

# REPORT

121

OF THE

## PUBLIC ACCOUNTS COMMITTEE

ON THE

## ACCOUNTS OF 1932-33

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### Volume I—REPORT

PART I—Civil, Military and Posts and Telegraphs.



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**Composition of the Committee on Public Accounts which met in 1934 (vid. rule 51 of the Indian Legislative Rules).**

*Chairman.*

- |                                |    |    |                 |
|--------------------------------|----|----|-----------------|
| 1. The Hon'ble Sir JAMES GRIGG | .. | .. | Finance Member. |
|--------------------------------|----|----|-----------------|

*Elected Members.*

*Date of Election.*

- |                                 |    |    |                    |
|---------------------------------|----|----|--------------------|
| 2. Rao Bahadur M. C. RAJAH      | .. | .. | 5th February 1934. |
| 3. Mr. T. N. RAMAKRISHNA REDDI  | .. | .. | 5th February 1934. |
| 4. Mr. J. RAMSAY SCOTT          | .. | .. | 5th February 1934. |
| 5. Mr. S. C. MITRA              | .. | .. | 5th February 1934. |
| 6. Mr. K. UPPI SAHEB BAHADUR    | .. | .. | 5th February 1934. |
| 7. Kunwer HAJEE ISMAIEL ALIKHAN | .. | .. | 5th February 1934. |
| 8. Mr. B. DAS                   | .. | .. | 5th February 1934. |
| 9. Captain SHER MOHAMMAD KHAN   | .. | .. | 5th February 1934. |

*Nominated Members.*

*Date of Nomination.*

- |                               |    |    |                     |
|-------------------------------|----|----|---------------------|
| 10. Dr. R. D. DALAL           | .. | .. | 15th February 1934. |
| 11. Maulvi Sir MOHAMMAD YAKUB | .. | .. | 15th February 1934. |
| 12. Mr. Md. ANWAR-UL-AZIM     | .. | .. | 15th February 1934. |



# Report of the Public Accounts Committee on the accounts of 1932-33 other than Railways.

## I. Excess Votes.

1. *General Summary.*—The following table compares the total grants voted by the Legislative Assembly with the total expenditure against those grants :—

(In lakhs of rupees.)

	Original grant.	Supplementary grant.	Final grant.	Actual expenditure.
Expenditure charged to revenue ..	27,21	94	28,15	26,25
Expenditure charged to capital ..	1,33	9	1,42	1,24
	28,54	1,03	29,57	27,49
Disbursements of loans and advances ..	13,38	..	13,38	8,41
	41,92	1,03	42,95	35,90

2. The following tables compare the non-voted appropriations sanctioned by the Government of India with the total expenditure against such appropriations :—

(In lakhs of rupees.)

	Original grant.	Supplementary grant.	Final grant.	Actual expenditure.
Expenditure charged to revenue ..	80,19	—1,27	78,92	78,73
Expenditure charged to capital ..	17	10	27	31
	80,36	—1,17	79,19	79,04

3. The position regarding total expenditure, voted and non-voted, is as follows :—

(In lakhs of rupees.)

	Original grant.	Final grant.	Actual expenditure.
Expenditure charged to revenue .. ..	1,07,40	1,07,07	1,04,98
Expenditure charged to capital .. ..	1,50	1,69	1,55
Total expenditure .. ..	1,08,90	1,08,76	1,06,53
Disbursements of loans and advances .. ..	13,38	13,38	8,41
Total .. ..	1,22,28	1,22,14	1,14,94

4. *Savings*.—There was thus a saving of 7,20 lakhs or 5.9 per cent. in the final grant. The percentage compares as follows with the results of previous years :—

	1928-29.	1929-30.	1930-31.	1931-32.	1932-33.
Expenditure charged to Revenue	1.1	.7	.3	3.2	1.9
Expenditure charged to Capital	20.2	12.9	15.9	11.4	8.3
Disbursements of loans and advances.	—3	—3	—20.3	10.8	37.1
Combined percentage ..	1.4	.9	—7	4.3	5.9

5. The following table compares the percentage of savings under voted grants for expenditure proper (i.e., exclusive of disbursements of loans and advances) with that of savings under non-voted appropriations :—

Year.	Voted.	Non-voted.
1928-29 .. .. .	5.7	.2
1929-30 .. .. .	.8	1.1
1930-31 .. .. .	3.9	—2
1931-32 .. .. .	9.6	1.0
1932-33 .. .. .	7.0	.2

6. *Excesses*.—In the following cases the actual expenditure exceeds the voted grants and an excess vote of the Assembly is accordingly required :—

Item No.	Number of Grant.	Amount voted by the Assembly.	Actual expenditure.	Excess.
		Rs.	Rs.	Rs.
1	22.—Irrigation, etc.,—charged to Revenue	3,84,000	4,36,133	52,133
2	26.—Interest on Miscellaneous Obligations	49,49,000	50,93,368	1,44,368
3	48.—Survey of India .. ..	15,79,000	16,39,402	60,402
4	63.—Aviation .. ..	9,05,000	9,31,939	26,939
5	67.—Emigration—External .. ..	1,93,000	2,21,675	28,675
6	70.—Indian Stores Department ..	6,61,000	7,44,153	83,153
7	74.—Superannuation Allowances and Pensions.	73,99,000	76,60,394	2,61,394
8	76-B.—Miscellaneous Adjustments between the Central and Provincial Governments.	22,000	22,345	345
9	77.—Refunds .. ..	94,77,000	1,06,77,228	12,00,228
10	82.—Andamans and Nicobar Islands ..	31,49,000	31,50,207	1,207
11	96.—Commuted value of Pensions ..	40,61,000	49,84,730	9,23,730

7. A brief explanation of each excess is given below :—

*Item 1.*—The excess was mainly due to the absence of provision for expenditure in the North-West Frontier Province for the first seventeen days of April 1932.

*Item 2.*—The voted charges under this Grant represent mainly payments to the Posts and Telegraphs Department for Savings Bank and Cash Certificate work. The excess was due to an increase in the number of Savings Bank and Cash Certificate transactions beyond that anticipated when the supplementary grant was obtained under this head.

*Item 3.*—The excess was due to smaller recoveries owing to the fall in the demand for mathematical instruments.

*Item 4.*—The excess was mainly due to the late receipt of debits from the Posts and Telegraphs Department on account of wireless facilities.

*Item 5.*—The excess was due to the fact that provision for losses by exchange on advances to the South Africa Agency resulting from the abandonment of the gold standard by England could not be made for want of definite information.

*Item 6.*—The excess was due to smaller recoveries from indenting departments on account of the purchase and inspection of stores owing to the financial depression and downward trend of prices.

*Item 7.*—The excess was mainly due to heavier retirements than anticipated under the retrenchment terms.

*Item 9.*—The excess occurred mainly under customs refunds and is due to the late adjustment of debits on account of the refunds of excise duty on motor spirit and kerosene in Burma.

*Item 11.*—The excess was due to the abnormal increase in the amount of pensions commuted, as the result of a large number of individuals retiring on account of retrenchment coupled with economic pressure affecting pensioners.

8. We recommend that the Assembly assent to the excess grants detailed in paragraph 6 above, which the Governor-General in Council will place before them in due course.

9. Rule 52 (2) of the Indian Legislative Rules requires that we should bring to the notice of the Assembly every reappropriation from one grant to another, every reappropriation within a grant which is not made in accordance with such rules as may be prescribed by the Finance Department and all expenditure which the Finance Department have requested should be brought to the notice of the Assembly. During the year there was only one reappropriation which was not made in accordance with the rules prescribed by the Finance Department. A Collector of Customs sanctioned, under a misapprehension, a reappropriation of Rs. 1,900 from the sub-head "Pay of officers" under Grant No. 16-Customs, which under the rules required the previous approval of the Finance Department.

## II. Important Comments on matters arising out of the accounts for 1932-33.

10. *Accuracy of budgeting control over expenditure, etc.*—From the point of view of accurate estimating and efficient control of expenditure the year 1932-33, like its predecessor, was one of difficulties. A good deal of the savings of the year was due to the fact that in many cases further retrenchment was effected after the budget estimates were framed. In some cases, such as pensions and commuted value of pensions, there were particular difficulties in making accurate estimates even during the course of the year. Taking all these

factors into consideration, the results of the year do not seem to be as a whole unsatisfactory. We consider it, however, desirable that, as suggested by the Accountant General, particular attention of the various Departments should be drawn to the detailed results of the 1932-33 Appropriation Accounts in connection with the current control of expenditure.

In the Posts and Telegraphs Department, although we recognise that some progress has been made, there is still room for considerable improvement. We were furnished with a memorandum (Annexure B to the Proceedings of the third meeting) on the subject which explains the various steps taken, or under contemplation, to remedy the defects noticed, and to effect improvements in the procedure concerning budgeting and control of expenditure. We are glad to hear from the Auditor General that he has definitely gained the impression that the Posts and Telegraphs authorities are now going much more deeply and in much more detail into these matters, and that he is satisfied with what they are doing and what they propose to do in future.

11. *Financial results of irrigation systems, residential buildings, etc.*—We went through the very interesting and lucid review furnished by the Accountant General, Central Revenues, of the financial results of irrigation systems, the administration of residential buildings, the financial prospects of the Vizagapatam Harbour Project, and the analysis of loans and advances bearing interest. The last item has been included in the report for the first time this year, and we hope that its value will be still further enhanced when it is supplemented by certain further important information regarding the various loans and advances as promised by the Auditor General.

12. *Trading results of Government of India commercial concerns.*—The Accountant General, Central Revenues, has in paragraphs 20 to 29 of the Commercial Appendix given a comprehensive review of the financial results of all the Central Government commercial concerns and indicated in a clear form and comparatively brief compass the special features of the accounts of these concerns. We entirely agree with the following remarks of the Auditor General regarding the presentation of the accounts of these concerns:—

“I am specially struck on this occasion with the improvement which has been effected in the presentation of the accounts of Government commercial concerns contained in the Accountant General, Central Revenues’ Commercial Appendix to his report. In my opinion the Financial Reviews of the various accounting officers have, in general, now reached a higher standard than before, both in the fullness and the suitability of the information supplied; and the work of my Auditors has thus been correspondingly simplified. I note also that, in general, despite adverse circumstances the financial administration of a number of the concerns has, in the commercial sense, been more successful than for some years past.”

In this connection, the Auditor General raised the question whether, in view of the considerable improvement in the commercial accounts presented to the Committee and in view of the fact that the Committee had before them at present figures of a number of years for purposes of comparison, advance reviews of the subsequent year based on unaudited figures should be continued.

He expressed the opinion that these reviews should be discontinued, as they were, on the whole, objectionable from the Auditor's point of view, being based on unaudited figures. We agree with the Auditor General that these advance reviews may be discontinued, but the departmental witnesses should, if required by the Committee, be in a position to furnish information regarding the working of any particular commercial concern in the subsequent year.

13. *Financial position of the Indian Posts and Telegraphs Department.*—We have perused the memorandum furnished by the Director General, Posts and Telegraphs (Annexure A to the Proceedings of the third meeting), on the future commercial prospects of the Indian Posts and Telegraphs Department and on the various measures taken to reduce the expenditure of the Department. We are glad to note that the loss in the working of the Department has been reduced from about a crore in 1931-32 to about 15 lakhs in 1934-35, which may rise to about  $\frac{1}{2}$  a crore if the cut in pay is restored. We hope that, with the various measures, which the Department propose to take to reduce the loss further, the department will be in a position to present a balanced budget in the near future.

14. *Creation of unauthorised excluded funds in the North-West Frontier Province.*—The Auditor General brought to our notice that certain excluded funds were created by the local Administration in the North-West Frontier Province without proper sanction. One such fund is the khassadar's fund which is financed by money drawn from Government treasury on monthly

- (1) contingent bills at the rate of 1/12th of the annual provision made in the sanctioned budget on account of khassadar contingencies, and
- (2) establishment bills prepared on the basis of the sanctioned strength of the khassadars irrespective of the fact whether the persons for whom pay was drawn were actually in Government service or not.

Out of the amounts thus drawn and credited to the funds, payments are made as and when occasion arises. Another such fund is the motor lorry depreciation fund, which has been created by drawing from the treasury 25 per cent. of the estimate of the annual cost of upkeep and crediting it to the fund. After going into the matter fully we have come to the conclusion that these funds should be abolished immediately. We also consider it desirable that a list of all excluded funds maintained in the Province should be obtained as quickly as possible and examination should be made to see whether all, or any of them, should not be abolished.

15. *Report of the Military Accounts Committee.*—We append the report submitted by the Military Accounts Committee (Annexure A) constituted to make a preliminary examination of the Military Appropriation Accounts and connected documents. We endorse the recommendations and observations of the Committee, both in its report and in the accompanying proceedings of its meetings.

### III. Miscellaneous observations.

16. As in the previous years, we append to our report minutes of our proceedings which we consider should be treated as part of the report. We assume

that in accordance with the established practice action will be taken by Departments as necessary on the observations and recommendations contained in these proceedings.

17. We wish to thank the Auditor General for his lucid comments on the various Appropriation Accounts and specially the "key statement" attached to his letter for the first time this year which greatly facilitated our work, and also for the assistance which he rendered to us throughout the proceedings. We also desire to record that the Appropriation Report of the Accountant General, Central Revenues, was very lucid and informative.

P. J. GRIGG.

M. C. RAJAH

T. N. RAMAKRISHNA REDDI.

S. C. MITRA.

K. UPPI.

ISMAIEL ALIKHAN.

B. DAS.

SHER MOHD. KHAN.

R. D. DALAL.

K. SANJIVA ROW,

(Secretary).

*Dated the 20th August, 1934.*

## ANNEXURE A.

### Report of the Military Accounts Committee.

We were constituted in pursuance of the recommendations of the Public Accounts Committee of the year 1931-32 in paragraph 31 of their report to make a preliminary examination of the Military Appropriation Accounts and connected documents. In our task we received great assistance not only from the Auditor General and the Financial Adviser, Military Finance, but also from the Army Secretary and the Engineer-in-Chief.

2. The results of our examination of the Appropriation Accounts and connected documents are as usual embodied in the proceedings of our meetings (Annexure I) which should be treated as a part of our report, and it is unnecessary for us here to do more than to refer to the more important points.

3. We are glad to observe that in the Auditor General's view the financial administration of the year, so far as the control of expenditure in bulk is concerned, was active and alert and that the control exercised was commendably successful in its results. In this view we fully concur; and in our judgment there is ample evidence of the obvious desire of the Army authorities to secure every possible economy and strict control of expenditure and of the efficacy of the action which they have taken to this end.

On the other hand, the Director of Army Audit has deemed it necessary to call our attention to a number of instances of financial irregularity which, as the Auditor General has pointed out, reveal considerable laxity of view and an insufficient sense of responsibility in financial matters on the part of individuals. Though many of those instances are in themselves trivial, we agree with the Auditor General's view, and we are glad to be informed that it is generally accepted by His Excellency the Commander-in-Chief. But we have to recognise that in an organisation of the size of the Defence Services of India there is bound to be every year a certain number of irregularities; they must be viewed with a due sense of proportion, and should not necessarily be taken as indicating that there is anything radically wrong in the financial administration as a whole.

4. *Authorised War reserves of stores.*—The Quartermaster General and the Master General of the Ordnance have furnished the necessary certificates in regard to the existence in stock of the authorised war reserves of stores on the 31st March 1933. Copies of these certificates are attached to our proceedings (Annexures IV and V).

5. *Review of Military Engineer Services expenditure.*—We have been through the lucid and informative review of expenditure on Military Engineer Services prepared by the Financial Adviser for the second year in succession. We agree with the Auditor General that while a certain measure of reform has been devised, there is scope for considerable improvement in the administration of the Military Engineer Services expenditure, especially in the matter of defining more exactly the scope of the original demand for the expenditure and conforming more closely to the scope of the demand as so defined. We had the assistance of the Engineer-in-Chief in examining some of the specific points raised in the review and in the report of the Director of Army Audit regarding Military Engineer Services expenditure. The various steps which the Army authorities propose to take in order to remedy the defects noticed and to improve the position as regards control of expenditure, regulation of contracts, etc., are mentioned in paragraphs 28—31 of our proceedings.

6. *Medical Store Depots.*—We understand that the cost of the Stores Section of the office of the Director General, Indian Medical Service, which is employed solely on work in connection with the Medical Stores Depots is not at present taken into account in calculating the cost of the drugs, etc. We entirely agree with the Auditor General that the cost of this Section should be taken into account, since otherwise the cost of drugs, etc., will not be correctly evaluated. It does not of course follow, and is in fact unlikely, that as a result it will be possible to increase the prices charged to Provincial Governments, etc. Those must depend on market prices.

7. *Financial irregularities.*—The most serious cases of individual irregularity mentioned in the Report of the Director of Army Audit are, in our opinion, those in which false or misleading certificates were recorded, or incorrect information was supplied to audit in other ways. In some of these cases the offence was deliberate in order to conceal an irregularity already committed; in one case the object was to enable the administration to spend money before the 31st of March. The correct recording of original facts in bills, acquittances, vouchers, measurement books, certificates, etc., is essentially an administrative requirement and it is the duty of the responsible departmental officers to ensure the strict accuracy of these departmental records. Audit is not in direct contact with the original facts and has to depend in the execution of its functions on the accuracy of these departmental records; and it becomes almost impossible for audit, unless supported by administrative co-operation, to detect irregularities if these documents are not in accordance with the facts or if false certificates are recorded. For example, we were told that in one of the cases referred to it was due to a pure accident that audit happened to obtain evidence which proved that an explanation furnished by the executive for certain heavy expenditure was not in accordance with the facts and that a fraud had taken place. We view with grave concern the fact that such false certificates were furnished deliberately in some cases, and we therefore welcome orders to the following effect which, we were informed by the Army Secretary, are being issued under the direction of His Excellency the Commander-in-Chief:—

(a) *Improvement of supervision.*—It will be impressed on all senior officers that it is their duty to see that their juniors realise their financial responsibilities and exercise them properly.

(b) *Proper liaison with finance.*—The attention of all officers acting in an administrative capacity will be drawn to the importance of maintaining close and cordial relations with the accounts authorities throughout all stages of a financial transaction. They will also be made to realise the limitations of audit in detecting fraud without the co-operation of the Army authorities.

We fully agree with the Auditor General that such additions should be made to the orders to be issued as will ensure more effective co-operation with the statutory audit conducted by the Auditor General's department, as well as with the accounts authorities. We think it most important that every one concerned, Military Accounts and Audit authorities, should recognise that they are complementary parts of a single organisation whose duty it is to render mutual assistance to each other, so that the organisation as a whole may function with the greatest possible efficiency.



8. It is our usual practice to restrict our comments to general types of irregularity that are brought to our notice and our recommendations to the action required to prevent their recurrence ; but one case has occurred in the year under report of so serious a character that we consider it necessary to refer to it specially. The facts are not disputed. A field officer signed a series of false certificates over a period of a year, some of them to the effect that he had not been provided with quarters when actually he was living in quarters provided for him, and others to the effect that his family was residing with him when it was found that his family was not residing with him during the period in question, in order to obtain for himself a small personal advantage of approximately Rs. 240 in lodging allowance and compensation for inferior accommodation. Similar action by a Civil officer would, so far as we can judge, have justified a criminal prosecution for cheating under Section 420 of the Indian Penal Code. No disciplinary action of any kind was taken against this officer ; he was merely required to refund the sum of which, by his deliberately false statements, he had defrauded Government.

We were informed that so far as the field officer himself is concerned, it is held, as a matter of administrative principle, that no further action could be taken, since the order of the General Officer Commanding-in-Chief of the Command must be considered a final order. We do not wish to dispute that this is so, but, so far as we have been able to ascertain, Army Headquarters have, up to the present at any rate, refrained from commenting to the General Officer Commanding-in-Chief of the Command on his failure to take disciplinary action in this case. We strongly recommend that they should do so.

9. We desire to record our warm appreciation of the work of Mr. Macleod who has been extremely helpful to the Committee during the period he was Financial Adviser.

P. J. GRIGG.

A. A. L. PARSONS.

S. C. MITRA.

K. UPPI.

K. SANJIVA ROW.

*Dated the 18th August, 1934.*

**ANNEXURE I.****Proceedings of the Military Accounts Committee.**

**Proceedings of the First Meeting of the Military Accounts Committee  
held on Monday, the 25th June 1934, at 11 A.M.**

**PRESENT :**

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. S. C. MITRA.

Mr. K. UPPI SAHEB BAHADUR.

Sir ERNEST BURDON, Auditor General.

Lt.-Col. A. F. R. LUMBY, Army Secretary.

Mr. A. MACLEOD, Financial Adviser, Military Finance.

Mr. J. R. HOPE, Deputy Financial Adviser, Military Finance.

Lt.-Col. R. PRINCE, Military Accountant General.

Mr. L. J. PECK, Director of Army Audit.

} *Members.*

} *Were also present.*

The Committee took up the examination of Appendix A to the Appropriation Accounts prepared by the Financial Adviser, Military Finance. The Committee accepted the explanation given or the action taken in regard to the cases mentioned in the Appendix subject to the following remarks :—

2. *Item 1. Revision of Army Regulations.*—The Army Secretary explained that draft Defence Services (Classification, Control and Appeal) Rules had been framed to govern on the disciplinary side all civilians serving under the Army Department, and that, in addition, Basic Rules had been prepared in draft both for civilian personnel and personnel subject to the Indian Army Act and the Indian Air Force Act to serve as a foundation for the revision of the various existing Army Regulations. The Principal Staff Officers and the Military Finance authorities should complete their preliminary review of the Basic Rules by the end of July 1934, when it is intended to begin the revision of each book of regulations in the light of the general principles the rules contain. The question of a code of regulations to govern civilians under the Army Department in matters other than those covered by the Classification, Control and Appeal rules is under separate consideration.

3. *Item 2 (i). Exhibition of losses due to sale of surplus and obsolete stores.*—The Auditor General presented a Memorandum (*Annexure II*) explaining the progress of the investigation of this subject and the steps that are being taken during the current year for the compilation of statistics and for their examination by the financial control authorities and the Director of Army Audit and stated that any conclusions that might be drawn from the current year's experiment would be intimated to the Committee next year.

*Item 2 (ii). Losses on sale of waste and scrap in Ordnance and Clothing Factories.*—It was agreed that this subject should be treated on

its merits in strict accordance with the orthodox procedure relative to the preparation of commercial accounts and that, therefore, it should not be combined with item 2 (i) above.

4. *Item 3. Method of Costing in Medical Store Depots.*—The item was postponed for consideration with paragraph 4 (1) of the Auditor General's letter on the commercial accounts of Army manufacturing concerns.

5. *Item 4. Items to be debited to the Civil Grant for the expansion of the Territorial Forces.*—The Army Secretary explained to the Committee that orders have been issued that the entire cost of Units of a certain Class, namely University Training Corps and Urban Battalions, shall be debited to the so-called "Civil Grant". As regards the outstandings in respect of previous years, no disagreement remains on any points of principle and the amount to be refunded to Civil is being calculated in consultation with the Director of Army Audit.

6. *Item 7. Correct exhibition of stores, apparatus and plant in the books of the holders.*—The Financial Adviser explained that the procedure regarding the exhibition of stores in all departments was examined and found quite suitable. The particular case which gave rise to this recommendation was an exceptional one.

7. *Item 9. Question of the reduction of the total estimate of expenditure on special programme measures in view of the fall in prices.*—The Army Secretary explained that it now seemed that the programme could be completed for about Rs. 9,75 lakhs against the original Rs. 10 crores. In fact if Government were in a position to complete the programme or a substantial part of the outstanding items while prices were still ruling low and if it were possible to obtain the balance of the equipment required within the same time, even larger reduction might be made, but at present there was no indication of either of these possibilities, *vide* Annexure III which explains the position more fully.

