.	Do . . .	Audit objections should not be disregarded by the High Commissioner for India in London and instructions should be issued to him to deal with them expeditiously.
18	26 (iii)	Works, Production & 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.
19	26 (iv)	External Affairs .	Government advances for the purchase of motor cars etc. should be made to officials in the manner prescribed under the rules. 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.
20	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.
21	26 (vi)	Transport . . . All other Minis- tries.	It is 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 Minis-

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			<p>tries should take a very serious view of such defalcations and irregularities and bring the offender to book without allowing him to take shelter under technicalities.</p>
22	26 (vii)	<p>Works, Production & Supply</p> <hr/> <p>All other Ministries.</p>	<p>While drawing up contracts, the officers responsible for this work should exercise due prudence to safeguard the interest of Government.</p>
23	27	All Ministries	<p>Any tendency on the part of the Ministries to bring forward general pleas in dealing with defaulting officials that the officer concerned has 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.</p>
24	28	<p>Finance</p> <hr/> <p>All other Ministries</p>	<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>
25	29	All Ministries	<p>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.</p>
26	30	<p>Ministry of Health</p> <hr/> <p>All other Ministries.</p>	<p>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.</p>

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27	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.
28	32	External Affairs	The matter relating to the purchase of whisky by the High Commissioner for India in the U. K. without observing the normal procedure prescribed for making purchases, 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.
29	33	Works, Production & Supply.	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 account of the import of fertilizers in paper bags and after fixing responsibility take suitable action against the officers concerned.
		Food and Agriculture.	
30	Do.	All other Ministries. Do.	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.
31	Do.	Do.	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.
32	Do.	Do.	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.
33	Do.	Do.-	The various Ministries should not function compartmentally and there should be a close co-ordination between the indenting and purchasing Ministries.
34	34	Food & Agriculture.	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

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35	36	Education . . . Finance . . .	<p>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.</p> <p>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.</p>
36	37	Finance . . . All other Ministries.	<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 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.</p>
37	38	Do.	<p>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.</p>
38	39	Finance	<p>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.</p>

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39	40	Finance . . .	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.
40	42	Food & Agriculture.	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 food-grains.
41	43	Do.	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.
42	44	Do.	The Accountant-General to be nominated by the Comptroller and Auditor-General for conducting a special audit of the Sugar (Temporary Excise) Fund 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.
43	45	Home Affairs . . .	It would constitutionally be a proper course if matters like the chartering of planes etc. 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.
44	46	Do.	Approval of Parliament should be obtained to the 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 Government, viz., Members of the Union Public Service Commission, Chief Election Commissioner etc. Such matters should, in no case, be regulated by Executive Orders, as such a course 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.
45	47	Do.	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.

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46	48	Home Affairs .	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.
47	49	Information & Broadcasting.	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.
48	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.
49	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.
50	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 <i>viz.</i> , 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.
51	53	Do. .	As the expenditure incurred on the running of the organization 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 and winding up the organisation dealing with this work.
52	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.

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			This should be done without prejudicing the question of the final settlement which should be expedited.
53	55	Transport	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.
54	56	Transport <hr/> Comptroller & 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 the Audit Reports relating to the various Port Trusts in order to enable it to have an opportunity to appraise their financial position.
55	57	Works, Production & 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.
56	58	Do.	Government should consider the question of capitalising the amount of losses incurred due to the lack of covered accommodation for the storage of salt by providing necessary shelter for the purpose.
57	59	Do.	The state of affairs prevailing in the Central Public Works Department should be improved as it was considered to be most unsatisfactory.
58	61	Communications	Government should examine whether it would be more advantageous for the Air India International to make its own arrangements for booking.
59	61	Do.	Government should evolve some commercial principles for regulating the grant of subsidy to Air Line Companies.
60	64	Posts & Telegraphs Deptt. <hr/> 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.

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61	65	Posts & Telegraphs Deptt. <hr/> Ministry of Finance. (Communications)	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 accordance with the accepted commercial practice should be expedited.
62	66	Posts & Telegraphs Deptt.	An early decision should be taken in regard to the introduction of the mechanisation of Stores Accounting in Posts and Telegraphs Department.
63	67	Communications . <hr/> P. & T. Department.	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.
64	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.
65	68	Communications . <hr/> 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.
66	69	Posts & Telegraphs Deptt.	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.
67	70	Works, Production & Supply. <hr/> Communications <hr/> P.&T. Deptt	The grave shortage of postal forms in the Post Offices should be remedied immediately. The P. & T. 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.

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68	72	All Ministries D.G.P. & T.	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.
69	72.	Finance	The Financial Advisers accredited to the Ministries should appear in person before the Committee and should not depute their subordinate officers.