The Committee took up the consideration of paragraph 4 of the Auditor General's letter along with the above item. The Auditor General explained that it was agreed that a formal progressive account of the transactions of the Defence Reserve Fund supplemented by an analysis of balances would be included in the next year's Appropriation Accounts. As regards the extension of the Fund to serve other purposes, the Financial Adviser stated that certain equalisation allotments were at present included in the Defence Reserve Fund, but an analysis of the balances would show these items separately. The suggestion that all the reserves for unforeseen expenditure should be unified and held in the Defence Reserve Fund was not accepted. The Committee agreed with the Auditor General that the Military Engineer Services Reserve should be included in the budget under the appropriate service head, but that its control should be vested in the Army Authorities responsible for the general control over Army expenditure as a whole.

8. *Item 11. Revision of rules for the Depreciation Reserve Fund of Ordnance and Clothing Factories.*—The Auditor General explained that this involved intricate and technical questions of accounting requiring very careful examination and that for this he required further time.

9. *Paragraph 3 of the Auditor General's letter.*—The Committee agreed with the Auditor General that, so far as the control of Army expenditure in bulk was concerned, the Financial administration of the year was active and alert and that the control exercised was commendably successful in its results.

10. *Paragraph 5 of the Auditor General's letter.*—It was explained to the Committee that items 11 and 12 in the list of items of expenditure which had so far not received the sanction of competent authority were still under investigation and a further report would, if necessary, be made to the Committee next year. As regards the inability of audit to exercise an effective check over the balances of stores held on charge by units, the Army Secretary explained that steps had been taken to revise the present Equipment Tables.

11. *Paragraph 6 of the Auditor General's letter—Review of Military Engineer Services Expenditure.*—The Committee agreed with the Auditor General that, while a certain measure of reform had been devised, there was scope for considerable improvement in the administration of the Military Engineer Services expenditure especially in the matter of defining more exactly the scope of the original demand for the expenditure and conforming more closely to the scope of the demand as so defined. The Committee desired, however, to examine the Engineer-in-Chief in regard to Military Engineer Services expenditure in general and also in regard to certain specific matters, *e.g.*, the regulation of contracts, brought to notice by the Financial Adviser and the Director of Army Audit.

12. *Paragraph 7 of the Auditor General's letter—Expenditure on special programme measures.*—The Committee was informed that the Military authorities accepted the correctness of the facts embodied in this account and in the supplementary information furnished by the Financial Adviser.

13. *Paragraph 8 of the Auditor General's letter—Stores Transactions.*—The Committee agreed with the Auditor General that the Army Administration were not at present in a position to assess what should be regarded as the normal level of stores consumption and balances as they had been passing through a period of disturbed conditions which had not yet come to an end. As regards the accounting difficulties in the way of producing accurate and easily verifiable figures for the statement, the Financial Adviser explained that certain suggestions of his to get over these difficulties had been accepted by the Auditor General. The Committee agreed with the Auditor General that it was desirable (a) that the information should include a reference to the corresponding figures given in connection with the estimates of the year and (b) that there should be a presentation in parallel columns of the figures relating to each heading for a number of years. He suggested that such a presentation of the stores position would be extremely valuable when normal conditions are again reached, especially if the notable variations between particular years were explained in suitable foot-notes by the Financial Adviser.

14. *Paragraph 9 of the Auditor General's letter—Account of special expenditure for the expansion of the Territorial Force.*—This is already dealt with in paragraph 5 preceding as a separate matter. Mr. Mitra desired to draw attention to the fact that the Army Authorities were not able to spend the sum (commonly called the "Civil Grant") appropriated annually for the expansion of the Territorial Force.

15. *Paragraph 10 of the Auditor General's letter.—Financial Irregularities.* The Army Secretary read to the Committee a statement prepared by the Military authorities at Army Headquarters giving the views of His Excellency the Commander-in-Chief on the various points brought out by the Auditor General and the steps he proposed to take in connection with them. His Excellency regretfully acknowledged that there was cause for the Auditor General's main criticisms, but was not prepared to agree that 'laxity of view' and 'insufficient sense of responsibility' in financial matters were as wide-spread as the Auditor General's remarks might be held to imply.

His Excellency has given orders that the serious attention of local Military authorities shall be drawn to the two following directions in which he considers improvement is most necessary :—

- (a) *Improvement of Supervision.* It is being impressed on all senior officers that it is their duty to see that their juniors realise their financial responsibilities and exercise them properly.
- (b) *Proper Liaison with Finance.* The attention of all officers acting in an administrative capacity will be drawn to the importance of maintaining close and cordial relations with the accounts authorities throughout all stages of a financial transaction. They will also be made to realise the limitations of audit in detecting fraud without the co-operation of the Army authorities.

Steps are also being taken to accelerate the revision and simplification of Army regulations, the intricacy of which leads at present to much misunderstanding between the financial and administrative authorities.

In connection with (b) above, the Auditor General asked the Army Secretary if he would be willing to arrange for the addition to the orders to be issued of such additional instructions as would ensure more effective co-operation with the Statutory Audit conducted by the Auditor General's Department as well as with the Accounts authorities. The Army Secretary agreed to bring the Auditor General's wish to the notice of the Adjutant General.

The Army Secretary also suggested that the Report of the Director of Army Audit might make some distinction between irregularities belonging to the year under review and those which are legacies of previous years. The Committee after considerable discussion did not accept the suggestion as all cases are not included in the Report but only a few typical ones and it would therefore be misleading to judge from the number of cases included in the Report in any particular year. The Committee desired that the Report should include cases cleared up in time for inclusion in the Audit Report but really bad cases might be mentioned though they were not completed.

16. *Paragraph 20 of the Report of the Director of Army Audit.—Over-issue of marriage allowance.*—The Financial Adviser explained that this was a very rare case. It was also stated that a new fact had recently come to light which had necessitated the re-opening of the case and the further consideration of its disciplinary aspect.

17. *Paragraph 24 of the Report of the Director of Army Audit—Irregular employment of an Engine Cleaner.*—The Auditor General raised the general question whether adequate machinery had even now been adopted for the internal check of sanctions and the scrutiny of original claims in the case of recurring payments. The Military Accountant General explained that he had gone into the position thoroughly and, so far as he could see, the checks at present exercised were as perfect as they could be. In the particular case referred to by the Director of Army Audit, the Engine Cleaner was originally employed by the Military Engineer Services who were competent to accord sanction, but he was subsequently transferred to the Medical Branch, who were not competent to employ him without the sanction of the Government of India.

18. *Paragraph 27 of the Report of the Director of Army Audit—Failure to raise debits against His Majesty's Government in respect of certain pensions.*—The Military Accountant General explained that the original pension orders had to be issued within a certain limit of time with the result that the accounts authorities could not go in detail into the history of each pensioner. The Government of India realised at the time that there was a certain risk of wrong debits. Every pension was now being audited and he hoped to complete the work in about two years' time.

19. *Paragraph 40 of the Report of the Director of Army Audit—Irregular disposal of fees for testing water.*—The Financial Adviser explained that under the rules a fee of Rs. 5 could be levied for each analysis and this was to be credited to Government. In addition, the Medical Officer-in-charge may, if he thinks fit, make an extra charge against non-Army authorities and distribute this extra amount among the staff. The Auditor General suggested that the new rules should make it clear that all the fees recovered should first be credited to Government and any portion to be paid to the staff should be drawn on a payment voucher. The Committee agreed to this suggestion.

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**Proceedings of the Second Meeting of the Military Accounts Committee held on Tuesday, the 26th June 1934, at 2-30 P.M.**

**PRESENT :**

The Hon'ble Sir JAMES GRIGG, Finance Member, <i>Chairman</i> .	} <i>Members.</i>
The Hon'ble Sir ALAN PARSONS, Finance Secretary.	
Mr. S. C. MITRA.	
Mr. K. UPPI SAHEB Bahadur.	
Sir ERNEST BURDON, Auditor General.	} <i>Were also present.</i>
Lt.-Col. A. F. R. LUMBY, Army Secretary.	
Mr. A. MACLEOD, Financial Adviser, Military Finance.	
Mr. J. R. HOPE, Deputy Financial Adviser, Military Finance.	
Lt. Col. R. PRINCE, Military Accountant General.	
Mr. L. J. PECK, Director of Army Audit.	

• 20. *Paragraphs 43 to 47 and 60 of the Report of the Director of Army Audit.*—In these cases false or misleading certificates were recorded and in one case incorrect entries were made in the accounts and an incorrect reply given to Audit. In some cases the offence was deliberate in order to conceal an irregularity already committed; in one case the object was to enable the administration to spend money before the 31st of March. The correct recording of original facts in bills, acquittances, vouchers, measurement books, certificates, etc., is essentially an administrative requirement, and it is the duty of the responsible departmental officers to ensure the strict accuracy of these departmental records. Audit is not in direct contact with the original facts and has to depend, in the execution of its functions on the accuracy of these departmental records; and it becomes almost impossible for Audit, unless supported by administrative co-operation, to detect irregularities if these documents are not in accordance with the facts or if false certificates are recorded. For example, we were told that, in one of the cases referred to in these paragraphs it was due to a pure accident that Audit happened to obtain evidence which proved that an explanation furnished by the Executive for certain heavy expenditure was not in accordance with the facts and that a fraud had taken place. The Committee viewed with grave concern the fact that such false certificates had been furnished deliberately in some cases. They also desired to record their opinion that the punishment awarded in some cases was entirely inadequate and that the administrative authorities appeared to take a far too lenient view of cases where the furnishing of false certificates was deliberate.

21. *Paragraph 62 of the Report of the Director of Army Audit—Irregularities in the allotment and hiring of quarters.*—The Committee was informed that the first and the third of the cases mentioned were due to faulty administration and the second to force of circumstances and that the rules had since been amended to permit the local authorities to take, in future, action of the kind taken in the second case.

22. *Paragraph 64 of the Report of the Director of Army Audit—Non-recovery or short recovery of rent, water and electric charges and conservancy tax.*—The Committee was informed that certain improvements in procedure had already been given effect to and other improvements were under consideration.

23. *Paragraph 67 of the Report of the Director of Army Audit—Contracts.*—The Committee desired to discuss this with the Engineer-in-Chief.

24. *Paragraph 11 of the Auditor General's letter and paragraph 50 of the Report of the Director of Army Audit—Rulings of the Judge Advocate General.*—The Committee was informed that, while the individual cases quoted by the Director of Army Audit were regarded as finally settled, the rulings given by the Judge Advocate General in connection with them were being carefully re-examined in consultation with the Legislative Department and that the final conclusions reached would be intimated to Audit and a statement placed before the Committee next year.

*Army Manufacturing Concerns.*

25. *Paragraph 2 of the Auditor General's letter.*—The Financial Adviser informed the Committee that the Reviews of the departmental officers on the trading accounts would in future be furnished to the Director of Army Audit by the 1st of March. The general review of the Financial Adviser on the commercial accounts as a whole would be furnished a little later. The Committee agreed with the Auditor General that the accounts would be more informative if they were presented, as is already done in the case of the Commercial Accounts of the Central Government (Civil), with two parallel money columns showing the figures of the preceding year and the current year side by side. They also agreed that the departmental review in respect of the current year's accounts was sufficient for their purpose, and that the review of the preceding year need not be reprinted.

26. *Paragraph 4 of the Auditor General's letter.*—The Auditor General informed the Committee that—

- (1) the cost of the Stores Section of the office of the Director General, Indian Medical Service, was at present included correctly in the Profit and Loss accounts of the Medical Stores Depots though it was debited to the Civil budget and not to the Army budget, and
- (2) the cost of this Section was not taken into account in calculating the cost of the drugs, etc.

As regards (1), the Committee was given to understand that the question of the transfer of the cost to the Army Budget was at present under consideration. As regards (2), the Committee consider that it should be taken into account in calculating the cost of the drugs, etc. The Financial Adviser explained to the Committee that if this item were taken into account the cost of drugs, etc., would show a rise. The Auditor General contemplates that the costs of drugs, etc., should be correctly evaluated and a comparison made with market prices in respect of important representative items of medical stores and that the whole matter should then be further considered. The Financial Adviser intimated that, if the cost of drugs, etc., as so valued should rise, a corresponding increase could not be made in the prices actually charged to the Provincial Governments, etc., as this would almost certainly drive the customers to go elsewhere for their requirements. The Committee accepted this.

27. The Committee desired that in the "Statement comparing the cost of important items of manufacture with Home priced vocabulary stores rates" the cost of manufacture for two years should be given.

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**Proceedings of the Third Meeting of the Military Accounts Committee held on  
Wednesday, the 27th June 1934, at 11 A.M.**

**PRESENT :**

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman.*

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. S. C. MITRA.

Mr. K. UPPI SAHEB BAHADUR.

} *Members.*



Sir ERNEST BURDON, Auditor General.

Lieutenant-Colonel A. F. R. LUMBY, Army Secretary.

Mr. A. MACLEOD, Financial Adviser, Military Finance.

Mr. J. R. HOPE, Deputy Financial Adviser, Military Finance.

Lieutenant-Colonel R. Prince, Military Accountant General.

Mr. L. J. PECK, Director of Army Audit.

Major General G. H. ADDISON, Engineer-in-Chief.

} Were also  
present.

28. Mr. Mitra asked the Engineer-in-Chief why tenders other than the lowest continued to be accepted in some cases without assigning any reasons and why it was not possible to accept the lowest tender in all cases when there was an approved list of contractors. The Engineer-in-Chief explained that, under the revised edition of the regulations for the Military Engineer Services issued in 1933, the officer who receives the tenders is bound to record his reasons in a case where he recommends acceptance of other than the lowest tender. As regards the acceptance of the lowest tender in all cases, the Engineer-in-Chief referred to a note in which he had explained that they were aiming at that ideal but there were certain difficulties mentioned below which they were trying to overcome :—

- (1) Contractors in India are not really contractors in the sense in which the term is understood elsewhere. . In some places the approved list of contractors consists mostly of a number of local *banias* who are not in a position to understand the technical side of the work. At the same time, it is not advisable to exclude them altogether from the approved list, as this would reduce competition and raise prices. Some of the contractors on the approved list are good for some jobs but they may not be equally good for others. Regulations are being revised, one of the objects being that contractors shall be educated up to requirements so that ultimately there would be nobody on the approved list who will not be considered capable of carrying out any contract and the acceptance of the lowest tender will become largely automatic.
- (2) Quantity Surveyors expert in the preparation of accurate specifications and bills of quantities had not been available in India hitherto. The Secretary of State had recently approved a scheme providing for these and in pursuance thereof, a senior Engineer Officer who had just completed his tenure of the appointment of Chief Technical Examiner at the War Office and who possessed considerable Indian experience had arrived in India and he hoped that the remaining surveyors would arrive early in the next trooping season.
- (3) A detailed examination of the present regulations is being undertaken to consider where amendments are necessary, and this will take time to complete.
- (4) In order to get a really efficient contract, detailed and accurate documents would have to be produced but where at a moment's notice accommodation for a large number of troops is needed or a similar urgent work had to be undertaken there would be no time to go into such detail.

29. As regards the Engineer-in-Chief's apparently depreciatory estimate of the quality and competence of contractors in India, the Auditor General remarked that the Public Works Reorganisation Committee of 1917 recommended that efforts should be made to stimulate the creation of a class of contractors who would be reliable and who would be able to undertake large works. The Public Works Department have since done their best to stimulate the growth of competent contractors, and it was his information that in many places, *c.g.*, Delhi, there were a number of perfectly competent contractors to whom it would not be fair to apply the description given by the Engineer-in-Chief. One other recommendation of that Committee was that firms taking large Engineering contracts should be required to employ competent Engineering staff and contractors employed by the Public Works Department do actually conform to this requirement. He added that it was his experience that the Civil Public Works Department, who have to work under rather more restrictive conditions than the Military Engineer Services because they deal with expenditure which is subject to the vote of the Assembly, have not experienced the same difficulty in observing financial rules as the Military Engineer Services. The Engineer-in-Chief remarked that his note was not meant to be a general condemnation of contractors in India but that it applied only to certain particularly difficult areas, such as the tribal areas, and that though the Civil Public Works Department worked under more restrictive financial conditions than the Military Engineer Services, the latter owing to the unavoidable variations in Army policy, even in peace time, found it very difficult to bring the regulation of Military Engineer Services expenditure to a state of greater stability.

30. In reply to a question from the Auditor General the Engineer-in-Chief agreed that it was right to impress on all concerned, as suggested by the Financial Adviser, Military Finance, in the last sentence of paragraph 237 of the Appropriation Accounts, that the conditions to be complied with under the rules before a work is started are not mere "formalities" but should be observed before the work is actually put in hand in all but cases of the utmost urgency. It is, of course, a different matter when the conditions are waived by the Government of India themselves and in such cases objection should not be raised by Audit against the Military Engineer Services.

31. In paragraph 239 of the Appropriation Accounts the Financial Adviser had brought to notice two important points. The first is that, when Engineer Officers exercise the authority given to them by the regulations to extend contracts without calling for fresh tenders, particular vigilance is necessary at a time like the present to ensure that advantage is taken of falling prices. The second point relates to a tendency to revise particular clauses in contracts on representations from contractors. The Financial Adviser observes that, while it is admitted that there may be exceptional cases in which unforeseen developments may necessitate the revision of a single clause of a contract, the power to revise is clearly one the exercise of which calls for discretion and if agreements are properly drawn occasions for using that power should be rare. The Engineer-in-Chief in reply to a question from the Auditor General stated that he accepted the views expressed in the whole of paragraph 239.

32. *Paragraph 67 of the Report of the Director of Army Audit.*—The Engineer-in-Chief informed the Committee that in this particular case the work

was not given to the first contractor as he was in financial difficulties at the time. Subsequently when he got sufficient financial backing he was given a similar work. The Committee noted that in this particular case the reasons given to Audit for not giving the work to the first contractor were not the real reasons.

33. The Military Accountant General informed the Committee that the Military Engineer Services' Audit was at present conducted by non-technical men with the result that the objections raised during the period under review were in some cases very irritating to the Engineer Officers. In this connection, the Auditor General raised the question why it was not possible to have trained Works Accountants as on the Civil side. The Committee desired that the Military Accountant General and the Auditor General should examine this question and make joint recommendations.

34. Mr. Mitra invited the attention of the Army Secretary to the point made in paragraph 11 of the Director of Army Audit's Report, viz., that Audit cannot relieve an executive authority of at least part of his responsibilities for the prevention and detection of irregularities. The Army Secretary quoted from the statement giving the views of His Excellency the Commander-in-Chief on paragraph 10 of the Auditor General's letter to show that His Excellency was in sympathy with the views expressed by the Director of Army Audit and had ordered instructions to be issued to bring the point raised by him prominently to the notice of subordinate military authorities.

35. Mr. Mitra drew attention to paragraph 16 C of the Director of Army Audit's Report which dealt with the recording of certificates otherwise than in accordance with the facts. The Army Secretary pointed out that it was only natural that a report which dealt almost entirely with mistakes committed should give the impression that cases of this nature were more prevalent than the facts actually warranted. He assured Mr. Mitra, however, that the Military authorities were fully alive to the seriousness of offences of the kind brought to notice.

36. In answer to enquiries arising out of paragraph 16-D of the Report regarding the loss and premature destruction of documents, it was stated that there was no such evidence as would justify an inference that such action was deliberate or intentional. In response to a request, the Army Secretary undertook to furnish a statement\* in respect of the three cases of loss mentioned in paragraph 61 of the Audit Report.

37. Certificates furnished by the Quartermaster General and the Master General of the Ordnance (*Annexures IV and V*) regarding the existence in stock of the authorised War Reserve of stores on the 31st March 1934 were read out to the Committee.

38. Mr. Mitra and Mr. Uppi Sahib Bahadur expressed their appreciation of the work of the Financial Adviser who has been very helpful to the Committee during the last three years. The Chairman and Sir Alan Parsons desired to associate themselves with the remarks of Mr. Mitra and Mr. Uppi Saheb Bahadur.

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\* Since furnished.

† The draft Report of the Military Accounts Committee was adopted by the Public Accounts Committee, with certain modifications, at the meeting held on Saturday, the 18th August 1934, at 3 P.M.

**ANNEXURE II.***(Vide paragraph 3 of Proceedings.)*

**Memorandum furnished by the Auditor General regarding the preparation of statistics relating to surplus and obsolete stores of the Army, Marine and Military Engineer Services ; vide item 2 of Appendix A to the Army Appropriation Accounts.**

As expressed in paragraph 32 of their Report on the Accounts of 1929-30, Volume I, the Public Accounts Committee agreed to the abolition of priced store accounts on the understanding that certain statistical information would be given to them, which would in some form replace the information which was previously at their disposal through consolidated statements based on the priced store accounts. The figures shown in Appendix " E " to the Army Appropriation Accounts for 1932-33 are intended to fulfil in part the undertaking given in this connection ; while it would be consistent with the undertaking, or at any rate with the desire underlying the Committee's request, that certain further information should be given, *viz.*, on the financial aspect of the periodical disposals of surplus and obsolete stores.

2. The Auditor General, through the Director of Army Audit, is still examining in consultation with the Military Finance authorities the most suitable method of examining, co-ordinating, and exhibiting the relevant material.

3. It may be explained, at once, however that, if a practicable and reliable means can be devised of exhibiting such figures, the primary object will be not to add to the enumeration of formal " losses " but to provide an additional test of the efficiency of financial administration and control. In this connection it is of interest to note that, in the United Kingdom, the difference between the book value and the sale value of surplus and obsolete stores of the Army and Royal Air Force is not exhibited as a formal " loss ", expressed in terms of money. The reason for this is that in many cases stores become surplus or obsolete as a result of deliberate and necessary changes of policy and alterations in design. So long as money has been expended in accordance with the decisions of Parliament, the question of policy is not subjected to review as a matter of Account, while as a general rule the accounting records do not furnish sufficient information to enable a correct judgment to be formed on the economic results of policy. In the case of the Navy, though the details of the procedure are not exactly known, the Accounts show figures of " depreciation and loss " which appear to include the writing down of such stores to sale value.

**ANNEXURE III.**

*(Vide paragraph 7 of Proceedings.)*

**Note on the question of reduction in the cost of the Re-equipment Programme, furnished by the Army Department with reference to paragraph 6 of the Report of the Military Accounts Committee on the accounts of 1931-32.**

The Military Accounts Committee in their report on the Appropriation Accounts of the Defence Services for 1931-32 raised the question whether the cost of the re-equipment programme should not be reduced in view of the fall in world prices.

2. The most careful possible calculations have been made and it now seems probable that the programme can be completed for about Rs. 9·75 against the original Rs. 10 crores. In fact if Government were in a position to complete the programme, or a substantial part of the outstanding items, while prices are still ruling low and if it were possible to obtain the balance of the equipment required within the same time, an even larger reduction might be made. At present however there is no indication of either of these possibilities and the matter is therefore more of academic than of practical interest. The fullest possible advantage has already been taken of the fall in prices, and if a further reduction should prove possible, it will be made. The Committee may rest assured that Government will not be asked to provide more money than is actually required.

3. Although the Committee's main point has been met by the above statement, some further explanation may be thought desirable, both to bring out the difficulty of giving an absolutely firm answer to their question and also, perhaps, to show why a larger reduction than the Rs. 25 lakhs mentioned above is not likely to be secured.

4. The original programme was no more than a statement of deficiencies with a rough estimate against each item of the cost of making good the deficiency. It was not a schedule of fully costed items of future expenditure. The provisional nature of the original estimates was fully recognised from the outset both by the Government of India and by the Secretary of State; and it was accepted that alterations and modifications must take place from time to time in accordance with the results of further experience. Moreover, in the Army as in every other department of Government, a margin above the normal standing charges has always to be provided for New Demands. The stabilised budget arrangement in the Army did away with the procedure of budgeting for standing charges *plus* new demands and, therefore, the programme had necessarily to include a fairly large margin for unforeseen expenditure which would otherwise have been met under the New Demands procedure. There was, however, always the stipulation that, whatever variations might take place in the execution of the programme, there should be no large alteration in the total cost and that the purposes for which the programme was intended should remain substantially the same.

5. *Definite 'costing' as programme developed.*—As money became available the programme was taken up by sections in the order of urgency and, as each section was taken up, it was converted from a roughly valued statement of a deficiency into a concrete and regularly costed proposal for expenditure. It was originally hoped to complete the programme, in four years, but the process described has already been spread over six years and there still remains a substantial balance of the programme which has been only roughly costed.

6. Prices have varied greatly since the programme was initiated and a close approximation to the original rough estimates of cost was never to be expected. If, however, the Committee are disposed to think that larger reductions might have been made, they must bear the following facts in mind.

7. In the first place, the goods purchased in pursuance of the re-equipment programme have not been raw materials but, for the most part, highly finished manufactured articles, among which may be mentioned aeroplanes, artillery tractors, light tanks, motor transport vehicles, machine guns, wireless equipment and other scientific apparatus. Into the price of such articles the cost of skilled labour enters largely and the cost of the materials is, in varying degrees, of minor importance. Consequently the effect of the fall in world prices on the cost of such articles is less marked and slower in maturing. Moreover, owing to improvements in design or to other causes, the prices of certain articles have actually increased.

8. In the second place, of the total expenditure up to date amounting roundly to Rs. 7.50 crores, about 5 crores was spent before the fall in prices became effective. The financial stringency caused by the fall in prices of primary products was itself the cause of a drastic restriction of the funds available for expenditure on the programme. In the three years 1932-33, 1933-34 and 1934-35 together, the total amount spent or to be spent on the programme is only about one crore. Thus, while it is believed that full advantage has been taken, where possible, of such fall as has occurred in the prices of the articles purchased, it will be seen that the volume of expenditure on which such advantage could be taken is a relatively small proportion of the total.

9. *Remainder of programme only roughly costed.*—The remainder of the programme which has to be financed is still only roughly costed and it would serve no useful purpose to make a detailed estimate now in an attempt to obtain a firm revised figure for the cost of completion. To mention one point only, it would almost certainly be misleading to base a detailed estimate on present prices, because it is probably correct to say that a general rise in prices *must* occur before Government will be in a position to provide funds to finance the remainder of the programme. The further expenditure required to complete after allowing for the amount provided in the budget for 1934-35 is roughly estimated at Rs. 195 lakhs.

10. *No expansion of programme has been made.*—If behind this question raised by the Committee there is the desire to be assured that advantage has not been taken of the fall in prices to expand the programme by including items not covered by the original list, it may be of interest to detail the safeguards provided to prevent any such addition. In the terms of the agreement for the stabilization of the Defence Budget it was laid upon the Financial

Adviser, Military Finance, as a specific duty that he was to bring to the notice of the Finance Member any proposal for expenditure which seemed to him to be a departure from the terms of the agreement. As might naturally be anticipated since conditions are not static, and, as was in fact accepted in advance by the Government of India and the Secretary of State (*vide* paragraph 4 above), the measures put into force have not corresponded exactly to the original intentions. In other words, when an item was included in the original 'statement of deficiencies' it was intended to make good the deficiency in a certain way : in some cases further examination or experience has shown that better results would be obtained by applying a somewhat different remedy. The points of doubt, which the Financial Adviser has had occasion to report for orders in the exercise of the responsibility laid on him, have been of this nature, *viz.*, not substantive additions to the original list but variations from the letter of the original proposals. Since such variations involved no departure from the spirit of the original agreement, Government sanction has been freely accorded, provided that the new remedy did not involve greater expenditure than the original one. In point of fact the association of the Finance Department with the execution of the programme has been closer than was originally stipulated : in recent years, owing to the restriction of the resources available for financing the programme, the practice has grown up of referring to the Finance Member for his specific consent a list of the items for which it is proposed to make provision in each year's budget. In view of these safeguards the Committee may rest assured that advantage has not been taken of the fall in prices or other similar factors to make any alterations in the programme which depart from the spirit of the original agreement.

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**ANNEXURE IV.**

*(Vide paragraph 37 of Proceedings.)*

**Indian Certificate.**

I certify that, on 31st March 1934, the War Reserves of stores authorised by the Government of India to be held at that date for the mobilization of the Army in India and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and maintenance of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand, and with the exceptions shown in the attached Annexure. .

**E. IRONSIDE,**

*Lieutenant-General,*

*Quartermaster General in India.*

*The 26th May 1934.*



**Annexure to certificate, dated 31st March 1934.**

Deficiencies in the authorised numbers of M. T. Vehicles to be held in mobilization reserve :—

- (i) *1 motor cycle, solo*, authorised to be held by the 1st D. A. C., Campbellpore. This deficiency has been accepted by all concerned in view of the proposed replacement of this type of unit by Divisional Ammunition Unit in the near future.
- (ii) *4 Workshop lorries*, authorised to be held towards the commitments entailed by the raising of new M. T. Companies on mobilization. This deficiency will be made good if and when the 6-wheeled workshop type chassis ordered from the United Kingdom against the 1932-33 Mechanisation Programme are converted\* and issued to units, in replacement of 4-wheeled workshop lorries, which will be put in a fit mechanical condition and held as mobilization reserve vehicles.
- (iii) (a) *14 store lorries*, authorised to be held for the use of extra 2nd line M. T. artificers on mobilization and towards commitments entailed by the raising of new M. T. Companies.
- (b) *7 breakdown lorries*, authorised to be held for the purpose as at (iii) (a) above.

The vehicles, equipment, etc., required to complete the deficiencies of the above vehicles are available in the country, but the conversion has not been completed.

- (iv) *4 Foden disinfecter lorries*. Against the authorised establishment of 11 of this type of vehicles, only 7 are held. To meet the deficiency of 4 vehicles, a like number of Albion A-10 type, 3-ton, 4-wheeled chassis is available. These vehicles are at present unallotted and held in mobilization reserve pending a decision as to their abolition.

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\* Work under suspension owing to reorganization of the I. A. S.C. (M. T.).

**ANNEXURE V.**

*(Vide paragraph 37 of Proceedings.)*

**Indian Certificate.**

I certify that, on 31st March 1934, the War Reserves of stores authorised by the Government of India to be held at that date for the mobilization of the army in India and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and manufacture of which I am responsible, were complete to the extent to which the quantities required have been calculated, with the exception of fluctuations normal to the maintenance of such reserves, or to shortage and deficiencies due to sanctioned alterations in such reserves, the adjustment of which is in hand.

H. E. AP RHYS PRYCE,

*Lieutenant-General,*

*The 11th May 1934.*

*Master General of the Ordnance in India.*

#### IV.—PROCEEDINGS OF THE PUBLIC ACCOUNTS COMMITTEE.

**Proceedings of the First Meeting of the Public Accounts Committee held on Friday, the 29th June 1934, at 11 A.M.**

##### PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. S. C. MITRA.

Mr. K. UPPI SAHEB BAHADUR.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. B. DAS.

Captain SHER MOHAMMAD KHAN.

Maulvi Sir MOHAMMAD YAKUB.

} *Members.*

Sir ERNEST BURDON, Auditor-General.

Mr. M. BUTLER, Accountant General, Central Revenues.

} *Were also present.*

The Hon'ble Sir ALAN PARSONS, Finance Secretary, *Witness*.

1. The Committee took up the consideration of the items shown against the Finance Department and the Auditor General in the Quarterly List of outstandings (Appendix I) and accepted the action taken and the explanations given in regard to the various items.

2. The Committee then went through paragraphs 11—20 of the Appropriation Accounts. In view of the fact that the receipts from the residential buildings in New Delhi did not cover the interest charges on the capital expenditure Mr. Das desired that the Finance Department should not in future sanction any capital expenditure or give advances to Provincial Governments from the Provincial Loans Fund for such expenditure if the schemes were not likely to be remunerative. As regards the financial prospects of the Vizagapatam Harbour, the Auditor-General suggested that the Committee might consider the question after the first commercial accounts of the Harbour are available next year. The Auditor General referring to the statement giving an analysis of loans and advances bearing interest said that if the Committee considered it desirable, he would supplement the statement in future years by giving certain further important information regarding the various loans and advances. The Committee considered the statement a very useful one and desired that the Auditor-General should continue it with such improvements as he might consider necessary.

3. The Committee next examined the general results of Appropriation Audit during the year 1932-33. The Committee agreed with the Accountant General that from the point of view of accurate estimating and efficient control of expenditure the year 1932-33 like the previous year was one of difficulties.

A good deal of the savings of the year was due to the fact that in many cases further retrenchment was effected after the budget estimates were framed. The Committee however considered it desirable that, as suggested by the Accountant General, particular attention of the various departments should be drawn to the detailed results of 1932-33 Appropriation Accounts in connection with the current control of expenditure. The Finance Secretary agreed to issue necessary instructions. He explained that even now the estimates of the various departments were very carefully scrutinised by the Finance Department and lump cuts for probable savings were made when they were justified by previous experience.

4. The Committee then adjourned till 2 P. M.

**Proceedings of the Second Meeting of the Public Accounts Committee held on  
Friday, the 29th June 1934, at 2 P. M.**

PRESENT :

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. S. C. MITRA.

Mr. K. UPPI SAHEB BAHADUR.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. B. DAS.

Captain SHER MOHAMMAD KHAN.

Maulvi Sir MOHAMMAD YUKUB.

Sir ERNEST BURDON, Auditor General.

Mr. M. BUTLER, Accountant General, Central Revenues

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. M. S. A. HYDARI Joint Secretary, Department of Education, Health and Lands.

Mr. R. H. HUTCHINGS, Deputy Secretary, Department of Education, Health and Lands.

The Hon'ble Mr. D. G. MITCHELL, Secretary, Department of Industries and Labour.

Mr. E. W. Perry, Joint Secretary, Department of Industries and Labour.

Mr. E. M. JENKINS, Deputy Secretary, Department of Industries and Labour.

Mr. M. IKRAMULLAH, Under Secretary, Department of Industries and Labour.

Mr. A. BREBNER, Chief Engineer, Central Public Works Department, New Delhi.

Mr. C. T. LETTON, Controller of Printing and Stationery.

Mr. F. TYMMS, Director of Civil Aviation.

*Members.*

*Were also present.*

*Witnesses.*

5. The Committee took up the consideration of the Appropriation Accounts and connected documents relating to the Department of Education, Health and Lands.

6. *Item 4 of the Quarterly Statement—Surplus stocks of quinine.*—The Committee was informed that out of the surplus of lbs. 130,000, lbs. 20,000 have been manufactured into the form of trade quinine and of the latter lbs. 4,000 have actually been sold. The Department was also at present conducting certain negotiations with the representative of the Kina Bureau for the sale of the surplus. The Committee hoped that the Department would be able to report considerable reduction in the surplus stock next year.

7. *Item 6 of the Quarterly Statement—Plates for the Sanchi Monograph.*—The Committee was informed that the remaining 12 plates were expected to be received by October next.

8. The Committee considered the explanations given for the excesses under Grants Nos. 21, 35, 48, 58, 61, 67 and 82 to be adequate.

9. *Commercial accounts of the Mathematical Instrument Office, Calcutta.*—It was admitted that the present state of affairs in the Mathematical Instrument Office is not satisfactory but that the Department could not take steps towards further retrenchment as their chief customer, the Army Department, had not been able to tell them definitely what their requirements were. The Committee was informed that a definite reply from the Army Department had since been received and that steps would be taken as soon as possible to adjust the establishment to the new conditions.

10. *Central Museum.*—The Committee observed that from the statement of receipts and expenditure of the Central Museum given on page 136 of the Appropriation Accounts it was not clear how the expenditure in excess of about Rs. 44,000 contributed by the Government of Bengal and the Government of India was met. The Committee desired that in the future Appropriation Accounts the position should be explained more clearly.

11. The Committee then took up the consideration of the Appropriation Accounts and connected documents relating to the Department of Industries and Labour.

12. *Item 13 of the Quarterly List—Outstanding Balances in the Central Publication Branch.*—The Committee was informed that the money was actually received but was not properly adjusted in the ledgers.

13. The Committee accepted the explanations given for the excesses under Grants Nos. 22, 40, 49, 50, 54 and 63.

14. The Auditor General brought to notice the large closing balance of paper and binding material at the Aligarh Press which represented about six or seven months' consumption against three or four months' consumption provided for in other Presses. The Controller of Printing and Stationery informed the Committee that it was necessary to maintain a larger stock at Aligarh to provide against strikes, etc., in view of the large amount of work done there for the Posts and Telegraphs Department. He stated that the question of reduction of stocks was under his consideration and he hoped to reduce them to a lower figure next year.

15. The Auditor General also pointed out that it was suggested at a meeting of the Public Accounts Committee two or three years ago that the value of the work done by the Government of India Presses for each paying and non-paying Department of the Government of India should be exhibited in the commercial accounts. The Committee desired that these figures should be included in the commercial accounts from next year as they would be of great use in comparing the expenditure incurred by each department on printing from year to year.

16. The Auditor General also enquired whether the certificate of verification of stock in the Central Publication Branch in paragraph 297 of the Commercial Appendix did not require revision. The Controller informed the Committee that the verification had not yet been completed and that when it was completed a fresh certificate would be furnished.

17. *Paragraph 105 of the Appropriation Accounts.*—In reply to a question from the Auditor General whether a decision had been reached as to the terms on which certain assets had been handed over to the New Delhi Municipal Committee, the Committee was informed that no decision had yet been reached. The Auditor General and the Finance Secretary stated that it was very important to come to a conclusion as quickly as possible as delay would make the case more complicated and there was a danger of the assets passing on to the municipality without any sort of control by Government.

18. The Committee then adjourned till 11 A.M. on Saturday, the 30th June 1934.

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**Proceedings of the Third Meeting of the Public Accounts Committee held on Saturday, the 30th June 1934, at 11 A.M.**

**PRESENT :**

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI.

Mr. S. C. MITRA.

Mr. K. UPPI Saheb Bahadur.

Kunwer Hajee ISMAIEL ALIKHAN.

Mr. B. DAS.

Captain SHEER MOHAMMAD KHAN.

Dr. R. D. DALAL.

Maulvi Sir MOHAMMAD YAKUB.

Sir ERNEST BURDON, Auditor General.

Sir ALAN PARSONS, Finance Secretary.

Mr. M. BUTLER, Accountant General, Central Revenues.

Mr. E. T. COATES, Accountant General, Posts and Telegraphs.

Mr. G. V. BEWOOR, Director General, Posts and Telegraphs.

Mr. GHULAM MOHAMMAD, Officiating Financial Adviser, Posts and Telegraphs.

Mr. S. P. VARMA.

} *Members.*

} *Were also present.*

} *Witnesses.*

19. The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Posts and Telegraphs Department.

20. *Paragraph 3 of the Auditor General's letter—Financial position of the Department.*—A memorandum was furnished to the Committee (*vide* Annexure A) in which it is explained—

(1) The loss in the working of the department was reduced from about 94 lakhs in 1931-32 to about 42 lakhs in 1932-33, but it rose to about 52 lakhs in 1933-34 of which about 27½ lakhs was due to the reduction of the cut in pay with effect from the 1st April 1933. The estimates for the current year anticipate a loss of about 14½ lakhs only which may rise to about half a crore if the cut in pay is restored.

(2) Efforts were being continued to reduce the loss further by the following measures :—

“The retrenchment concessions have been extended so far as the Posts and Telegraphs department is concerned up to the 31st March 1935. The retrenchment of surplus staff is being carried out wherever justified and the policy of employing cheaper agencies wherever possible is being consistently pursued. The recommendations of the Telegraph Establishment Enquiry Committee are at present under the consideration of Government. A Postal Enquiry Committee has been appointed in order to examine and simplify the procedures in the post office and some economy may be anticipated as a result of the recommendations of this Committee. New reduced scales of pay for the non-gazetted subordinate staff of the department are expected to be introduced shortly. On the receipt side, attempts are being made to secure more revenue by a reduction in the telephone rates. Government have also under consideration the introduction of a new method of remittance in the form of Indian Postal Orders on the lines of British Postal Orders. The activities of the department are being advertised in the public press so as to attract more traffic. In order to ascertain whether it is really the high rates of postal and telegraph charges that are preventing an increase in traffic, the rates have been reduced this year and the response of traffic to these reduced rates is being carefully watched. The figures for revenue and expenditure for April 1934 and approximates for May 1934 do not give sufficient indication to base any conclusions but the situation is being carefully watched and efforts will continue to be made to reduce expenditure and to secure an increase in revenue.”

21. *Paragraph 4 of the Auditor General's letter—Accuracy of budgeting and efficiency of control over expenditure.*—The Committee was furnished with the Memorandum on this subject also (*vide* Annexure B) which explains the various steps taken or under contemplation to remedy the defects noticed and to effect improvements in the procedure concerning budgeting and control of expenditure. The Auditor General also informed the Committee that he had definitely gained the impression that the posts and telegraphs authorities were now going much more deeply and in much more detail into these matters and that he was satisfied with what they were doing and what they proposed to do in future.

22. *Paragraph 80 of the Appropriation Accounts.*—The Auditor General stated that in this paragraph a sum of Rs. 9,58,000 was shown as the value of certain surplus obsolete and unserviceable stores. He desired that an analysis should be furnished showing how much of this represents surplus and how much obsolete and unserviceable stores. As regards the remark of the Accountant General that the balance in stock was still on the high side, the Committee was informed that this was based on the assumption of the correctness of certain orders issued that only six months' stock should be maintained in the case of stores to be obtained from abroad, and two months' stock in the case of stores available locally. The adequacy of this amount of stock was at present under examination by the department.

23. The Committee then took up the memorandum on the system of apportionment between the constituent Branches of the Indian Posts and Telegraphs Department of receipts and expenditure which relate to more than one branch (Appendix XI). After some discussion it was agreed that the consideration of this memorandum should be postponed as some of the members desired to make a further study and obtain some further information. In this connection the Chairman raised the point whether it would not be possible to devise a simpler method of apportioning the cost which might be revised periodically. The Auditor General promised to consider the matter.

24. The Committee then took up the consideration of some of the items left over relating to the Finance Department. The Finance Secretary explained that the non-voted excesses in Grants 20—Stamps and 71—Currency and the large voted savings under Grant No. 93—Capital Outlay on Currency Note Press were due to a change in the method of accounting of the Currency Note and Security Printing Presses, orders about which were issued after the close of the year.

25. The Committee accepted the explanations given for the excesses under Grants Nos. 25 and 26.

26. The Committee then adjourned till 11 A.M. on Monday, the 2nd July 1934.



## ANNEXURE A.

(Vide paragraph 20 of these Proceedings.)

**Memorandum on the Financial Position of the Indian Posts and Telegraphs Department, furnished by the Director-General, Posts and Telegraphs.**

NOTE.—*Figures are in thousands of rupees.*

### 1931-32.

1. The accounts for the year 1931-32 closed with a loss of 93,84, the expenditure charged to revenue being 11,58,44, while the revenue was only 10,64,60.

### 1932-33.

2. The budget estimate for this year provided for a revenue of 11,50,73. As the year advanced it was found that the expectation of revenue was not likely to be realised and in the revised estimate the figure of 10,56,88 was adopted. The actual revenue of the department amounted to 10,55,40. The expenditure provided in the budget was 11,66,92, but the results from the economy campaign and the various decisions on the recommendations of the Posts and Telegraphs Accounts Enquiry Committee enabled the provision for expenditure to be reduced in the revised estimate to 11,04,61. The actual expenditure charged to revenue including interest on capital outlay amounted to 10,97,29. The loss on the year's working, therefore, amounted to 41,89 as compared with 93,84 during the previous year. In spite of the enhanced postal and telegraph tariff the revenue continued to fall and but for the vigorous campaign of economy and retrenchments and the recommendations of the Accounts Enquiry Committee the loss would have been much greater.

### 1933-34.

3. The budget estimates for 1933-34 provided for a revenue of 10,81,34, or an improvement of 25,94 over the actuals for 1932-33. Of this improvement 16,16 represented interest on the balance of the department's depreciation fund which is being operated on the straight line basis from 1933-34 in pursuance of the recommendation of the Posts and Telegraphs Accounts Enquiry Committee. This increase in revenue, however, is off-set by a corresponding increase in the annual contribution to the depreciation fund which amounted to 45,27 in the budget estimates for 1933-34 against 23,30 in the accounts for 1932-33. The real improvement in revenue estimated in the budget was thus 9,78. As the year advanced it became apparent that the expectation of increased revenue would not be realised in full and consequently in the revised estimate the lower figure of 10,75,34 was adopted.

4. The expenditure provided in the budget for 1933-34 was 11,38,54 or an increase of 41,25 over the actuals of 1932-33. This increase was

due to the following causes :—

(a) the general rate of deduction from pay which was 10 per cent. on pay earned to the end of March 1933, was reduced to 5 per cent. This accounts for an increase of ..	27,50
(b) Increase in contribution to the depreciation fund, <i>vide</i> previous paragraph ..	21,97
(c) Annual increments in the pay of staff ..	16,20
(d) Increase in the interest charges on losses of the department .. .. .	6,52
Total ..	<hr/> 72,19 <hr/>

The gross increase under the above items comes to 72,19, but mainly due to counterbalancing economies, an increase of 41,25 only was provided for.

5. The budget estimates anticipated a loss of 57,20 on the year's working. As a result of continued efforts of economy it was possible to reduce the provision for expenditure in the revised estimates to 11,27,46 or a saving of 11,08. Appreciable as the saving was it was insufficient to cover the gap caused by decline in the revenue and it was anticipated in the revised budget that the department would be working at a loss of 51,72.

6. From the accounts up to March 1934 (preliminary) it is estimated that revenue is likely to be less by 1,40 than in the revised estimate and a further saving of 90 is likely to occur on the expenditure side. The estimated loss of 51,72 referred to above is thus likely to be increased by 50 only.

#### *Prospects for 1934-35.*

7. The budget estimate for 1934-35 provides for a revenue of 10,71,26 or 4,48 less than the revised estimate revenue for 1933-34. The expenditure is estimated to be 10,85,73. The decrease in revenue is due to the estimated loss consequent on the reduction in postage and telegraph rates. The gross decrease in revenue due to these changes is estimated at 27,00 which is partly counterbalanced by an increase of 22,00 under other heads.

8. The total expenditure provides for a reduction of 41,73 as compared with the revised estimates for 1933-34. This reduction is made up as follows :—

- (a) Contribution to the depreciation fund. Since the organisation of the department on commercial lines the annual allocation for depreciation has been very much higher than the amount annually spent on renewals so that the balance to the credit of the depreciation fund has been mounting up rapidly. Pending a review of the provision under this head and having regard to the large balance in the fund the contribution to the depreciation fund during 1934-35 has been reduced to 8,72 being the amount estimated to be

required for the actual renewal and reconstruction of assets.  
This accounts for a reduction of 35,00.

- (b) Increase in the credits received for services rendered to other departments 2,00.
- (c) Reduction in payments to retrenched personnel 10,00.
- (d) Economies and other items 7,00.

Total 54,00.

This is counterbalanced by a provision of 12,00 to meet charges on account of annual increments.

9. From the actual figures for revenue and expenditure for April 1934, and approximates for May 1934, available at the moment it is not possible to formulate any conclusions to justify a departure from these figures.

10. The revenue and loss on the working of the department as a whole has been as follows :—

Year.	Revenue.	Loss.
1931-32 .. .. .	10,64,60	93,84
1932-33 .. .. .	10,55,40	41,89
1933-34 B. E. .. .. .	10,81,34	57,20
1933-34 R. E. .. .. .	10,75,34	51,72
1933-34 anticipated actuals .. .. .	10,74,94	52,22
1934-35 B. E. .. .. .	10,71,26	14,47

It will be seen from the above that every effort is being made to improve the financial position of the department. Unfortunately the revenue of the department is not showing signs of recovery. On the expenditure side every effort is being made to reduce the cost of working. The pay of personnel which constitutes the great bulk of the expenditure in the department has always a tendency to increase owing to the annual increments. In spite of this tendency it has been possible to secure a definite reduction in the expenditure in the pay bill of the department. The figures given below will indicate the economies secured :—

—	Actuals.	Additional savings from emergency deduction.	Total.	Yearly increase or decrease.
1924-25 .. .. .	..	..	6,12,00	..
1925-26 .. .. .	..	..	6,33,00	+21,00
1926-27 .. .. .	..	..	6,57,00	+24,00
1927-28 .. .. .	..	..	6,90,00	+33,00
1928-29 .. .. .	..	..	7,34,00	+44,00
1929-30 .. .. .	..	..	7,66,00	+32,00
1930-31 .. .. .	..	..	7,90,00	+24,00
1931-32 .. .. .	7,88,00	15,00	8,03,00	+13,00
1932-33 .. .. .	7,19,00	60,00	7,79,00	—24,00
1933-34 (up to March preliminary).	7,26,00	32,50	7,58,50	—20,50

11. Efforts are being continued to secure further economies in the working of the department. The retrenchment concessions have been extended so far as the Posts and Telegraphs Department is concerned up to the 31st March 1935. The retrenchment of surplus staff is being carried out wherever justified and the policy of employing cheaper agencies wherever possible is being consistently pursued. The recommendations of the Telegraph Establishment Enquiry Committee are at present under the consideration of Government. A Postal Enquiry Committee has been appointed in order to examine and simplify the procedures in the post office and some economy may be anticipated as a result of the recommendations of this Committee. New reduced scales of pay for the non-gazetted subordinate staff of the department are expected to be introduced shortly. On the receipt side, attempts are being made to secure more revenue by a reduction in the telephone rates. Government have also under consideration the introduction of a new method of remittance in the form of Indian Postal Orders on the lines of British Postal Orders. The activities of the department are being advertised in the public press so as to attract more traffic. In order to ascertain whether it is really the high rates of postal and telegraph charges that are preventing an increase in traffic the rates have been reduced this year and the response of traffic to these reduced rates is being carefully watched. As already stated above, the figures for revenue and expenditure for April 1934, and approximates for May 1934, do not give sufficient indication to base any conclusions but the situation is being carefully watched and efforts will continue to be made to reduce expenditure and to secure an increase in revenue.

## ANNEXURE B.

(Vide paragraph 21 of these Proceedings.)

**Memorandum on the accuracy of budgeting, efficiency of control over expenditure, stores balances, and incidence of the cost of establishment employed on works in the Posts and Telegraphs Department, furnished by the Director-General, Posts and Telegraphs.**

Attention is invited to paragraphs 50—54, 58, 59, 61 and 80 of the Report of the Accountant General, Posts and Telegraphs, on the Appropriation Accounts of the Posts and Telegraphs Department for the year 1932-33 dealing with the accuracy of budgeting, efficiency of control over expenditure and certain connected questions also referred to in paragraph 4 of the Auditor General's covering letter No. 91-Rep. 16-34, dated the 17th of April 1934 (Appendix IV). This memorandum has been drawn up to bring to the notice of the Public Accounts Committee the steps that have been either taken already or are contemplated to remedy the defects noticed and to effect improvements in the procedure concerning budgeting and control of expenditure. The full effect of the measures adopted will begin to appear from the accounts of 1934-35. Efforts are not being relaxed to effect further improvements in the light of experience.

2. Broadly speaking, the measures fall under the following heads :—

- (1) *Reconciliation of departmental figures for Postal fluctuating charges with those booked in the Audit Office.*—As a result of detailed examination the defects in procedure noticed during the last few years have been removed and provision is made to enable Heads of Circles to effect reconciliation by ~~Accountant General, Posts and Telegraphs, under his jurisdiction.~~
- (2) *Credits to Capital or working expenses from sale of assets.*—A revised procedure, devised in consultation with the Accountant-General, Posts and Telegraphs, to remove the basic defects responsible for the divergences between actuals and estimates under the heads "other credits" is being introduced.
- (3) *Control over re-appropriations.*—The centralised control by the Director General's office over re-appropriations is being relaxed to a large extent. The revised procedure mentioned in paragraph 60 of the above Report could only be partially introduced in 1933-34 and will be brought fully into force from 1934-35. This procedure will minimise variations between expenditure and final grants in respect of fluctuating expenditure.
- (4) *Credits for services rendered to other departments.*—Estimates under this head were hitherto based on actuals which are several months old. These estimates are now based on the latest figures regarding the number of transactions and prepared, where necessary, in consultation with the Finance Department, who are in a better position to anticipate the probable effects on Savings Bank and Cash Certificate

business of the issue and discharge of loans and the conditions ruling in the money market.

- (5) The existing methods of framing the budget and controlling the expenditure in workshops and the stores yard is under consideration and steps will be taken in the near future to effect necessary improvements. Considerable improvements are expected to be carried out during the current year as a result of the detailed examination of the existing methods in the Budget Section of the Director-General's office.
- (6) *Level of stores balances.*—The balance of stores on 31st March 1934 was as follows :—

	Rs.
(a) Mobilisation stores .. ..	20,15,774
(b) Surplus, obsolete or unserviceable stores..	9,58,000
(c) General stores .. ..	31,30,000

The balance of stores has been considerably reduced during the last few years and efforts are still being made to effect further reductions. The question of fixing more practical limits for maximum permissible stock of stores is under examination.

- (7) *Incidence of the cost of establishment employed on works.*—The various methods to determine a reliable ratio between cost of establishments in the Telegraph Branch of the Department and the cost of works expenditure tried hitherto having been found unsuitable, statistics were obtained last year by keeping certain works under observation and maintaining actual records. These unfortunately have not been found of much practical value and ~~are~~ <sup>have</sup> been investigated ~~in due course.~~ before the Public Accounts

**Proceedings of the Fourth Meeting of the Public Accounts Committee held on Monday, the 2nd July 1934, at 11. A.M.**

**PRESENT :**

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI.	}	<i>Members.</i>
Mr. S. C. MITRA.		
Mr. K. UPPI Saheb Bahadur.		
Kunwer Hajee ISMAIEL ALIKHAN.		
Mr. B. DAS.		
Captain SHER MOHAMMAD KHAN.		
Dr. R. D. DALAL.		

Sir ERNEST BURDON, Auditor General.	}	<i>Were also present.</i>
The Hon'ble Sir ALAN PARSONS, Finance Secretary.		
Mr. M. BUTLER, Accountant General, Central Revenues.		
Mr. M. K. SEN GUPTA, Audit Officer, Indian Stores Department.		

The Hon'ble Mr. D. G. MITCHELL, Secretary, Department of Industries and Labour.	}	<i>Witnesses.</i>
Sir JAMES PITKEATHLY, Chief Controller, Indian Stores Department.		
<del>Mr. C. M. T. ... Secretary, Home Department.</del>		
Mr. C. F. V. WILLIAMS, Deputy Secretary, Home Department.		
Rai Sahib BISHAN SWARUP from the Delhi Administration.		

27. The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Indian Stores Department.

28. *Voted excess.*—There was an excess of Rs. 83,153 on the voted Grant due to smaller recoveries of departmental charges owing to continued financial depression and downward trend of prices. The Auditor General informed the Committee that he had accepted the suggestion made to him that these recoveries which were not really expenditure incurred on behalf of other Governments or departments, but only a percentage of the value of stores purchased, should be shown as receipts and not as deductions from expenditure.

29. *Note 1 on page 175 of the Appropriation Accounts—Waiving of a recovery of Rs. 21,995 on account of charges for tensile and other tests.*—The Committee was informed that these charges were not recoverable in equity but owing to the defective wording of the schedule they were technically recoverable and that steps had since been taken to redraft the schedule.

30. In reply to a question from Mr. Das as to what progress had been made as regards the various Departments of the Government of India making greater use of the Indian Stores Department, the Committee was informed that the Railway Department was at present making greater use of the Indian Stores Department and that, as regards the Army Department, the matter was at present being examined by the Finance Secretary.

31. Mr. Das desired that in view of the large drop in the value of stores purchased from the Indian Stores Department, London, the question of reducing the strength of that Department and of making it a part of the Indian Stores Department in India should be considered.

32. The Committee then took up the examination of the Appropriation Accounts relating to the Reforms Office and the Home Department.

33. *Important comment on page 235 of the Appropriation Accounts—Theft of a cash box.*—The Finance Secretary agreed that the cashiers of Committees should always be persons in the permanent service of Government and that a standard set of self-contained instructions for the guidance of Committees and Commissions should be issued.

34. *Item 11 of the Quarterly List—Appendix I—Necessity for maintaining a dairy in the Andamans.*—The Committee was informed that it was not possible to close down the Dairy but strenuous efforts were being made to reduce the ~~loss~~ <sup>proposal</sup> was at present under consideration to depute considered that it was unnecessary to incur the expense of ~~deputing an officer~~ <sup>India</sup> to go into the question. to go into the question but that the Department should consider whether they could not make up the loss by slightly increasing the selling prices of the products of the Dairy.

35. *Posting of a trained Accounts officer to the Andamans to assist the Chief Commissioner.*—The Committee desired that the proposal which was held in abeyance for various reasons should be revived as soon as possible.

36. The Committee then took up the examination of the remaining items relating to the Finance Department.

37. *Treasury Defalcations.*—There was a serious increase in the number and amount of treasury defalcations dealt with in the report of the year and a common feature of all the cases was a laxity of supervision which facilitated the frauds. The Committee desired that the Government of India should press upon Provincial Governments the necessity of putting proper officers in charge of treasuries and seeing that there is proper supervision.

38. The Committee then adjourned till 2-30 P.M.



**Proceedings of the Fifth Meeting of the Public Accounts Committee held on Monday, the 2nd July 1934, at 2-30 P.M.**

**PRESENT :**

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI.	} <i>Members.</i>
Mr. S. C. MITRA.	
Mr. K. UPPI Sahab Bahadur.	
Kunwer Hajee ISMAIEL ALIKHAN.	
Mr. B. DAS.	
Captain SHER MOHAMMAD KHAN.	
Dr. R. D. DALAL.	

Sir ERNEST BURDON, Auditor General.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.	} <i>Were also present.</i>
Mr. M. BUTLER, Accountant General, Central Revenues.	

Mr. H. A. F. METCALFE, Secretary, Foreign and Political Department.	} <i>Witnesses.</i>
Mr. V. NARAHARI RAO, Additional Deputy Secretary, Foreign and Political Department.	
Rai Bahadur CHUNI LAL, Financial Secretary, North-West Frontier Province.	
L. SUNDAR DAS, Financial Assistant, Baluchistan.	

39. The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Foreign and Political Department.

40. *Creation of unauthorised excluded funds.*—The Auditor General brought to the notice of the Committee that certain unauthorised excluded funds were created by the local Administration without proper sanction. One such fund was the Khassadar's fund which was financed by money drawn from Government treasury on monthly

- (i) contingent bills at the rate of 1/12th of the annual provision made in the sanctioned budget on account of Khassadar contingencies, and
- (ii) establishment bills prepared on the basis of the sanctioned strength of the Khassadars irrespective of the fact whether the persons for whom pay was drawn were actually in Government service or not. Out of the amounts thus drawn and credited to the funds payments were made as and when occasion arose.

Another such fund is the motor lorry depreciation fund which was created by drawing from the treasury 25 per cent. of the estimate of the annual cost of upkeep and crediting it to the fund. The Committee after discussion came to the conclusion that these funds should be abolished immediately. They also considered it desirable that a list of all excluded funds maintained in the Province should be obtained as quickly as possible and an examination should be

made to see whether all of them should not be abolished. The Auditor General also mentioned two other apparently legitimate funds, viz., the Scouts Fund and the Frontier Constabulary Fund, which he stated had been brought under his audit.

41. *Financial powers of His Excellency the Governor of North-West Frontier Province in respect of expenditure in Tribal areas.*—The Auditor General informed the Committee that one of the difficulties of the Comptroller, North West Frontier Province, at present was that the powers of His Excellency the Governor in regard to expenditure on behalf of the Central Government had not been clearly defined and that it was necessary that definite rules should be laid down as quickly as possible. The Committee was informed that the matter was at present under the consideration of the Government of India and that orders were likely to issue shortly.

42. The Committee then took up the remaining items relating to the Finance Department.

43. The Committee accepted the explanations for the excesses under Grants Nos. 42, 74, 76-B and 96.

44. *Report on the working of the Provincial Loans Fund.*—The Auditor General mentioned that suspension of repayment of instalments of principal to the Fund by the Bombay Government in 1932-33 was not mentioned in the Report and desired that all such special features of the year should be included in the Report. The Finance Secretary agreed.

45. The Committee adjourned till 11 A.M., on Tuesday, the 3rd July 1934.

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**Proceedings of the Sixth Meeting of the Public Accounts Committee held on Tuesday, the 3rd July 1934, at 11 A.M.**

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**PRESENT :**

The Hon'ble Sir JAMES GRIGG, Finance Member, *Chairman*.

Mr. T. N. RAMAKRISHNA REDDI.

Mr. K. UPPI Saheb Bahadur.

Kunwer Hajee ISMAEL ALIKHAN.

Mr. B. DAS.

Captain SHER MOHAMMAD KHAN.

Maulvi Sir MOHAMMAD YAKUB.

Dr. R. D. DALAL.

} *Members.*

Sir ERNEST BURDON, Auditor General.

The Hon'ble Sir ALAN PARSONS, Finance Secretary.

Mr. M. BUTLER, Accountant General, Central Revenues.

Mr. M. K. SEN GUPTA, Audit Officer, Indian Stores Department.

} *Were also present.*

Mr. A. RAISMAN, Member, Central Board of Revenue.  
 Mr. W. W. NIND, Member, Central Board of Revenue.  
 Mr. F. C. KING, Commissioner, Northern India Salt  
 Revenue.

Mr. N. R. PILLAI, Joint Secretary, Commerce Department.

} Witnesses.

46. The Committee took up the examination of the Appropriation Accounts and connected documents relating to the Commerce Department.

47. *The Bengal Pilot Service Widows and Family Pension Fund.*—The Auditor General brought to the special notice of the Committee the figures given in paragraph 208 of the Commercial Accounts which showed that during the last five years the expenditure on account of the Fund largely exceeded the receipts every year. Mr. Raisman explained to the Committee that in the case of a Family Pension Fund the receipts and disbursements of a few years were not a proper test but after close examination of the position the Commerce Department had come to the conclusion that the Fund was not sound from an actuarial point of view and it had therefore been decided that future recruits to the Bengal Pilot Service should not be eligible to subscribe to the Fund.

48. *Inadequate current control of expenditure in the Lighthouse Department.*—The Committee was informed that the question was under the consideration of the Commerce Department at present and that it was proposed to allow the Superintendents of Lighthouses to exercise some powers of reappropriation and also to amalgamate some of the unnecessary sub-heads. The matter would be settled in consultation with the Accountants General.

49. *Accounts of Government Commercial Concerns.*—In paragraph 5 of his letter the Auditor General has stated as follows :—

“I am especially struck on this occasion with the improvement which has been effected in the presentation of the accounts of Government Commercial concerns contained in the Accountant General, Central Revenues' Commercial Appendix to his Report. In my opinion the financial reviews of the various accounting officers have, in general, now reached a higher standard than before, both in the fullness and the suitability of the information supplied; and the work of my auditors has thus been correspondingly simplified. I note also that in general, despite adverse circumstances, the financial administration of a number of the concerns has in the commercial sense been more successful than for some years past.”

The Auditor General mentioned that the account of the Lighthouse Department was one of the accounts which was responsible for the above comment in his letter. In this connection the Auditor General raised the question whether in view of the considerable improvement in the commercial accounts presented to the Committee and in view of the fact that the Committee had before them at present figures of a number of years for purposes of comparison, advance reviews of the subsequent year based on unaudited figures should be continued. He expressed the opinion that these reviews should be discontinued as they were on the whole objectionable from the auditors' point of view,

being based on unaudited figures. Any information which the Committee desired regarding the working of any particular commercial concern in the subsequent year could, if necessary, be obtained by the Committee during the course of the examination of the witnesses. The Committee agreed to the discontinuance of these advance reviews. The question of discontinuing the advance review in the case of Railways was reserved for separate consideration when the Railway accounts are taken up.

50. The Committee then took up the examination of the Appropriation Accounts and the connected documents relating to the Central Board of Revenue.

51. *New system of audit of Customs Revenue.*—The Committee was glad to note that the Central Board of Revenue has expressed its satisfaction of the smooth and harmonious working of the new system and its appreciation of the results achieved.

52. *Irregular Appropriations.*—A sum of Rs. 1,900 was reappropriated by a Collector of Customs from the sub-head "Pay of Officers" which required the previous approval of the Finance Department. The Committee was informed that this was done by the Collector under a misapprehension and that his attention had been drawn to it.

53. *Supply of Khewra salt for Bengal.*—In reply to a question by Mr. Das, the Committee was informed that a wagon of Khewra salt and one of Sambhar salt had been sent to the Bengal market as an experiment, but owing to the low prices of imported salt at present Khewra salt could not compete with the imported salt unless the former was sold at a price below cost.

54. *Large stock of salt at the Madras Depot.*—The Committee was informed that the question was at present being examined on the spot by one of the members of the Central Board.

55. *Large stocks of Malwa opium and increase in the cost of manufacture of provision opium.*—In view of the increasing stocks of Malwa opium the Committee desired\* to have an appreciation of the position as regards the stock of Malwa opium and the production of opium in general, with particular reference to financial aspects and prospects. They desired\* to know *inter alia* why the cost of manufacture of provision opium had gone up in 1932-33 although the sales of provision opium to Foreign Governments were being reduced.

56. *Excess under refunds.*—The Committee was informed that till 1931 all the excise duty on kerosene and motor spirit made in Burma was actually paid in Burma and when shipments were made out of India the Collector of Customs instead of making a refund merely deducted the amount from the duty payable so that no provision used to be made under refunds. In 1931 the Government of India agreed to petrol and kerosene being shipped from Burma to ports like Bombay and Karachi in bond. When refunds were given at these ports they were actually paid in cash but intimation of these payments was received by the Collector of Customs after the close of the year. He could not therefore apply for additional funds.

57. The Committee then adjourned till 2-30† P.M.

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\* *vide* Appendix XIII.

† This meeting was held in connection with Railway Appropriation Accounts.

The draft Report of the Public Accounts Committee was adopted by the Committee at the meeting held on Saturday, the 18th August 1934, at 3 P.M.

## **V.—APPENDICES.**

### **APPENDIX I.**

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#### **(FIRST QUARTERLY)**

**Statement showing action taken or proposed to be taken on recommendations, etc., so far made by the Central Public Accounts Committee which have not been finally disposed of.**

#### **Part I.—Civil, Military and Posts and Telegraphs.**

**Quarter ending April 1934.]**

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(FIRST

*Statement showing action taken or proposed to be taken on recommendations, etc.,  
disposed*

## PART I.—Civil, Military and

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or Suggestions.
			<b>CIVIL (AUDITOR GENERAL).</b>
1	1931-32 ..	3 P (fourth sub-para.)	(a) That the Auditor General should consider the best method of dealing with the point that in the commercial accounts of the Northern India Salt Revenue Department royalties on salt issued in any one year appear in the accounts of the following year and thus vitiate the cost of production in each particular year as deduced from those accounts.  (b) That the Auditor General should consider the comparative merits of the calculation of the contribution to the Depreciation Fund on a straight line method and on the sinking fund method as regards its effect on the calculation of the cost of production of salt.
2	1931-32 ..	34 P ..	That the Accountant General, Central Revenues, should prepare every three years a Review of the financial administration of residential buildings in New Delhi such as that prepared by him in 1933 but that statements similar to those on pages 201 and 203 of his Appropriation Report for 1931-32 should be furnished every year.
3	1931-32 ..	63 P ..	That when the Departmental investigation into cases of financial irregularities put forward by audit has not been completed, a note to that effect should be made in the Appropriation Report.
			<b>CIVIL (EDUCATION, HEALTH AND LANDS).</b>
4	1927-28 .. 1928-29 .. 1929-30 .. 1930-31 .. 1931-32 ..	53 R .. 18(2) R. 21(2) R and 148 P. 15 R. 10 R.	That in view of the impending constitutional changes and the introduction of Provincial Autonomy it is not advisable for the Government of India to maintain at their own expense a large stock of quinine for supply to the Provincial Governments and that if the arrangements now made for the disposal of the surplus stock are successful, the Government of India should reconsider the amount of the reserve stock to be maintained by them.
5	1931-32 ..	14 R (second sub-para.)	That the Government of India should consider whether they could not introduce in the areas directly administered by them a procedure similar to that obtaining in certain Provinces, namely, where a grant-in-aid is expressed as a certain percentage of the actual expenditure by an educational institution the amount is paid only after the production of necessary vouchers by the School or College authorities.

QUARTERLY).

*so far made by the Central Public Accounts Committee which have not been finally of.*

*Posts and Telegraphs.*

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Action taken or proposed to be taken.

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Memoranda on the Committee's recommendations in (a) and (b) have been circulated to the members of the Committee (Appendices VI and VII).

Noted.

Necessary instructions have been issued to the Principal Auditors.

The Government of India will, as recommended, reconsider the position when the surplus stock has been disposed of.

Relevant extract from the Committee's Report has been forwarded to local Administrations and certain Political Authorities with the request that the procedure suggested may be followed in respect of the payment of equipment grants to educational institutions. The recommendation has also been brought to the notice of the Government of the North-West Frontier Province.

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(FIRST

*Statement showing action taken or proposed to be taken on recommendations, etc.,  
disposed*

PART I.—Civil, Military and .

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or Suggestions.
6	1931-32 ..	27 P ..	CIVIL (EDUCATION, HEALTH AND LANDS)— <i>concl'd.</i> That a report should be submitted to the Committee in 1934 on the position regarding the publication of the Sanchi Monograph.
7	1929-30 ..	20(1) R ..	CIVIL (FINANCE). That the recommendations made by the previous Public Accounts Committees, which are awaiting consideration in connection with the impending constitutional changes, should be noted in a Special Appendix for necessary action at the proper time and that the Appendix need not be printed or circulated to the Committee in future.
	1930-31 ..	1 P [' Item 33 '].	That this item should continue to be shown in the Quarterly Statement until all the cases included in the Special Appendix have been properly disposed of.
	1931-32 ..	2 P [' Item 6 '].	
8	1930-31 ..	29 R ..	That in cases where substantial unanticipated credits are to be utilised to incur fresh expenditure which would not have been incurred but for such credits, the approval of the Standing Finance Committee should be obtained in the same way as for items of supplementary grants.
	1931-32 ..	11 R.	
9	1931-32 ..	14 R (first sub-para.).	That arrangements should be made for the reporting, by Local Administrations, of all cases of theft, fraud or defalcation, etc.—and not only cases requiring sanction to the write-off of the loss involved—to the Government of India in the administrative Department concerned to enable them to judge whether the action taken by the Local Administration was sufficient.
			CIVIL (FOREIGN AND POLITICAL).
10	1931-32 ..	71 P ..	That the Accountant General, Burma, should consult the Burma Government as to whether some system could not be devised whereby a more efficient control of expenditure in Burma under the Appropriation 'Frontier Watch and Ward' could be achieved.
			CIVIL (HOME).
11	1930-31 ..	25 R ..	That the question of the necessity for maintaining a Dairy in the Andamans, if it can only be run at a loss, should be further examined by the Government of India.
	1931-32 ..	12 (b) R.	



QUARTERLY).

*so far made by the Central Public Accounts Committee which have not been finally of.*

*Posts and Telegraphs—contd.*

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Action taken or proposed to be taken.

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A report will be submitted to the Committee as desired.

Accepted.

The recommendation has been accepted and necessary instructions have been issued to all concerned.

It has been decided in consultation with the Auditor General that no change in the existing orders is necessary. A memorandum explaining the position has been circulated to the members of the Committee. (Appendix VIII).

The Local Government is putting into operation, as an experimental measure, a scheme devised by the Accountant General, Burma, for the better control of this expenditure.

Strenuous efforts have been made to reduce the loss on the Dairy Farm and the question is again under consideration. It does not seem possible at present to close down the Dairy Farm.

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(FIRST

*Statement showing action taken or proposed to be taken on recommendations, etc.,  
disposed*

## PART I.—Civil, Military and

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or Suggestions.
12	1931-32 ..	50 P ..	<p><b>CIVIL (HOME)—concl'd.</b></p> <p>That the result of the investigation of the question whether the Government of India could manage with only one chartered steamer in the Andamans and leave the Forest Department there to arrange for the service of private steamers, where necessary, should be intimated to the Committee in 1934.</p> <p><b>CIVIL (INDUSTRIES AND LABOUR).</b></p>
13	1931-32 ..	37 P ..	<p>That a memorandum should be furnished to the Committee on the subject of large outstanding balance relating to 1928-29 and previous years and representing unrealised price of the publications sold by the Central Publication Branch.</p>
14	1930-31 .. 1931-32 ..	1 R (Military Accounts Committee). 3 R (Military Accounts Committee).	<p><b>MILITARY.</b></p> <p>That everything possible should be done to accelerate the work of simplifying the existing Army Regulations and that, having got the basic rules applicable to the various classes of personnel, the Army Department should resist any tendency to issue special orders to meet individual cases outside the ordinary regulations.</p>
15	1931-32 ..	6 R (Military Accounts Committee).	<p>That the Army Department should carefully examine the question whether the total expenditure on special programme measures could not be reduced in view of the fall in prices as the original estimate of the cost of these measures was framed before such fall.</p>
16	1931-32 ..	7 R (Military Accounts Committee).	<p>That, in order to prevent claims of the Army Department against other Governments, etc., being overlooked, the Financial Adviser, Military Finance, should consider whether some arrangements could not be made to review periodically as far as practicable all agreements with outside parties which entitled them to concessions.</p>
17	1931-32 ..	10 R (Military Accounts Committee).	<p>That the Military Accountant General should consider whether a procedure similar to that on the Railway side, under which all cases in which there is doubt as to the proper sanctioning authority and all important cases are referred for pre-audit or for advice to the Chief Accounts Officer who acts as a Financial Adviser, cannot be introduced on the Army side.</p>

**QUARTERLY).**

*so far made by the Central Public Accounts Committee which have not been finally of.*

**Posts and Telegraphs—contd.**

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**Action taken or proposed to be taken.**

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The Government of India have decided not to charter another steamer on the expiry of the present charter of the second steamer on May 31, 1934.

A Memorandum explaining the position will be circulated to the members of the Committee

The draft basic rules in respect of civilians and personnel subject to the Indian Army Act and Indian Air Force Act have been completed and have been circulated to Branches of Army and Royal Air Force Headquarters for comment.

The present position in regard to the re-equipment programme has been dealt with in paragraph 6 of the Appropriation Accounts of the Army, Marine and Military Engineer Services for 1932-33 copies of which have been circulated to the members of the Public Accounts Committee. A full and up-to-date statement on the subject will be circulated by the Army Secretary to the Military Accounts Committee before they meet again.†

Reference is invited to item 5 of Appendix A to the Military Appropriation Accounts for 1932-33. The statement referred to therein is still under preparation by the Army Department.

Instructions have been issued by the Engineer-in-Chief to the effect that Controllers of Military Accounts should be furnished with copies of reports made by the local Engineer authorities to their superior authority in regard to works undertaken without proper sanction.

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\* Since circulated, *vide* Appendix XII.

† Since circulated, *vide* Annexure III to Proceedings of Military Accounts Committee, page 21 *Supra*.

FIRST

*Statement showing action taken or proposed to be taken on recommendations, etc.,  
disposed*

## PART I.—Civil, Military and

Serial No.	Year of Report.	Paragraph of Report or Proceedings.	Recommendations or Suggestions.
			<b>MILITARY—concl'd.</b>
18	1931-32 ..	11 R (Military Accounts Committee).	That the Committee would like to have a report in 1934 as to the steps taken in the direction of devising some procedure to avoid in future such mistakes as the one brought to their notice in 1933 in a case in which certain machinery, which had actually been disposed of in 1908, continued to be shown in the accounts up to 1929-30.
			<b>POSTS AND TELEGRAPHS.</b>
19	1931-32 ..	13 R (third sub-para.).	That the position as disclosed in the Appropriation Report of the Posts and Telegraphs Department for 1931-32 and in previous reports is unsatisfactory and that the Government should take urgent action to remove any defects existing in the organisation of that Department.
20	1931-32 ..	66 P ..	That the present method of working out the figures of percentages of the cost of establishment to expenditure on works in the Posts and Telegraphs Department does not serve any useful purpose and that a report should be submitted to the Committee in 1934 showing the results of the enquiry undertaken by the Financial Adviser, Posts and Telegraphs.

QUARTERLY).

*so far made by the Central Public Accounts Committee which have not been finally of.*

*Posts and Telegraphs—concl'd.*

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Action taken or proposed to be taken.

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The question is still under examination by the administrative authorities concerned at Headquarters.

Necessary action has been taken.

The matter is receiving consideration but it will be some time before final conclusions can be arrived at.

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## APPENDIX II.

## Statement comparing expenditure with grants for 1932-33.

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART I.—CIVIL.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
16. Customs :				
Voted	60,88,000	60,20,903	67,097	..
Non-voted .	31,09,561	31,12,891	..	3,330
17. Taxes on Income :				
Voted .	79,21,000	74,03,860	5,17,140	..
Non-voted .	2,88,610	2,87,586	1,024	..
18. Salt :				
Voted .	71,42,000	69,17,279	2,24,721	..
Non-voted .	43,74,224	43,68,841	5,383	..
19. Opium :				
Voted .	83,69,000	82,32,535	1,36,465	..
Non-voted .	1,59,500	1,54,944	4,556	..
20. Stamps :				
Voted .	13,24,000	12,70,597	53,403	..
Non-voted .	70,997	89,161	..	18,164
21. Forest :				
Voted .	5,12,000	4,93,797	18,203	..
Non-voted .	1,60,850	1,63,579	..	2,729
22. Irrigation, etc.—Charged to Revenue.				
Voted .	3,84,000	4,36,133	..	52,133
Non-voted .	2,84,905	2,87,771	..	2,866
25. Interest on Ordinary Debt, etc. :				
Voted .	3,09,10,000	3,08,97,635	12,365	..
Non-voted .	6,45,26,000	6,63,22,036	..	17,96,036
26. Interest on Miscellaneous obligations :				
Voted .	49,49,000	50,93,368	..	1,44,368
Non-voted .	8,31,00,227	8,22,49,327	8,50,900	..
27. Staff, Household and Allowances of the Governor General :				
Voted .	4,37,000	4,28,304	8,696	..
Non-voted .	8,74,121	8,64,937	9,184	..
28. Executive Council :				
Voted .	84,800	79,571	5,229	..
Non-voted .	4,27,838	4,26,822	1,016	..
29. Council of State :				
Voted .	1,30,000	1,13,521	16,479	..
Non-voted .	46,640	42,706	3,934	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
30. Legislative Assembly and Legislative Assembly Department :				
Voted .	8,29,000	8,13,747	15,253	..
Non-voted .	94,400	78,285	16,115	..
31. Foreign and Political Department :				
Voted .	7,74,000	7,22,070	51,930	..
Non-voted .	2,02,000	1,91,295	10,705	..
32. Home Department :				
Voted .	5,48,000	5,28,935	19,065	..
Non-voted .	9,41,033	9,49,532	..	8,499
33. Public Service Commission :				
Voted .	1,43,000	1,42,502	498	..
Non-voted .	2,03,100	2,01,870	1,230	..
34. Legislative Department :				
Voted .	2,93,000	2,70,324	22,676	..
Non-voted .	1,82,710	1,82,300	410	..
35. Department of Education, Health and Lands :				
Voted .	5,25,000	5,12,603	12,397	..
Non-voted .	1,43,262	1,45,996	..	2,754
36. Finance Department :				
Voted .	9,32,000	8,82,433	49,567	..
Non-voted .	2,30,781	2,30,233	548	..
38. Commerce Department :				
Voted .	3,39,000	3,19,119	19,881	..
Non-voted .	1,26,289	1,24,509	1,780	..
39. Army Department :				
Voted .	4,54,000	3,94,403	59,597	..
Non-voted .	89,237	88,575	662	..
40. Department of Industries and Labour :				
Voted .	4,42,000	4,24,107	17,893	..
Non-voted .	1,13,200	1,14,000	..	800
41. Central Board of Revenue :				
Voted .	1,45,000	1,41,556	3,444	..
Non-voted .	94,912	94,759	153	..
42. Payments to Provincial Governments, etc. :				
Voted .	2,44,000	1,45,560	98,440	..
Non-voted .	1,31,799	1,31,876	..	86
43. Audit :				
Voted .	85,46,000	82,46,644	2,99,356	..
Non-voted .	7,97,140	7,87,386	9,754	..
44. Administration of Justice :				
Voted .	57,000	54,601	2,399	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
45. Police :				
Voted .	1,95,000	1,89,011	5,989	..
Non-voted .	10,312	9,669	643	..
46. Ports and Pilotage :				
Voted .	10,54,000	10,08,353	45,647	..
Non-voted .	9,14,450	8,99,563	14,887	..
47. Lighthouses and Light-ships :				
Voted .	11,43,000	9,54,678	1,88,322	..
Non-voted .	26,366	26,782	..	416
48. Survey of India :				
Voted .	15,79,000	16,39,402	..	60,402
Non-voted .	5,55,000	5,62,301	..	7,301
49. Meteorology :				
Voted .	17,85,000	17,65,597	19,403	..
Non-voted .	87,800	90,705	..	2,905
50. Geological Survey :				
Voted .	1,60,000	1,58,571	1,429	..
Non-voted .	2,15,500	2,18,519	..	3,019
51. Botanical Survey :				
Voted .	1,35,000	1,31,869	3,131	..
Non-voted .	28,820	28,057	763	..
52. Zoological Survey :				
Voted .	81,000	79,476	1,524	..
Non-voted .	50,120	50,110	10	..
53. Archaeology :				
Voted .	8,86,000	8,46,732	39,268	..
Non-voted .	1,39,476	1,23,970	15,506	..
54. Mines :				
Voted .	1,18,000	1,17,845	155	..
Non-voted .	1,04,042	1,04,609	..	567
55. Other Scientific Departments				
Voted .	2,68,000	2,65,578	2,422	..
56. Education :				
Voted .	11,84,000	11,82,621	1,379	..
Non-voted .	41,945	40,533	1,412	..
57. Medical Services :				
Voted .	6,13,000	5,53,678	59,322	..
Non-voted .	2,10,740	2,06,273	4,467	..
58. Public Health :				
Voted .	6,59,000	6,04,594	54,406	..
Non-voted .	1,57,402	1,58,567	..	1,165
59. Agriculture :				
Voted .	13,12,000	13,07,671	4,329	..
Non-voted .	98,179	96,692	1,487	..
60. Imperial Council of Agricultural Research Department :				
Voted ..	6,38,000	6,37,482	518	..
Non-voted .	57,077	58,657	..	1,580



Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
61. Civil Veterinary Services :				
Voted .	6,02,000	5,74,123	27,877	..
Non-voted .	60,600	61,062	..	462
62. Industries :				
Voted .	1,48,000	1,35,293	12,707	..
Non-voted .	12,050	11,916	134	..
63. Aviation :				
Voted .	9,05,000	9,31,939	..	26,939
Non-voted .	1,100	1,103	..	3
64. Commercial Intelligence and Statistics :				
Voted .	2,60,000	2,58,302	1,698	..
Non-voted .	46,000	45,434	566	..
65. Census :				
Voted .	5,79,000	4,37,106	1,41,894	..
Non-voted .	1,91,060	1,83,369	7,691	..
66. Emigration—Internal :				
Voted .	23,000	21,173	1,827	..
Non-voted .	8,900	8,380	520	..
67. Emigration—External :				
Voted .	1,93,000	2,21,675	..	28,675
Non-voted .	49,833	55,705	..	5,872
68. Joint Stock Companies :				
Voted .	1,15,000	1,11,101	3,899	..
Non-voted .	12,502	11,454	1,048	..
69. Miscellaneous Departments :				
Voted .	4,54,000	4,39,327	14,673	..
Non-voted .	53,662	51,077	2,585	..
70. Indian Stores Department :				
Voted .	6,61,000	7,44,153	..	83,153
Non-voted .	1,32,500	1,31,407	1,093	..
71. Currency :				
Voted .	46,06,000	44,48,474	1,57,526	..
Non-voted .	1,64,300	1,67,463	..	3,163
72. Mint :				
Voted .	21,60,000	18,27,988	3,32,012	..
Non-voted .	72,200	71,722	478	..
73. Civil Works :				
Voted .	1,82,15,000	1,66,49,682	15,65,318	..
Non-voted .	10,81,540	10,66,423	15,117	..
74. Superannuation Allowances and Pensions :				
Voted .	73,99,000	76,60,394	..	2,61,364
Non-voted .	2,09,29,400	2,07,98,604	1,30,796	..
75. Stationery and Printing :				
Voted .	39,40,000	33,03,334	6,36,666	..
Non-voted .	39,742	39,022	720	..
76. Miscellaneous :				
Voted .	10,64,000	10,27,317	36,683	..
Non-voted .	34,56,066	34,36,411	19,655	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
76A. Expenditure on Retrenched Personnel charged to Revenue :				
Voted .	19,25,000	12,52,112	6,72,888	..
Non-voted .	3,41,000	3,37,628	3,372	..
76B. Miscellaneous Adjustments between the Central and Provincial Governments :				
Voted .	22,000	22,345	..	345
Non-voted .	1,91,820	1,91,820	..	..
77. Refunds :				
Voted .	94,77,000	1,06,77,228	..	12,00,228
Non-voted .	2,36,91,133	2,22,35,182	14,55,951	..
78. North-West Frontier Province :				
Voted .	1,00,18,000	10,02,115	90,15,885	..
Non-voted .	2,14,22,661	2,13,45,460	77,201	..
79. Baluchistan :				
Voted .	27,00,000	26,08,464	91,536	..
Non-voted .	41,56,000	41,16,325	39,675	..
80. Delhi :				
Voted .	44,89,000	44,54,309	34,691	..
Non-voted .	2,97,686	2,78,166	19,520	..
81. Ajmer-Merwara :				
Voted .	13,53,000	13,28,601	24,399	..
Non-voted .	1,28,400	1,30,681	..	2,281
82. Andamans and Nicobar Islands :				
Voted .	31,49,000	31,50,207	..	1,207
Non-voted .	2,27,275	2,22,529	4,746	..
83. Rajputana :				
Voted .	4,19,000	4,07,155	11,845	..
Non-voted .	7,19,910	7,17,073	2,837	..
84. Central India :				
Voted .	3,88,000	3,48,146	39,854	..
Non-voted .	6,11,957	6,14,465	..	2,508
85. Hyderabad :				
Voted .	2,71,000	2,56,658	14,342	..
Non-voted .	5,73,430	5,76,889	..	3,459
85A. Aden :				
Voted .	4,31,000	4,07,460	23,540	..
Non-voted .	28,860	29,087	..	227
86. Expenditure in England under the Control of the Secretary of State :				
Voted .	20,14,000	19,85,995	28,005	..
Non-voted .	18,28,000	18,18,560	9,440	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
87. Expenditure in England under the Control of the High Commissioner :				
Voted . . . . .	23,59,000	23,08,037	50,963	..
Non-voted . . . . .	35,95,000	35,28,841	66,159	..
Excise . . . . .	2,22,000	2,11,259	10,741	..
Ecclesiastical . . . . .	26,85,156	26,69,805	15,351	..
Political . . . . .	86,82,725	85,95,046	87,679	..
Frontier Watch and Ward . . . . .	1,02,97,606	1,02,10,072	87,534	..
Territorial and Political Pensions Bangalore . . . . .	31,45,000	30,82,717	62,283	..
Western India States Agency . . . . .	12,77,866	12,66,161	11,705	..
	14,43,800	14,06,462	37,338	..
Total { Voted . . . . .	17,46,70,800	16,14,29,478	1,51,00,166	18,58,844
Non-voted . . . . .	27,53,49,296	27,40,91,004	31,28,464	18,70,172
B.—EXPENDITURE CHARGED TO CAPITAL.				
88. Capital Outlay on Security Printing . . . . .	4,000	1,107	2,893	..
89. Forest Capital Outlay . . . . .	1,000	..	1,000	..
90. Irrigation Works—not charged to Revenue . . . . .	1,000	..	1,000	..
93. Capital Outlay on Currency Note Press . . . . .	4,000	—3,83,512	3,87,512	..
94. Capital Outlay on Vizagapatam Harbour :				
Voted . . . . .	55,52,000	52,38,430	3,13,570	..
Non-voted . . . . .	3,000	3,771	..	771
95. Capital Outlay on Light-houses and Lightships . . . . .	1,000	..	1,000	..
96. Commuted Value of Pensions :				
Voted . . . . .	40,61,000	49,84,730	..	9,23,730
Non-voted . . . . .	25,14,300	29,03,999	..	3,89,699
96A. Expenditure on Retrenched Personnel charged to Capital :				
Voted . . . . .	23,00,000	10,72,462	12,27,538	..
Non-voted . . . . .	1,93,300	1,91,079	2,221	..
Total { Voted . . . . .	1,19,24,000	1,09,13,217	19,34,513	9,23,730
Non-voted . . . . .	27,10,600	30,98,849	2,221	3,90,470

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
<b>C.—DISBURSEMENTS OF LOANS AND ADVANCES.</b>				
98. Interest Free Advances .	66,34,000	66,33,204	796	..
99. Loans and Advances bearing interest . . . .	12,71,31,000	7,74,58,682	4,96,72,318	..
Total :				
Voted .	13,37,65,000	8,40,91,886	4,96,73,114	..
Total Civil . . . .	59,84,19,696	53,36,24,434	6,98,38,478	50,43,216
Voted .	32,03,59,800	25,64,34,581	6,67,07,793	27,82,574
Non-voted .	27,80,59,896	27,71,89,853	31,30,685	22,60,642
<b>PART II—POSTS AND TELE-GRAPHS.</b>				
<b>A. EXPENDITURE CHARGED TO REVENUE—</b>				
23. Indian Posts and Telegraphs Department :				
Voted .	10,67,90,000	10,10,97,369	56,92,631	..
Non-voted .	95,59,000	94,83,996	75,004	..
<b>B. EXPENDITURE CHARGED TO CAPITAL—</b>				
91. Capital Outlay on Indian Posts and Telegraphs Department :				
Voted .	23,13,000	14,80,202	8,32,798	..
Non-voted .	2,000	1,299	791	..
Total Posts and Telegraphs	11,86,64,000	11,20,62,866	66,01,134	..
Voted .	10,91,03,000	10,25,77,571	65,25,429	..
Non-voted .	95,61,000	94,85,295	75,705	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
<b>PART III.—RAILWAYS.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
1. Revenue—Railway Board :				
Voted .	8,15,000	7,94,816	20,184	..
Non-voted .	4,12,000	4,16,045	..	4,045
2. Revenue—Inspection :				
Voted .	71,000	74,008	..	3,008
Non-voted .	2,83,000	2,77,738	5,262	..
3. Revenue—Audit				
Voted .	12,24,000	12,52,640	..	28,640
Non-voted .	4,85,000	4,89,367	..	4,367
4. Revenue—Working Expenses—Administration :				
Voted .	10,09,50,000	9,98,07,529	11,42,471	..
Non-voted .	1,02,18,000	1,01,20,069	97,931	..
5. Revenue—Working Expenses—Repairs and Maintenance and Operation :				
Voted .	36,76,00,000	36,72,72,300	3,27,700	..
Non-voted .	1,40,000	1,37,292	2,798	..
6. Revenue—Companies and Indian States' share of surplus profits and net earnings :				
Voted .	80,00,000	65,20,731	14,79,269	..
9. Revenue—Appropriation to Depreciation Fund—Commercial :				
Voted .	13,31,00,000	13,33,15,627	..	2,15,627
10. Revenue—Appropriation from Depreciation Fund :				
Voted .	14,94,16,000	16,57,63,635	..	1,63,47,635
11. Revenue—Miscellaneous : Commercial.				
Voted .	6,50,000	3,82,602	2,67,398	..
Non-voted .	9,39,000	9,51,283	..	12,283
12. Revenue—Appropriation to the Reserve Fund .	..	..	..	..
13. Revenue—Appropriation from the Reserve Fund .	..	..	..	..

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
	Rs.	Rs.	Rs.	Rs.
<b>14. Revenue—Strategic Lines :</b>				
Voted .	1,87,69,000	1,84,95,424	2,73,576	..
Non-voted .	5,34,000	5,48,400	..	14,400
<i>State Railways Revenue—interest charges—</i>				
1. Interest on Debt :				
Non-voted .	31,60,60,000	31,56,94,373	3,65,627	..
2. Interest on capital contributed by Companies :				
Non-voted .	1,33,70,000	1,33,57,944	12,056	..
<b>Total</b> { Voted .	78,05,95,000	79,36,79,312	35,10,598	1,65,94,910
Non-voted .	34,24,41,000	34,19,92,421	4,83,674	35,095
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>				
<b>7. Capital—New constructions—</b>				
Voted .	1,00,60,000	55,58,880	45,01,120	..
Non-voted .	1,17,000	1,19,327	..	2,327
<b>8. Capital—Open Line Works—</b>				
Voted .	3,05,50,000	—25,10,427	3,30,60,427	..
Non-voted .	1,23,000	1,76,528	..	53,528
<b>Discharge of Debentures—</b>				
Non-voted.	44,32,000	20,52,414	23,79,586	..
<b>15. Capital—Strategic Lines—</b>				
Voted .	8,00,000	—22,60,007	30,60,007	..
Non-voted .	1,000	716	284	..
<b>Total</b> { Voted .	4,14,10,000	7,88,446	4,06,21,554	..
Non-voted .	46,73,000	23,48,985	23,79,870	55,855
<b>Total Railways</b>	1,16,91,19,000	1,13,88,09,164	4,69,95,696	1,66,85,860
Voted .	82,20,05,000	79,44,67,758	4,41,32,152	1,65,94,910
Non-voted .	34,71,14,000	34,43,41,406	28,63,544	90,950

Number and name of Grant or Appropriation.	Final Grant or Appropriation.	Expenditure.	Expenditure as compared with Grant or Appropriation.	
			Less than Granted.	More than Granted.
<b>PART IV.—MILITARY.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
<b>Army—</b>				
<i>India</i> . . . . .	34,91,25,000	34,91,13,000	12,000	..
<i>England</i> . . . . .	10,87,18,000	10,81,64,000	5,54,000	..
<b>Marine—</b>				
<i>India</i> . . . . .	40,04,000	39,63,000	41,000	..
<i>England</i> . . . . .	27,64,000	27,32,000	32,000	..
<b>Military Engineer Services—</b>				
<i>India</i> . . . . .	3,77,70,000	3,77,30,000	40,000	..
<i>England</i> . . . . .	5,73,000	5,71,000	2,000	..
<b>Transfers to Military Reserve Fund—</b>	13,78,000	14,77,000	..	99,000
<b>Total Military—</b>				
<i>Non-voted</i> . . . . .	50,43,32,000	50,37,50,000	6,81,000	99,000
<b>Grand Total</b> . . . . .	2,39,05,34,696	2,28,82,46,464	12,41,16,308	2,18,28,076
Voted . . . . .	1,25,14,67,800	1,15,34,79,910	11,73,65,374	1,93,77,484
Non-voted . . . . .	1,13,90,66,896	1,13,47,66,554	67,50,934	24,50,592

**APPENDIX III.**

**LETTER FROM SIR ERNEST BURDON, KT., C.S.I., C.I.E., I.O.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. T.-198-REP/4-34, DATED THE 28TH MAY 1934.**

**SUBJECT :—***Appropriation Accounts of the Central Government (Civil) for the year 1932-33, and the Report thereon of the Accountant General, Central Revenues.*

In accordance with the provisions of rule 15(1) of the Auditor General's Rules framed under Section 96D(1) of the Government of India Act, I have the honour to transmit herewith two copies of the Appropriation Accounts of the Central Government (Civil) for the year 1932-33 and the Report thereon of the Accountant General, Central Revenues, together with two copies of the Commercial Appendix to these documents prepared by the Accountant General, Central Revenues, for submission to the Public Accounts Committee and for necessary action by the Government of India. The documents deal with Central Civil transactions (excluding those relating to Railways and Posts and Telegraphs) booked and audited not only by the Accountant General, Central Revenues, but also by other accounts and audit officers.

2. Two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India, on behalf of the Central Government, under the heads other than those relating to Military Services, for the year 1932-33, together with two copies of the relevant Appropriation Accounts, and the reports thereon prepared by the Auditor, Indian Home Accounts, are also forwarded herewith.

3. I also append a consolidated statement (Statement\* "A") of all Central Voted Grants and Non-voted Appropriations for the year 1932-33, the expenditure incurred against them and the variations between the two. Further statements (Statements "B" and "C") show the excesses over "Voted" Grants and "Non-voted" Appropriations, which require the vote of the Legislative Assembly, and the sanction of the Finance Department of the Government of India, respectively.

4. The Appropriation Accounts and the Report of the Accountant General, Central Revenues, together with the Appendix containing the Commercial Accounts have, as usual, been subjected to a detailed examination in my office and are found generally to be in order : and, as regards the Accounts and the Report taken as a whole, I wish to draw particular attention to the fact that as a result of continuous evolution in recent years, directed by accumulating experience of the practical requirements of the Public Accounts Committee, the present report of the Accountant General is so-framed, both in content and arrangement, that additional comment of a specific kind by the Auditor General is rendered almost entirely superfluous. It will be observed that the

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\* Not printed as part of this letter, but see Appendix II.



actual report of the Accountant General covers only 30 pages or so and I have satisfied myself that in this compass the Accountant General has drawn attention directly or indirectly to everything of real importance. The position is similar in the case of the Appendix containing the Commercial Accounts and the Accountant General's general review of the results of the audit of these accounts. At the same time, further to promote the convenience both of the Public Accounts Committee and of the Administrative Departments of the Government of India concerned with the Appropriation Accounts, I have, on this occasion, added to the documents forwarded, a "Key" statement (Statement D) in which I have brought together, grouped according to Departments of the Government of India,—

- (a) Firstly, a reference to each of the Appropriation Accounts of grants and appropriations for which each of the several departments is responsible, and
- (b) Secondly, linked with the references to the Appropriation Account of each grant, etc., enumerated as in (a) preceding, all points of importance arising out of such account which the Accountant General has brought to notice either in his general analysis or elsewhere.

Past experience leads me to believe that this will be conducive to orderly, comprehensive and expeditious examination of the material both by the Departments of the Government of India which may be called upon to give evidence and by the Public Accounts Committee.

5. Being absent on leave last summer I did not myself deal with the Appropriation Accounts and Report of the Central Government (Civil) for the year 1931-32, and I am especially struck on this occasion with the improvement which has been effected in the presentation of the accounts of Government Commercial concerns contained in the Accountant General, Central Revenues' Commercial Appendix to his Report. In my opinion the financial reviews of the various accounting officers have, in general, now reached a higher standard than before, both in the fullness and the suitability of the information supplied; and the work of my auditors has thus been correspondingly simplified. I note also that in general, despite adverse circumstances, the financial administration of a number of the concerns has in the commercial sense been more successful than for some years past.

6. In accordance with recent precedent I attach a statement (Statement E) giving particulars of the overdrafts on current account taken by Provincial Governments at the expense of the Central Government. A comparison of the figures of 1932-33 with those of 1931-32 shows that a marked improvement in the general position occurred. The highest net overdraft was Rs. 181 lakhs in the month of December 1932. As on previous occasions, the province most heavily and most continuously overdrawn was Burma, closely followed by Bengal. Bombay, the Central Provinces and Bihar and Orissa also had to incur very considerable overdrafts for the purpose of financing their current account.

## STATEMENT B (Paragraph 3).

(1932-33.)

Statement showing the excesses over Voted Grants which require the vote of the Legislature.

Item No.	Name of Grant.	Final Grant.	Actual Expenditure.	Excess requiring the vote of the Legislature.
		Rs.	Rs.	Rs.
1	22.—Irrigation, etc., charged to Revenue . . . .	3,84,000	4,36,133	52,133
2	26.—Interest on Miscellaneous obligations . . . .	49,49,000	50,93,368	1,44,368
3	48.—Survey of India . . . .	15,79,000	16,39,402	60,402
4	63.—Aviation . . . .	9,05,000	9,31,939	26,939
5	67.—Emigration—External . . . .	1,93,000	2,21,675	28,675
6	70.—Indian Stores Department . . . .	6,61,000	7,44,153	83,153
7	74.—Superannuation, Allowances and Pensions . . . .	73,99,000	76,60,394	2,61,394
8	76-B.—Miscellaneous adjustments between the Central and Provincial Governments . . . .	22,000	22,345	345
9	77.—Refunds . . . .	94,77,000	1,06,77,228	12,00,228
10	82.—Andamans and Nicobar Islands . . . .	31,49,000	31,50,207	1,207
11	96.—Commuted Value of Pensions . . . .	40,61,000	49,84,730	9,23,730
12	2.—Revenue Inspection . . . .	71,000	74,008	3,008
13	3.—Revenue Audit . . . .	12,24,000	12,52,640	28,640
14	9.—Revenue—Appropriation to Depreciation Fund—Commercial . . . .	13,31,00,000	13,33,15,627	2,15,627
15	10.—Revenue—Appropriation from Depreciation Fund . . . .	14,94,16,000	16,57,63,635	1,63,47,635

## STATEMENT C (Paragraph 3).

(1932-33.)

Statement showing excesses over Non-voted Appropriations which require the sanction of the Government of India, Finance Department.

Item No.	Name of Appropriation.	Final Appropriation.	Actual Expenditure.	Excess requiring the sanction of the Government of India.
		Rs.	Rs.	Rs.
1	16.—Customs . . . .	31,09,561	31,12,891	3,330
2	20.—Stamps . . . .	70,997	89,161	18,164
3	21.—Forest . . . .	1,60,850	1,63,579	2,729
4	22.—Irrigation, etc., charged to Revenue . . . .	2,84,905	2,87,771	2,866
5	25.—Interest on ordinary Debt, etc. . . .	6,45,26,000	6,63,22,036	17,96,036
6	32.—Home Department . .	9,41,033	9,49,532	8,499
7	35.—Department of Education, Health and Lands . . . .	1,43,262	1,45,996	2,734
8	40.—Department of Industries and Labour . .	1,13,200	1,14,000	800
9	42.—Payments to Provincial Governments, etc. . .	1,31,790	1,31,876	86
10	47.—Lighthouses and Light ships . . . .	26,366	26,782	416
11	48.—Survey of India . . .	5,55,000	5,62,301	7,301
12	49.—Meteorology . . . .	87,800	90,705	2,905
13	50.—Geological Survey . .	2,15,500	2,15,519	3,019
14	54.—Mines . . . .	1,04,042	1,04,609	567
15	58.—Public Health . . . .	1,57,402	1,58,567	1,165
16	60.—Imperial Council of Agricultural Research Department . . . .	57,077	58,657	1,580
17	61.—Civil Veterinary Service . .	60,600	61,062	462
18	63.—Aviation . . . .	1,100	1,103	3
19	67.—Emigration—External . .	49,833	55,705	5,872
20	71.—Currency . . . .	1,64,300	1,67,463	3,163
21	81.—Ajmer-Merwara . . . .	1,28,400	1,30,681	2,281
22	84.—Central India . . . .	6,11,957	6,14,465	2,508
23	85.—Hyderabad . . . .	5,73,430	5,76,889	3,459
24	85-A.—Aden . . . .	28,860	29,087	227
25	94.—Capital Outlay on Vizagapatam Harbour . .	3,000	3,771	771
26	96.—Commuted Value of Pensions . . . .	25,14,300	29,03,999	3,89,699
27	1.—Revenue—Railway Board . .	4,12,000	4,16,045	4,045
28	3.—Revenue—Audit . . . .	4,85,000	4,89,367	4,367
29	7.—Capital—New Constructions . . . .	1,17,000	1,19,327	2,327
30	8.—Capital—Open Line Works . . . .	1,23,000	1,76,528	53,528
31	11.—Revenue—Miscellaneous Commercial . . . .	9,39,000	9,51,283	12,283
32	14.—Revenue—Strategic Lines . . . .	5,34,000	5,48,400	14,400

## STATEMENT D (Paragraph 4).

'Key' statement to the Central (Civil) Appropriation Report and Commercial Appendix for 1932-33 showing in conjunction particulars of Appropriation Accounts of grants and appropriations for which each of the several departments of the Government of India is responsible and all matters and comments of importance connected with these accounts.

R. = Appropriation Accounts of the Central Government (Civil) and Report of the Accountant General, Central Revenues, thereon.

C. A. = Commercial Appendix to the above.

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(1) *General*—

- (i) Review of Finance (Irrigation systems, residential buildings and Vizagapatam Harbour) . . . . . Paragraphs 10—18 R.
- (ii) General results of appropriation audit, excesses over voted grants and appropriations, accuracy of budgeting, control of expenditure, etc. . . . . Paragraphs 21—46 R.

(2) *Grant No. 20.—Stamps*—

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Comparative statement of profits and losses and turnover . . . . . Paragraph 20, item (1) and paragraph 21 C. A.

Stores transactions . . . . . Paragraph 25, item (1) and paragraph 27 C. A.

(3) *Grant No. 25.—Interest on Ordinary Debt, etc.*—

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(4) *Grant No. 26.—Interest on Miscellaneous obligations*—

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(5) *Grant No. 27.—Staff, Household and Allowances of the Governor General*—

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(6) *Grant No. 36.—Finance Department*—

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(7) *Grant No. 42.—Payments to Provincial Governments, etc.*—

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- (8) *Grant No. 43.—Audit—*  
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- (9) *Grant No. 69.—Miscellaneous Departments—B—Examinations—*  
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- (10) *Grant No. 71.—Currency—*  
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- (11) *Grant No. 72.—Mint—*  
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- (12) *Grant No. 74.—Superannuation Allowances and Pensions—*  
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- (13) *Grant No. 76.—Miscellaneous—A.—Allowances; E.—Compensations; F.—Rents, Rates and Taxes on Central Buildings; J. 8.—Sind Conference; J. 11.—Other items; L.—Other charges non-voted partly and voted; M.—Payments arising out of the Military Land Scheme—*  
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- (14) *Grant 76-A.—Expenditure on retrenched personnel charged to Revenue—*  
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- (15) *Grant No. 76-B.—Miscellaneous adjustments between the Central and Provincial Governments—*  
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- (16) *Grant No. 77.—Refunds, E.—Currency; F.—Receipts-in-and of Superannuation; G.—Miscellaneous Revenue; H. 8.—Interest; H. 21.—Civil Works (Partly); H. 23.—Miscellaneous—*  
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- (17) *Grant No. 86.—Expenditure in England under the control of the Secretary of State—*  
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- (18) *Grant No. 87.—Expenditure in England under the control of the High Commissioner—*  
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- (19) *Non-voted Appropriation—Excise—*  
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- (20) *Non-voted Appropriation—Territorial and Political Pensions—*  
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- (22) *Grant No. 93.—Capital Outlay on Currency Note Press—*  
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- (23) *Grant No. 96.—Commuted Value of Pensions—*  
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- (24) *Grant No. 96-A.—Expenditure on retrenched personnel charged to Capital—*  
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- (2) *Grant No. 17.—Taxes on Income—*  
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- (5) *Grant No. 20.—Stamps—*  
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- (6) *Grant No. 41.—Central Board of Revenue—*  
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- (7) *Grant No. 76, J. 6.—Delegation to the Opium Conference at Bangkok—*  
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- (8) *Grant No. 77.—Refunds—A.—Customs; B.—Taxes on Income; C.—Salt; D.—Stamps; H. 1.—Opium; H. 3.—Excise—*  
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- (4) *Grant No. 44.—Administration of Justice—*  
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- (6) *Grant No. 65.—Census—*  
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- (7) *Grant No. 76.—Miscellaneous—B.1.—Subscriptions to News Agencies for supply of Telegrams; C.—Donations for charitable purposes, etc. (Voted) (partly); D. 4.—Other Commissions and Committees—(i) Indian Round Table Conference, (ii) Consultative Committee, (iii) Indian Franchise Committee; G.—Grants-in-aid (Voted) (Partly)—*  
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- (8) *Grant No. 77.—Refunds—H. 2.—Land Revenue (Partly); H. 3.—Excise (Partly); H. 5.—Registration (Partly); H. 9.—Administration of Justice; H. 10.—Jails and Convict Settlement; H. 11.—Police—*  
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- (10) *Grant No. 82.—Andamans and Nicobar Islands—Account I.—Convict Settlement charges; Account III.—Other Expenditure Heads—*  
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- (4) *Grant No. 76.—Miscellaneous—C.—Donations for charitable purposes, etc. (Partly); G.—Grants-in-aid (Non-voted); K.—Miscellaneous Durbar charges; L.—Other charges (Non-voted) (Partly)—*  
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- (5) *Grant No. 77.—Refunds—H. 2.—Land Revenue; H. 3.—Excise; H. 5.—Registration; H. 6.—Payment from Indian States—*  
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- (9) *Grant No. 83.—Rajputana—*  
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- (8) *Grant No. 66.—Emigration—Internal—*  
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- (11) *Grant No. 73.—Civil Works.—*  
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- (13) *Grant No. 76.—Miscellaneous—B. 1. Subscriptions to  
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- (14) *Grant No. 77.—Refunds—*  
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- (15) *Non-Voted Appropriation—Frontier Watch and Ward—*  
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DEPARTMENT OF EDUCATION, HEALTH AND LANDS—*conold.*

(11) *Grant No. 59.—Agriculture—contd.*

Comparative statement of profits and losses and turnover . . . . .	Paragraph 20 item (6) and paragraph 21 C. A.
Stores transactions . . . . .	Paragraph 25 item (6) C. A.
Abolition of Commercial Accounts of—	
(i) Imperial Institute of Animal Husbandry, Bangalore ;	} Paragraph 2 C. A.
(ii) Imperial Cattle Breeding Farm, Karnal ;	
(iii) Government Research Creamery, Anand ;	
(iv) Agricultural Research Institute, Pusa.	

(12) *Grant No. 61.—Civil Veterinary Services—*

Appropriation Account . . . . .	Pages 158-159 R.
Non-voted Excess . . . . .	Paragraph 31 R.
Commercial Accounts of Imperial Veterinary Serum Institute, Izatnagar . . . . .	Paragraphs 163—185 C. A.
Comparative statement of profits and losses and turnover . . . . .	Paragraph 20 item (7) and paragraph 22 C. A.
Stores transactions . . . . .	Paragraph 25 item (7) C. A.
Abolition of Commercial Accounts of Imperial Institute of Veterinary Research, Muktesar . . . . .	Paragraph 2 C. A.

(13) *Grant No. 67.—Emigration—External—*

Appropriation Account . . . . .	Page 167 R.
Voted Excess . . . . .	Paragraph 30 item (5) R.
Non-voted Excess . . . . .	Paragraph 31 item (13) R.

(14) *Grant No. 69.—Miscellaneous (partly)—*

Appropriation Account . . . . .	Page 170 R.
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(15) *Grant No. 76.—Miscellaneous—B.-2.—Other Charges ; C.—Donations for charitable purposes (Partly) ; J.-7.—Delegation to South Africa ; J.-9.—Deputation of Mr. G. S. Bozman, I.C.S., to East Africa—*

Appropriation Account . . . . .	Pages 229 and 232 R.
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(16) *Grant No. 77.—Refunds—H.-4.—Forest ; H.-14.—Education ; H.-15.—Medical ; H.-16.—Public Health ; H.-17.—Agriculture ; H.-19.—Miscellaneous Departments (Partly)—*

Appropriation Account . . . . .	Pages 240, 241 and 242 R.
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(17) *Grant No. 82.—Andaman and Nicobar Islands—Account II—Forests—*

Appropriation Account . . . . .	Pages 299—301 R.
Voted Excess . . . . .	Paragraph 30 item (10) R.
Commercial Accounts of Forest Department, Andamans . . . . .	Paragraphs 186-201 C. A.
Comparative statement of profits and losses and turnover . . . . .	Paragraph 20 item (8) and paragraph 21 C. A.
Stores transactions . . . . .	Paragraph 25 item (8) C. A.

(18) *Grant No. 89.—Forest Capital Outlay—*

Appropriation Account . . . . .	
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## COMMERCE DEPARTMENT.

- (1) *Grant No. 38.—Commerce Department—*  
*Appropriation Account* . . . . . Page 98 R.
- (2) *Grant No. 46.—Ports and Pilotage—*  
*Appropriation Account* . . . . . Pages 107 - 112 R.  
*Commercial Account of Bengal Pilot Service* . . . . . Paragraphs 202—212 C. A.  
*Comparative statement of profits and losses and turnover* . . . . . Paragraph 20 item (9) and paragraph 21 C. A.  
*Stores transactions* . . . . . Paragraph 25 item (9) C. A.
- (3) *Grant No. 47.—Lighthouses and Lightships—*  
*Appropriation Account* . . . . . Pages 113—116 R.  
*Savings on Voted grants* . . . . . Paragraph 26 R.  
*Non-voted excess* . . . . . Paragraph 31 R.  
*Commercial Account of Indian Lighthouse Department* . . . . . Paragraphs 213—224 C. A.  
*Comparative Statement of profits and losses and turnover* . . . . . Paragraph 20 item (10) C. A.  
*Stores transactions* . . . . . Paragraph 25 item (10) C. A.
- (4) *Grant No. 64.—Commercial Intelligence and Statistics—*  
*Appropriation Account* . . . . . Page 163 R.
- (5) *Grant No. 68.—Joint Stock Companies—*  
*Appropriation Account* . . . . . Page 169 R.  
*Unnecessary Supplementary grant* . . . . . Paragraph 43 R.
- (6) *Grant No. 69.—Miscellaneous Departments.—E.—Actuary to the Government of India; K.—Registration of Accountants—*  
*Appropriation Account* . . . . . Page 171 R.
- (7) *Grant No. 76.—Miscellaneous Departments.—C.—Donations for charitable purposes (partly); D.-1.—Tariff Board; J.-3.—Conference on Deck Passenger and Pilgrim Traffic; J.-10.—Indian delegation to the Imperial Economic Conference at Ottawa; L.—Other Charges (partly)—*  
*Appropriation Account* . . . . . Pages 229, 231 and 233 R.
- (8) *Grant No. 77.—Refunds.—H.-12.—Ports and Pilotage; H-13.—Lighthouses and Lightships—*  
*Appropriation Account* . . . . . Page 241 R.
- (9) *Non-voted Appropriation—Ecclesiastical—*  
*Appropriation Account* . . . . . Pages 329—331 R.
- (10) *Grant No. 95.—Capital Outlay on Lighthouses and Lightships not charged to Revenue—*  
*Appropriation Account* . . . . . Page 365 R.  
*Commercial Account of Indian Lighthouse Department* . . . . . Paragraphs 213—224 C. A.  
*Comparative statement of profits and losses and turnover* . . . . . Paragraph 20 item (10) C. A.  
*Stores transactions* . . . . . Paragraph 25 item (10) C. A.

## LEGISLATIVE DEPARTMENT.

- (1) *Grant No. 29.—Council of State—*  
 Appropriation Account . . . . . Page 88 R.  
 Important Comment . . . . . Page 88 R.
- (2) *Grant No. 34.—Legislative Department—*  
 Appropriation Account . . . . . Page 95 R.
- (3) *Grant No. 76.—Miscellaneous.—H.—Local Clearing Office ;*  
*J.-1.—Indian delegation to the League of Nations—*  
 Appropriation Account . . . . . Page 231 R.

## LEGISLATIVE ASSEMBLY DEPARTMENT.

- (1) *Grant No. 30.—Legislative Assembly and Legislative*  
*Assembly Department—*  
 Appropriation Account . . . . . Page 89 R.  
 Savings on Non-voted appropriation . . . . . Paragraph 27 R.
- (2) *Grant No. 76.—Miscellaneous ;—G.—Grants-in-aid—Non-*  
*voted and Voted (partly)—*  
 Appropriation Account . . . . . Page 231 R.

## RAILWAY DEPARTMENT.

- (1) *Grant No. 94.—Capital Outlay on Vizagapatam Harbour—*  
 Appropriation Account . . . . . Pages 362-363 R.  
 Stores Account . . . . . Paragraph 86 and page  
 364 R.  
 Statement of Expenditure on important New Works . . . . . Page 364 R.  
 Important Comments . . . . . Paragraphs 18 and 115  
 R.  
 Non-voted excess . . . . . Paragraph 31 (item 17)  
 R.

## ARMY DEPARTMENT.

- (1) *Grant No. 39.—Army Department—*  
 Appropriation Account . . . . . Page 99 R.
- (2) *Grant No. 76.—Miscellaneous—I.—Indian Soldiers' Board—*  
 Appropriation Account . . . . . Page 231 R.

## FINANCIAL ADVISER, MILITARY FINANCE.

- (1) *Grant No. 36.—Finance Department—K.—Military Finance—*  
 Appropriation Account . . . . . Page 97 R.

## IMPERIAL COUNCIL OF AGRICULTURAL RESEARCH DEPARTMENT.

- (1) *Grant No. 60.—Imperial Council of Agricultural Research*  
*Department—*  
 Appropriation Account . . . . . Page 157 R.  
 Supplementary Grant . . . . . Paragraph 24 item (4) R.  
 Non-voted excess . . . . . Paragraph 31 item (12)  
 R.

# STATEMENT E (paragraph 6).

Statement showing the monthly balances of the various Provincial Governments.

(In thousands of rupees. Figures with a minus sign before them represent overdraft.)

	Madras.	Bombay.	Bengal.	United Provinces.	Punjab.	Burma.	Bihar and Orissa.	Central Provinces.	North-West Frontier Province.	Assam.	Total.
1932-33.											
1. April .	2,36,54	15,02	11,44	-35,00	49,00	36,21	27,02	-7,42	10,59	5,19	3,48,59
2. May ;	2,36,79	23,45	-9,44	-40,00	-4,00	36,87	13,83	-10,60	4,88	10,23	2,56,01
3. June .	2,34,59	26,22	-3,40	62,00	-15,00	23,75	12,02	-8,50	-2,96	7,55	3,36,27
4. July .	2,18,17	24,48	-34,88	1,47,00	1,25,00	-33,37	80	-9,85	-7,68	3,88	4,33,55
5. August	1,81,47	-72	-66,96	2,54,00	2,14,00	-78,72	-11,37	-20,80	-17,20	91	4,54,61
6. September.	1,32,47	-28,26	-69,21	3,04,00	1,41,00	-1,16,85	-15,75	-31,92	-26,70	-4,22	2,84,56
7. October	66,33	-48,93	-1,22,46	3,04,00	81,00	-1,55,81	-32,29	-55,46	39,27	21	75,86
8. November.	14,01	-64,54	-1,38,43	3,18,00	44,00	-1,89,00	-31,85	-75,76	29,70	-5,30	-99,17
9. December.	11,40	-65,02	-1,33,80	3,10,00	15,00	-2,13,46	-38,26	-86,47	28,25	-9,47	-1,81,83
10. January	1,11,92	-15,52	-98,17	1,05,00	68,00	-2,12,07	-8,59	-71,78	43,74	-11,31	-88,78
11. February	3,10,97	73,21	-1,33,36	1,57,00	1,99,00	-2,03,89	-2,69	2,63	39,73	-10,10	4,32,50
12. March .	3,48,78	11,85	33	-	55,00	63	23,29	4,99	14,06	14	4,59,07



# APPENDIX IV.

LETTER FROM SIR ERNEST BURDON, KT., C.S.I., C.I.E., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, NO. 91-REP./6-34, DATED THE 17TH APRIL 1934.

SUBJECT :—*Appropriation Accounts of the Posts and Telegraphs Department for the year 1932-33 and the Report thereon of the Accountant General, Posts and Telegraphs.*

With reference to rule 15 (1) of the Auditor General's Rules, framed under Section 96D (1) of the Government of India Act, I have the honour to transmit herewith, for submission to the Committee on Public Accounts, and for necessary action by the Government of India, two copies of the Appropriation Accounts of the Posts and Telegraphs Department for the year 1932-33 and the Report thereon of the Accountant General, Posts and Telegraphs.

2. The Accounts and the Report have, as usual, been subjected to a detailed examination in my office. I have satisfied myself that the Accounts are in order and that the report contains all the information necessary for the purposes of the Public Accounts Committee.

3. There is nothing of new or special interest in the present report to which I have to draw the attention of the Public Accounts Committee. Briefly, the position is that during the year under report the department continued its struggle against the difficulties of the period of financial stress which have formed the subject of comment in recent years. The revenue continued to decrease and while expenditure was substantially reduced the outturn of the year was a diminished but still considerable deficit. Possibilities of further economy are still being investigated. But it seems improbable that the department will become self-supporting until trade and financial conditions generally improve, and revenue again begins to grow. I need say nothing further regarding the financial position of the department, on which the Public Accounts Committee will have full and recent information from other sources.

4. I imagine, however, that the Public Accounts Committee will wish to renew its examination of certain features of the financial administration of the department, as disclosed by the accounts, which have been discussed in previous years and on which the Accountant General again comments. I invite attention to the following :—

- (a) The comments of the Accountant General on the accuracy of budgeting—paragraphs 53 and 54 of the Report ;
- (b) The comments of the Accountant General on the efficiency of current control over expenditure—paragraphs 50 to 52, 58 and 59 of the Report ;
- (c) The level of Stores Balances —paragraph 80 of the Report ;
- (d) The incidence of the cost of establishment employed on works —paragraph 61 of the Report.

## APPENDIX V-A.

LETTER FROM SIR ERNEST BURDON, KT., C.S.I., C.I.E., I.C.S.,  
AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERN-  
MENT OF INDIA, FINANCE DEPARTMENT, No. T-119-REP./5-34,  
DATED THE 18TH MAY 1934.

SUBJECT :—*Appropriation Accounts of the Army, Marine and Military Engineer Services for the year 1932-33 and the Report thereon of the Director of Army Audit.*

I have the honour to forward herewith for necessary action, two copies of the Appropriation Accounts of the Army, Marine and the Military Engineer Services for the year 1932-33 prepared by the Financial Adviser, Military Finance, together with two copies of the Report thereon prepared by the Director of Army Audit. Actually, while the latter report deals with the appropriation accounts of the year 1932-33, it includes also the results of the Director's audit *as completed during that year*, that is to say, it includes the results of audit scrutiny of transactions accounted for in previous years. In future the title of the Director's report will be altered so as to make this clear.

I also transmit herewith two copies of the accounts of receipts and disbursements of the Secretary of State and the High Commissioner for India on account of the Central Government, in respect of Military Services, for the year 1932-33, together with two copies of the relevant Appropriation Accounts, and the Reports thereon prepared by the Auditor of Indian Home Accounts.

It is understood that these documents will as usual be subjected to a preliminary examination by the Military Accounts Committee before being presented to the Public Accounts Committee.

2. *Outstanding questions.*—I presume that the Military Accounts Committee will, as usual, first go through the list of questions outstanding from previous discussions (Appropriation Accounts—Appendix A). I have no comment to offer at this stage on any of the items in this list.

3. *Appropriation audit.*—I invite attention to the Financial Adviser's review of the financial administration of the year and of the results of his appropriation audit which is given in paragraphs 1 to 20 of the text preceding the Appropriation Accounts. This review is, to say the least, adequate in all important respects and it will be seen that the Director of Army Audit has no question to raise as regards the Financial Adviser's appreciation of this aspect of the Appropriation Accounts. As for myself I merely wish to observe, agreeing with the Financial Adviser, that the year was one of disturbed conditions in respect of which accuracy of budgeting and efficiency of control were necessarily difficult to achieve. On the other hand the Financial Adviser's narrative gives the impression that, so far as control of expenditure in bulk is concerned,

the financial administration of the year was active and alert, and that the control exercised was commendably successful in its results. A satisfactory feature is that the sanction of the Finance Department was obtained in all cases in which it was proposed to appropriate unforeseen savings to new though possibly inevitable items of expenditure.

4. *Defence Reserve Fund—Paragraphs 3 and 5 of Financial Adviser's review.*—It appears that the scope of the Defence Reserve Fund has been extended so as to serve other purposes than that for which it was originally constituted, and I propose to consider in consultation with the Financial Adviser whether it would not be advisable to maintain, and possibly to publish, a formal progressive account of the transactions of the fund supplemented by an analysis of balances. Consideration will be given at the same time to the suggestion that all reserves for unforeseen expenditure should be unified and held in the Defence Reserve Fund. (Paragraphs 5 and 236 of the Financial Adviser's review and paragraphs 6 and 7 of the Report of the Director of Army Audit.)

5. *Audit Certificate of the Military Accountant General.*—The Audit Certificate of the Military Accountant General (paragraph 65 of the Financial Adviser's Appropriation Accounts) is followed by a list of items of expenditure which so far have not received sanction of competent authority. Items 11 and 12 in this list are such as to attract special attention and the Military Accounts Committee may wish to receive further information regarding them. Also, the qualifications expressed in the *Proviso* to the Audit Certificate may suitably form the subject of inquiry. (Paragraph 87 of the Report of the Director of Army Audit.)

6. *Review of Military Engineer Services Expenditure.*—In my letter commenting on the Appropriation Accounts for the year 1929-30 I raised the point that under a normal system of control of public expenditure it would be necessary for the Military authorities to define more exactly the scope of the original demand for Military Engineer Services expenditure than they do at present and in their expenditure to conform more closely to the scope of the demand as so defined. I suggested enquiry whether steps were being taken to arrive at a more stable and settled policy in the matter of Military Engineer Services expenditure. In response to these comments, the Financial Adviser, Military Finance, has for the second year in succession furnished a special review of expenditure on Military Engineer Services (paragraphs 227 to 240 of the Financial Adviser's Appropriation Accounts and paragraph 69 *et seq.* of the Report of the Director of Army Audit) which in my opinion is of great importance and value. It appears that while a certain measure of reform has been devised, the position in regard to the administration of Military Engineer Services expenditure is not yet considered satisfactory either by the Financial Adviser or by the Director of Army Audit, and I suggest that this topic is one which deserves specially careful study by the Military Accounts Committee. Certain fresh aspects of the matter have been developed since my original criticism was made : and as regards issues of important detail which now arise in this connection it will be

observed that the Financial Adviser has found that conditions precedent to the commencement of works, which have to be applied, unremittingly, in audit, are not sufficiently respected (paragraph 237 of the Financial Adviser's review) and that there is a certain disposition not to accept the audit view which is held as regards the observance of the rules regarding contracts (paragraphs 238 and 239 of the Financial Adviser's Appropriation Accounts and paragraphs 71 to 79 of the Report of the Director of Army Audit). In regard to both these matters I am, on my present information, bound to hold that the audit views which have been stated are correct.

I presume that all the comments which have been made this year in respect of the administration of Military Engineer Services expenditure are already receiving attention from the Branch of Army Headquarters concerned, and I trust that it will be possible for the Engineer-in-Chief, in consultation with the Financial Adviser, to place before the Military Accounts Committee constructive proposals for the removal of departures from established financial principle and defects of practice which may be admitted to exist.

7. *Appropriation Accounts—Appendix B—Expenditure on Special Programme Measures.*—Attention is invited to paragraphs 3, 4 and 6 of the Financial Adviser's review, item 9 of Appendix A to the Appropriation Accounts, and paragraph 92 of the Report of the Director of Army Audit. I presume that the Military authorities have accepted the correctness of the facts embodied in this account and in the supplementary information furnished by the Financial Adviser.

8. *Appropriation Accounts—Appendix E—Stores Transactions: see also paragraphs 93 to 96 of the Report of the Director of Army Audit.*—The information here furnished by the Financial Adviser is given as a result of discussions in the Military Accounts Committee on the accounts of 1929-30. When priced store accounts were abolished, it was recognised that it would no longer be possible to present to the Legislature the consolidated store accounts previously furnished. It was agreed, however, that some substitute should be provided in order to facilitate scrutiny by the Legislature of the essential aspects of this very important category of Military expenditure. The Financial Adviser, Military Finance, undertook to follow the British practice of giving values of stocks for certain categories and also to present in connection with the annual budget estimates a statement showing how the annual cash expenditure compared with consumption of stocks in respect of certain categories. He further undertook to include in the statement information regarding the effect and extent of price fluctuations during the year and also to furnish in his Appropriation Accounts an informative statement indicating any important variations from normal holdings of stores under the representative categories. The statement was to be test-audited by the Director of Army Audit. The information cited at the commencement of this paragraph is given in pursuance of this undertaking, and it is

evident that the purpose in view has not yet been fully secured. There are two reasons for this, namely :—

- (a) The Army Administration have been passing through a period of disturbed conditions which has not yet come to an end in which there have been on the one hand a demand for severe retrenchment, and on the other hand disturbances necessitating extraordinary items of expenditure. Accordingly the Army authorities are not at present in a position to assess what should be regarded as the normal level of stores consumption and balances.
- (b) There have been accounting difficulties in the way of producing accurate and easily verifiable figures for the *ad hoc* statements required. These difficulties have not yet been fully surmounted.

The Military Accounts Committee will, I have no doubt, wish to ascertain from the Financial Adviser, what further steps he proposes to take in order to perfect so far as possible the arrangements contemplated and when he anticipates that it will be possible to present results of greater value.

9. *Appropriation Accounts—Appendix L, and the Report of the Director of Army Audit—paragraph 98.*—The Military Accounts Committee should I think be furnished with further information regarding the settlement of the audit objections raised on past accounts and the proposals in regard to the future basis for the classification of “special” expenditure on the expansion of the Territorial Forces.

10. *Financial Irregularities—Report of the Director of Army Audit—paragraph 9 et seq.*—Instances of financial irregularity are bound to occur in any large financial administration and it is always important to exercise a comparative view upon the audit results presented in relation to the accounts of any individual year. Even on such a view, however, the results of audit scrutiny in 1932-33 can hardly be regarded as satisfactory. A favourable feature is the impression apparently derived by the Director of Army Audit that the efficiency of the Military Accounts Department has improved and that whenever necessary instructions of a character which he considers suitable and effectual are issued to remove weaknesses of practice or system. There is little that I can usefully add to the Director’s general exposition of the subject : but I am constrained to observe that the cases brought to notice taken as a whole seem to afford evidence that there is considerable laxity of view and an insufficient sense of responsibility in financial matters not in the administration as viewed in the abstract but amongst individuals. Further I would myself wish to ascertain by enquiry before the Military Accounts Committee whether adequate machinery has even now been adopted for the internal check of sanctions and the scrutiny of original claims in the case of recurring payments. I must also draw special attention to the remarks which the Director of Army Audit has made

regarding the furnishing of certificates and other documents containing statements not in accordance with facts and the instances which he has given of irregularities of this kind.

Turning to individual cases, I note the following as having specially attracted my attention, namely, those described in paragraphs 20, 24, 26, 27 (b), 40, 43, 44, 45, 47, 49, 60, 62, 64, 66 and 67.

11. *Ruling of the Judge Advocate General—paragraph 50 of the Report of the Director of Army Audit.*—I imagine that the Military Accounts Committee will wish to receive further information as regards the legal position of Government in respect of the right to recover amounts drawn by Government servants to which they are not entitled under regulations and the limitations upon that right which are apparently entailed by the rulings so far given by the Judge Advocate General. I understand that these rulings have not yet been finally accepted and that the question of obtaining a further opinion is being considered.

12. *Trading and Production Accounts.*—As explained by the Financial Adviser, Military Finance, in paragraph 60 of his review, the trading and production accounts of the Army Manufacturing concerns—with the comments of the Audit Department added—will be communicated separately.

## APPENDIX V-B.

LETTER FROM SIR ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., AUDITOR GENERAL IN INDIA, TO THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE DEPARTMENT, No. 162-Rep./5-34, DATED THE 15TH JUNE 1934.

SUBJECT :—*Appropriation Accounts of the Army, Marine and Military Engineer Services for the year 1932-33 and the Report thereon of the Director of Army Audit.*

In continuation of my letter No. T.-119-Rep./5—34, dated the 18th May 1934, forwarding copies of the Accounts and Report mentioned above, I have the honour to forward herewith for necessary action copies of the Supplement to the Appropriation Accounts which contains :—

(a) The commercial accounts of Army Manufacturing concerns ;  
and

(b) The report of the Director of Army Audit on these accounts.

2. This is the first occasion on which the commercial accounts have been presented separately from the main Appropriation Accounts, and, as a preliminary matter, I note that there has been a certain amount of delay in submission. The Military Accountant General will consider whether it will not be possible in future years to complete the accounts much earlier. I observe also that the Supplement contains no comments of any kind by the Chief Accounting Officer, that is to say, by the Financial Adviser, Military Finance. In my opinion it would be a great advantage if the Financial Adviser, following the practice successfully adopted in the case of the main Appropriation Accounts, were to furnish a brief general review of the Commercial Accounts also, their accuracy, their value, and the financial results which they disclose. I understand that the Financial Adviser will be prepared to do this in future

There are certain other minor respects in which it seems possible to improve the form of the Supplement and suggestions to this end have already been made to the departmental authorities concerned.

3. In general I wish to say that a marked improvement has taken place in several of the commercial accounts included in the Supplement, this being the result of investigations and efforts at reform which as the Public Accounts Committee are aware have been proceeding for the last two or three years.

4. The Report of the Director of Army Audit is in itself brief and I need not attempt to summarise it. There are however certain individual matters which have attracted my attention and to which I wish to draw the attention of the Public Accounts Committee. These are :—

(1) *Medical Stores Depots—*

(a) The continued loss on working.

(b) The question of the method of costing.

(c) The allocation of the cost of the Stores Section of the office of the Director General, Indian Medical Service.

(2) *Ordnance and Clothing Factories*—

- (a) Comparative cost of manufacture in England and in India (paragraph 22 of the Director's Report).
  - (b) Stock balances : and calculation of losses on sale of surplus, etc., stores (paragraph 28 of the Director's Report).
  - (c) Depreciation Reserve Fund accounts (paragraph 33 of the Director's Report).
  - (d) Items of financial interest (paragraphs 23, 25, 29 to 31 of the Director's Report).
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**APPENDIX VI.**

**Memorandum regarding the exhibition of royalties on salt in the Commercial Accounts of the Northern India Salt Revenue Department, furnished by the Auditor General with reference to paragraph 3 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1931-32, Part I.**

A reference is invited to paragraph 3 of the Proceedings of the Public Accounts Committee held on the 3rd August 1933, wherein the Committee called attention to the fact that in the commercial accounts of the Northern India Salt Revenue Department royalties on Salt issued in any one year appear in the Accounts of the following year and thus the figures for the cost of production in each particular year as deduced from those accounts are vitiated. I have been asked to submit a report on this point.

2. I have now considered the matter and am of opinion that the amount of the royalty relating to any particular year can be incorporated in the accounts of that year only through a suspense account. In that case the amount of the royalty will be debited to "Salt" and credited to a suspense account, the latter being cleared when the actual payment is made. Such a device is, however, opposed to the cash basis principle which forms one of the main features of the Indian budgetary system. There is no objection to the change being made in the commercial accounts, if this is desired, but as the cost of salt is based on an average of several years the change is not likely to make much difference in the actual fixing of cost. The Central Board of Revenue and the Finance Department have also agreed that no useful purpose will be served by the proposed change.

## APPENDIX VII.

**Memorandum on the comparative merits of the calculation of the contribution to the Depreciation Reserve Fund of the Northern India Salt Revenue Department on the straight line method and on the sinking fund method as regards its effect on the calculation of the cost of production of salt, furnished by the Auditor General with reference to paragraph 3 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1931-32, Part I.**

In the discussion of the Commercial Accounts of the Northern India Salt Revenue Department presented in the Commercial Appendix to the Central Government (Civil) Appropriation Accounts for 1931-32 the practice of affording a credit to the cost accounts of the amount of interest on the Depreciation Reserve Fund was questioned by a member of the Public Accounts Committee and the Committee desired the Auditor General to consider the comparative advantages of the present method of making allowance for Depreciation and the Sinking Fund method in their effect on the calculation of the cost of production of Salt.

2. At the outset I may explain that the system of calculating contribution to the Depreciation Reserve Fund hitherto in force in the Northern India Salt Revenue Department was the 'Diminishing or the Reducing Balance' method and not the 'Straight Line' method as the Committee was informed by mistake. It is only recently that the Central Board of Revenue has decided that the 'Reducing Balance method' should be replaced by the 'Straight Line method'.

3. Under the 'Reducing Balance method', the annual contribution to the Depreciation Reserve is calculated at a fixed percentage of the asset account which is written down each year in order to reduce it to residual value when its period of usefulness has expired. Contribution under the 'Straight Line' method is worked out by taking a fixed proportion of the original capital outlay, the instalments being so fixed as to reduce the asset to zero or residual value at the end of the period. Unlike the method of providing depreciation by the Sinking Fund method which is described below, the rates of annual depreciation fixed under either of these two methods are not such as to require interest on balances of the Depreciation Reserve Fund to be credited to that Fund. The interest is either credited as an item of miscellaneous receipt in the Profit and Loss Account or deducted from the cost of production.

Under the Sinking Fund method, the instalment for depreciation is so fixed as to accumulate at compound rate, during the life of the asset, the sum required to replace the asset, the interest earned on the instalments being credited to the 'Depreciation Reserve Fund'.

4. The effect of the three methods mentioned above may be illustrated by taking an asset valued at say Rs. 100 with a scrap value of Rs. 10 after 20 years. The annual contribution to the Depreciation Reserve under the first method would be about ten per cent. of the residual value from year to year. Under the 2nd method (*i.e.*, the Straight Line method), it would be Rs. 4½, and under the Sinking Fund method it would be less than Rs. 3 which is a great

deal smaller than the net charge in the opening years under the other two methods.

5. In the case of the Salt Department the depreciation charges form a comparatively small share of the cost of production. The following table compares the net cost of depreciation, *i.e.*, the annual contribution to the Depreciation Reserve Fund *less* interest recovered on the balance of the fund, with the total cost of production per maund of Salt for the five years ending with 1931-32, in accordance with the 'Reducing Balance method' which was hitherto in force :—

—						Net cost of depreciation per maund.	Total cost of production per maund.
						Pies.	Pies.
(1)						(2)	(3)
1927-28	..	..	..	..	..	5.77	61.9
1928-29	..	..	..	..	..	3.99	60.4
1929-30	..	..	..	..	..	3.54	55.9
1930-31	..	..	..	..	..	2.53	44.7
1931-32	..	..	..	..	..	2.15	42.1

If the Sinking Fund method were adopted, the net cost of depreciation might be taken as about 1.5 pies per maund on an average. If this method had been used originally, it would have reduced the costs of production on the average by about 2 pies per maund ; at present the difference is about .65 pies (2.15—1.50) pies per maund and the adoption of the 'Straight Line method' is likely to conduce to further equalisation. Theoretically, the Sinking Fund method would have been more correct if introduced when the cost accounts were started as the effect of interest would have been equalised. On the assumption, however, that the Depreciation Reserve will be utilised normally, the maximum variation due to interest is unlikely to be much more than it is at present. Salt is priced on the average costs of several years, and not on costs of one year, so that in the price charged to the public, the variation due to interest is likely to be small. I am of opinion, therefore, that it is not necessary to adopt the Sinking Fund method in the Salt Department ; the Straight Line method which has been extended to the Northern India Salt Revenue Department has the advantages of greater simplicity and more uniformity and is calculated to give results not greatly differing from those of the Sinking Fund method.

6. As regards the propriety of taking credit in the Salt Production Account of interest on the balance of the Depreciation Reserve Fund, I may point out that the Salt Commercial Accounts exist entirely to give costs of Salt, salt being sold to the public at cost and that it is not the intention of Government to make indirect profits out of the manufacture. The production of Salt by Government Agency is thus distinguishable from a business which has a Profit and Loss Account to show what dividend can be declared. In that case an indirect receipt like interest realised on the balances of its Depreciation Reserve Fund would go to the Profit and Loss Account. If interest on Depreciation Reserve Fund were not allowed for in salt costs it would have to be taken as an indirect profit on manufacture.

## APPENDIX VIII.

**Memorandum regarding arrangements for the reporting of all cases of theft, fraud or defalcation, etc., to the Government of India in the Administrative Department, even though not involving losses to be written off by them, furnished by the Finance Department with reference to paragraph 14 (first sub-paragraph) of the Report of the Public Accounts Committee on the Accounts of 1931-32, Part I.**

This memorandum has been prepared with reference to the following observations in paragraph 14 of the Report of the Public Accounts Committee on the accounts of 1931-32 (Part I) :—

“ 14. *Financial irregularities.*—We have gone very carefully into the cases of financial irregularities included in the various reports. Such irregularities in the Civil Departments were not numerous. A case was brought to our notice in which a theft occurred from a sub-treasury as a result of the sub-treasurer's action in handing over his set of sub-treasury keys to a chaprasi to be taken to the sub-treasurer for the day. The local Administration issued orders impressing on all officials concerned with the administration of treasuries the need for strict observance of the rules in the Treasury Manual, but did not consider that any disciplinary action was necessary against the sub-treasury officer. We understand that such cases are not reported to the Government of India unless there is some loss to be written off by the Government of India. We consider that this is not satisfactory and that arrangements should be made for the reporting of all such cases of theft, fraud or defalcation, etc., to the Government of India in the administrative Department concerned so as to enable them to judge whether the action taken by the local Administration was sufficient.”

2. The Finance Department has examined the existing rules regarding the reporting and investigation of cases of theft, fraud or defalcation and the position briefly is as follows :—

- (1) Under Article 29 of the Civil Account Code, Volume I, all cases involving losses exceeding Rs. 200 have to be reported to the Accountant General or other Accounts Officer concerned even when such loss has been made good by the person responsible for it. Even where the loss involved does not exceed Rs. 200 a report has to be made to the Accountant General if there are, in any case, important features which merit detailed investigation and consideration.
- (2) Each case so reported to him has to be carefully investigated by the Accountant General under Article 159 of the Audit Code, Volume I, and the result of such investigation has to be communicated to the authority competent to write off the loss. [Certain powers have been delegated to various authorities subordinate to the Central Government to write off such losses, and a

report to the Government of India is necessary in cases where (1) the amount of the loss exceeds Rs. 10,000, (2) a defect of system is disclosed, and (3) a serious negligence on the part of some individual is involved.]

- (3) If an Accountant-General considers that the action, disciplinary or otherwise, taken by the authority competent to write off the loss in any individual case is inadequate, it is his duty to bring it to notice in the Appropriation Report ; and under the procedure prescribed in paragraph 25 of Appendix 16 to the Audit Code all cases of any importance going into the Appropriation Report are reported to the Administrative Department of the Government of India.

3. There is thus no chance of any serious case of inadequate action failing to come to the notice of the Government of India in the Administrative Department concerned ; and it has therefore been decided, in consultation with the Auditor-General, that no change in the existing orders is necessary. Administrative Departments have however been asked carefully to examine all cases reported by the Accountant-General under paragraph 25 of Appendix 16 to the Audit Code, and to see that departmental witnesses are ready to answer questions relating to the action taken by the authorities subordinate to them to justify that action or to indicate what steps have been taken to modify it. It may be mentioned that the particular case referred to in the observations of the Committee had been reported to the Government of India in the Foreign and Political Department.

**APPENDIX IX. .**

**Memorandum regarding the publication of the Sanchi Monograph furnished by the Department of Education, Health and Lands on the 9th June 1934 with reference to paragraph 27 of the Proceedings of the Public Accounts Committee relating to the Accounts of 1931-32, Part I.**

At their meeting on the 4th August, 1933, the Public Accounts Committee, when considering the comments of the Accountant General, Central Revenues, on the arrangements made for the publication of the Sanchi Monograph (*vide* paragraph 27 of the Proceedings), were informed that, out of 140 plates ordered, 89 had actually been delivered. The Committee desired to have a report in the following year regarding the position. It is now stated for the information of the Committee that, one plate having recently been added, the Monograph will now include 141 plates, of which 127 have been reproduced and prints received in the office of the Manager, Government of India Press, Calcutta. Two other plates are being produced by the Survey of India, and are expected to be ready very shortly. Twelve plates remain in the hands of Madame Le Rat of Paris, and the Director-General of Archæology is in constant correspondence with the Commercial Counsellor of the British Embassy in Paris and Professor A. Foucher in order to have them completed with the least possible delay.

2. The letter-press of the Monograph is in the Press and proofs are expected in the present month.

## APPENDIX X.

**Memorandum furnished by the Finance Department on the 11th June 1934 regarding monetary limit for the exhibition of individual extra-statutory remissions of revenue in the Statements to be supplied to Principal Auditors in respect of Minor Local Governments.**

In consultation with the Auditor General, the Government of India have framed rules for the exhibition of losses in the Government accounts and in the Appropriation accounts. Rule III of Section I of those rules is as follows :—

“ Heads of departments should submit annually to the Principal Auditors concerned statements showing the extra-statutory remissions of revenue and abandonments of claims to revenue sanctioned during the preceding year. For inclusion in these statements, remissions and abandonments should be classified broadly with reference to the grounds on which they were sanctioned, and a total figure should be given for each class. A brief explanation of the circumstances leading to the remission should be added in the case of each class.

NOTE 1.—A Local Government may make rules defining remissions and abandonments of revenue for the purpose of this rule, and may, after consultation with its Public Accounts Committee, fix monetary limits below which individual remissions need not be included in the statements.

\* \* \* \* \*

2. The question of fixing a monetary limit for the purposes of note 1, quoted above, was considered by the Government of India and as there was no time to consult the Public Accounts Committee, it was provisionally decided to fix at Rs. 100 the limit below which individual remissions need not be included in the statements to be forwarded to the Principal Auditors concerned in the case of all minor Local Governments.

It is hoped that this limit will commend itself to the Public Accounts Committee.

## APPENDIX XI.

**Memorandum on the system of apportionment between the constituent Branches of the Indian Posts and Telegraphs Department of receipts and expenditure which relate to more than one Branch, furnished by the Financial Adviser, Posts and Telegraphs, on the 19th June 1934 (*vide* Question No. 227 on pages 71-72 of the Report of the Public Accounts Committee on the Accounts of 1931-32, Vol. II—Evidence).**

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The following description of the existing procedure has been accepted as substantially correct by the Auditor General.

### GENERAL ORGANISATION.

1. The Indian Posts and Telegraphs Department is under the control of the Director-General of Posts and Telegraphs, and comprises of four branches, *viz.*, Post Office, Telegraphs, Telephones and Radio Telegraphs for each of which a separate profit and loss account is prepared. The whole country is divided into 9 circles, each of which is in charge of a Head of a Circle (a Postmaster-General in each of the 8 major circles and a Director in charge of the minor circle of Sind and Baluchistan). The Head of a Circle is responsible for the working of the first three branches of the Department in his circle but is not concerned with the working of the wireless stations in his circle and the wireless work throughout India is carried out under the direct administrative control of the Director of Wireless who is, besides being a member of the Posts and Telegraphs Directorate, the head of the wireless 'circle'. While the superior administration is unified there is not much unification in the matter of executive control or operation. Postal work is arranged for through Divisional Superintendents of Post Offices, Superintendents of Railway Mail Service Divisions and first class postmasters; engineering work including the maintenance and operation of telephones is entrusted to Divisional Engineers, Telegraphs, assisted by various Sub-Divisional Officers; telegraph traffic is attended to either in departmental telegraph offices which work directly under the administrative control of the Head of the circle or in combined post and telegraph offices which work under the control of postmasters and Divisional Postal Superintendents and executive control over wireless stations is exercised by two Divisional Engineers of Wireless.

2. There are three technical organisations ancillary to the main working of the Department: the theoretical and laboratory work of the Telegraph Engineering Branch is entrusted to the Electrical Engineer-in-Chief with his headquarters at Calcutta, a central depot for the purchase, storage and issue of stores is located at Calcutta under the Controller of Telegraph Stores, and the manufacture of certain stores and heavy repairs to all kinds of equipments are carried on in the Telegraph Workshops at Alipore. These three organisations are directly under the control of the Director-General.



• 3. The accounts and audit work of the Department including the audit of receipts is entrusted to the Accountant-General, Posts and Telegraphs, who has 5 offices under him, viz., the offices of the Deputy Accountants-General at Calcutta, Delhi, Madras and Nagpur and the Telegraph Check Office, Calcutta. The internal check over telephone receipts and of stores and Workshops accounts is entrusted to Accounting Officers controlled by the Directorate, and in some circles the check of telephone receipts is conducted by the Heads of Circles.

#### GENERAL DESCRIPTION OF THE ACCOUNTING SYSTEM.

4. The accounts of the receipts and expenditure of the Department are best considered under two categories :—

(A) Capital account and the depreciation fund, and

(B) Revenue account.

##### *' A '—Capital account and depreciation fund.*

5. The assets of the Department were valued as on the 1st April 1925 and arrears of depreciation on that date (as fixed at the end of 1929-30) amounting to Rs. 9,09,85,728, were written off from the Capital account. As a result of the recommendations of the Posts and Telegraphs Accounts Enquiry Committee, 1931, the arrears of depreciation on the 1st April 1925 were reduced by Rs. 84,19,394 to Rs. 8,25,04,234. The arrears of depreciation at the end of 1932 stood at Rs. 9,09,54,490.

The capital account of the assets of the Department is maintained in four main sections—one for each of the four branches. Each of the sections is divided into suitable heads corresponding to each important life group of equipment but a reduction in the number of these subsidiary heads is in contemplation. Due to the accounts of the assets of each branch being kept separately, the charge on account of interest and depreciation pertaining to each branch can be calculated accurately.

6. The Capital account also includes, in separate sections, different suspense accounts, such as Stores suspense, manufacture suspense and advances, etc. As the stores are used up, their value is charged under the proper service head.

7. A depreciation fund was instituted from 1st April 1925 to be built up by annual contributions from revenue to cover depreciation accruing from 1st April 1925 and to be utilised for rehabilitation of assets. It was then decided, subject to the approval of the Secretary of State, that accumulations in the fund would be utilised only for meeting the depreciation accruing after 1st April 1925, while amounts required to cover depreciation that had accrued before that date (arrears of depreciation on 1st April 1925) would be treated as interest bearing advances from general revenues, and the amounts of these advances would be added to the capital account. When originally instituted, the depreciation fund was operated on the Sinking Fund plan under which interest on the accumulations in the fund is added to the fund itself and is not available to increase the annual revenue of the Department although it does serve to reduce the annual contributions payable from annual revenues towards depreciation. As a result of the discussions on the report of the Posts and Telegraphs Accounts Enquiry Committee, 1931, it has been decided

that, with effect from the accounts of 1933-34, (i) the depreciation fund should be operated on the straight line plan under which the interest on the balances in the fund is added to the annual revenue, while the contribution to cover annual depreciation is determined without taking the yield from interest into account ; and (ii) money required to cover the arrears of depreciation accrued before 1st April 1925 (which was previously to be met from interest bearing advances), should be found from the depreciation fund.

To ensure that the revenue from the interest on depreciation fund balances is credited to the proper branch, the depreciation fund accounts are maintained in four sections—one for each branch ; further, in determining the cost of a particular service when fixing the rate to be charged, the contribution for depreciation is calculated on the Sinking Fund plan so that its amount is reduced by the amount of interest expected from the accumulation of depreciation fund money.

8. While the great majority of the fixed assets of any branch are intended for the sole use of that branch, there are some instances in which equipment owned by one branch is utilised either jointly or wholly by another. The interest, maintenance and depreciation charges in such cases are apportioned between the various branches using the services according to a system most suitable to meet specific requirements :—

- (i) *Buildings in joint use.*—All postal buildings used jointly by more than one branch are generally regarded as being the property of the Post Office. The branches using a building have to pay a rent calculated in proportion of the floor area occupied by each branch ;
- (ii) *Telegraph lines and apparatus for combined offices.*—These are provided by the Telegraph Branch which bears interest, depreciation and maintenance ;
- (iii) Wires required by the Telephones Branch for providing telephone trunk circuits and by other branches for miscellaneous purposes, *e.g.*, transmission and distribution of power. The wires are provided by the Telegraph Branch which bears all relevant charges and recovers from the other branches suitable rentals to cover the expenditure ;
- (iv) *Joint Carrier Apparatus used for telegraphy and telephony.*—The apparatus has been provided by the Telegraph Branch which charges rentals for the purpose from the Telephone Branch. The cost of operation carried out jointly by the two branches is also shared in suitable proportions.

#### B.—Revenue Accounts.

9. The revenue and the expenditure chargeable against the revenue of the Department are recorded in a series of abstracts numbered with successive letters of the alphabet from A to R. As will be apparent from the description given in the annexure, each abstract is meant either for a unit of control or organisation, or for receipts or expenditure of a particular variety.

In each abstract the receipts or the expenditure may relate either to any individual branch or indifferently to more than one branch.

Consequently, various heads of accounts within each abstract have been grouped into separate sections according as they relate to items pertaining to more than one branch (general and joint heads) or to a particular branch. Details of the various abstracts, such as the nature of the receipts or charges, the extent to which they are general or joint or relate to individual branches, and the method of determining the share of general and joint receipts or charges allocable to each branch, are given in Annexure A to this memorandum. These methods have been worked out by the administrative and accounts authorities working together and are regarded as being those most suited to the nature of the particular items of receipts or expenditure. It will be appreciated that as experience accumulates, circumstances change or new information comes to light, the methods have to be revised. Such revisions have occurred in the past and are likely to occur again in the future. Whenever a revision is found necessary the changes are settled in consultation with, and carried out after the concurrence of the Audit authorities. The following general remarks on the methods of distribution detailed in the annexure will, it is hoped, be found useful.

10. I.—*Receipts*.—‘Sale of stamps’ is a joint head as stamps are used for Postal, Telegraph and Radio purposes. The gross sale proceeds of stamps and embossed postal stationery are credited in the first instance to the Post Office. The value of stamps affixed to telegrams in payment of telegraph charges is calculated by the Telegraph Check Office working under the control of the Accountant-General of Posts and Telegraphs by an elaborate method which has been evolved over a long series of years. The system of calculation was also examined by Messrs. Price Waterhouse and Co., a few years ago and certain improvements suggested by them were adopted at the time.

11. II.—*Expenditure*.—The first point to be noted in connection with the distribution of expenditure is that the entire expense relating to the Storeyard and Workshops capital and revenue is segregated in two suspense accounts. Consequently the profit and loss accounts of the Department and of its constituent branches include only the following items relating to stores, etc. :—

(a) the value of the stores used for revenue purposes ;

The value of the stores charged by the storeyard from consumers represents the price paid for purchasing or manufacturing them and includes customs duty and sea freight on imported articles. It does not include such expenditure as warehousing, labour, etc. ;

(b) a percentage charge representing the *pro rata* share of the expenses of storekeeping plus the unabsorbed residues of storekeeping charges, etc.

In addition to the value of stores issued or purchased expenditure incidental to storekeeping and manufacture such as pay of staff, wages of labour, port charges, contingencies, cost of accommodation, power and wastage, etc., is also incurred in the Storeyard and the Workshop. A certain amount is, therefore charged on all issues of store to cover this kind of expenditure. By levying a percentage addition to the value of the articles it is sought to regulate this percentage so that the total of

such recoveries in respect of issues of stores is equal to the total incidental or overhead expenditure.

This ideal is generally not attained in practice and it is found that the recoveries either exceed or fall short of the expenditure. The amount of excess or deficit is then credited or debited to the revenue account of the Department and is shared between the branches concerned in proportion to the value of stores consumed by them.

12. The second point to be noted is that a considerable proportion of the revenue expenditure, *e.g.*, interest and depreciation is an automatic resultant of capital outlay on assets. The allocation of such expenditure follows that of the relevant capital outlay.

13. The third important feature is that the Department undertakes a number of duties outside the normal function of providing communication, *e.g.*, savings bank. In all such cases and also for the execution of capital and reconstruction works through the ordinary staff, the revenue account receives credit at rates which are calculated to include a legitimate share of all relevant overhead expenses. All such credits are collected in Abstract O and are passed to the Branch entitled to them.

14. Of the remaining expenditure the great bulk consists of the pay of personnel and the problem of apportionment is thus one of determining the method of charging the pay of the personnel to the various branches. The operative staff engaged directly on the work of various branches can be easily identified and except in the case of signallers in combined post and telegraph offices, their activities are limited to the work of one particular branch. The main problem therefore in the apportionment of the pay of the operative staff is that of determining the pay of staff employed in combined offices on telegraph work.

Combined offices may be of two kinds : (1) those large enough to require the services of one or more wholetime signallers and telegraph messengers ; (2) those in which the volume of telegraph work is insufficient to justify the employment of a wholetime signaller or telegraph messenger.

In the case of the former, an account is kept of the total number of signallers and messengers employed wholly on telegraph duties and their total pay for the year is determined by multiplying the number with the average rate of pay incurred for them.

In the case of the second class of combined offices, an indirect method is employed. Through experience lasting for a number of years, it has been found that a postal signaller can deal with 50 paid telegrams in a working day in addition to such P. & T. service telegrams as may be offered. The method of calculation is based on this experience and the total number of paid telegrams dealt with in combined offices of this class is divided by 50 and by the actual number of working days in the year. This calculation gives the strength of signallers that would be required for dealing with the whole of the telegraph traffic if it was so concentrated as to give whole time work to the signalling staff. A similar calculation is made in respect of telegraph messengers. To the pay of the staff directly engaged on telegraph duties in combined offices of both classes is then added a suitable proportion of such overhead charges as

supervision by postmasters, and superintendents, contingencies, audit charges, rent of the buildings occupied by the Telegraph Branch. The total amount then represents the direct cost incurred by the Post Office in attending to the telegraph business of combined offices as well as in the immediate subordinate supervision. This amount is credited to the Post Office and debited to Telegraphs in the accounts and thus enters into the apportionment of the other overhead charges of the Department, such as control by Postmasters-General, the Director-General, etc., because the direct cost incurred by the Post Office on the telegraph business in combined offices is added to the other direct costs of the Telegraph Branch ; the remaining overhead charges relating to the telegraph business of combined offices are necessarily borne by the Telegraph Branch as the result of the calculations described below. The direct cost and the cost of subordinate supervision of telegraph business in combined offices having been brought under Telegraphs, the apportionment of the total pay charges of the Department between branches is simplified.

15. The pay of the operative staff incurred on the work of each branch being known, the pay of supervisory staff is distributed between the branches in the proportion of the pay of the operative staff of the various branches. Finally, the incidental charges of the supervising organisations, such as travelling allowance, contingencies, etc., of Postmasters-General are distributed between the branches in the same proportion as the pay of the higher officers is distributed.

16. After a distribution of the various items has been made as described in this memorandum and its annexures, various bookkeeping entries are made in the accounts offices whereby all the general and joint heads are relieved of the debits borne by them and the entire expenditure of the Department is collected together under heads of accounts which relate strictly to each of the branches.

#### *Inter-Branch Adjustments.*

17. Similar to the adjustments of common expenditure between the branches is that of the value of mutual services. For instance, all branches of the Department utilise the Post Office for the transmission of letters and mail generally, while telegrams are sent by all branches and so forth. A statistical evaluation of the service rendered by one branch to another is made every year and the net amounts are adjusted in the profit and loss account of each branch. Details of the method will be found in Annexure " B ".

18. Annexure " C " describes the methods in force for determining the recoveries made by the Posts and Telegraphs Department for (1) Management of Savings Bank and Government Security work ; (2) Collection of Customs duty ; (3) Management of Post Office Insurance Fund ; and (4) Payments of Military Pensions and Subsistence Allowances to Army Reservists ; (5) Radio Services rendered to the Civil Aviation Department ; and (6) Maintenance of Dak and Telegraph line in the Gyantse Trade Agency.

## ANNEXURE " A " TO APPENDIX XI.

## I.—LIST OF ABSTRACTS IN POSTS AND TELEGRAPHS ACCOUNTS, AND THEIR MAIN SUB-DIVISIONS.

I.—*Receipts*—*Abstract A.*—Postage and Message Revenue—

- I.—Joint Posts and Telegraphs Receipts.
  - II.—Postal Receipts.
  - III.—Telegraph including Radio Receipts.
- 

*Abstract B.*—Miscellaneous Revenue—

- I.—Postal Receipts.
  - II.—Telegraph including Radio Receipts.
  - III.—Telephone Receipts.
- 

II.—*Expenditure*—*Abstract C.*—Direction—

- I.—General Charges.
  - II.—Radios.
  - III.—Indirect charges on stores.
  - IV.—Expenditure in England and exchange.
- 

*Abstract D.*—Account and Audit—

- I.—General charges—
  - II.—Telegraph Traffic.
  - III.—Indirect charges on stores.
  - IV.—Expenditure in England and exchange.
- 

*Abstract E.*—Control—Circle offices—

- I.—General Charges.
- II.—Telephone Accounts.
- III.—Stores Accounts Office.
- IV.—Indirect charges on stores.
- V.—Expenditure in England and Exchange.

*Abstract F.*—Engineering Expenses—

- I.—Research and Training.
  - II.—Divisional Offices—
    - A.—Supervision.
    - B.—Maintenance of Telegraph Offices and instruments.
    - C.—Maintenance of Telegraph and Trunk Telephone Lines.
  - III.—Miscellaneous—Joint.
  - IV.—Unadjusted indirect charges.
  - V.—Residue of unabsorbed on cost of Workshop Manufacture.
  - VI.—Indirect charges on stores.
  - VII.—Net gain or loss on estimates.
  - VIII.—Unadjusted freight charges.
  - IX.—Expenditure in England and Exchange.
- 

*Abstract G.*—Pensionary charges—

- A.—Contribution to Central Revenues for ordinary Pensionary charges.
  - B.—Other pensions not covered by the contributions to Central Revenues.
- 

*Abstract H.*—Stamps, Postcards, etc.—

- I.—Joint charges.
  - II.—Postal.
- 

*Abstract I.*—Stationery and Printing—

- I.—Stationery.
  - II.—Printing.
- 

*Abstract J.*—Postal Expenses—

- I.—General superintendence, Post Offices and Railway Mail Service.
- II.—Post Offices.
- III.—Railway Mail Service Divisions.
- IV.—Conveyance of Mails.
- V.—Miscellaneous.
- VI.—Aligarh Workshops.
- VII.—Deduct share of cost of combined office charges.
- VIII.—Expenditure in England and Exchange.

*Abstract K.—Telegraph Traffic—*

- I.—Signal offices.
- II.—Indirect charges on stores.
- III.—Add share of cost of combined office charges.
- IV.—Expenditure in England and Exchange.

*Abstract L.—Radio Expenses—*

- I.—Radio Expenses.
- II.—Indirect charges on stores.
- III.—Expenditure in England and Exchange.

*Abstract M.—Telephone Expenses—*

- I.—Telephone Engineering and operative charges—
  - A.—Telephone offices.
  - B.—Maintenance of Local Telephone Lines.
- II.—Indirect charges on stores.

*Abstract N.—Provision for Depreciation of wasting Assets—*

- I.—Postal.
- II.—Telegraphs.
- III.—Radios.
- IV.—Telephones.

*Abstract O.—Credits to Working Expenses—*

- I.—Services rendered to other Departments—Postal.
- II.—Share of Revenue establishment debitable to Capital.
- III.—Amount debited to Stores and Manufacture **Suspense** Accounts.
- IV.—Amount recoverable from other Departments.
- V.—Sale of assets.

*Abstract R.—Extraordinary payments—*

- I.—Expenditure on retrenched personnel—
  - In India.
  - In England.

## 17.—Interest on capital outlay—

- I.—Postal.
- II.—Telegraphs.
- III.—Radios.
- IV.—Telephones.



## II.—METHOD OF APPORTIONMENT OF GENERAL AND JOINT RECEIPTS AND EXPENDITURE.

### I.—Receipts.

#### A. I.—Joint (Postal, Telegraph and Radio) Receipts.

Up to 31st March 1934 certain denominations of postage stamps (*viz.*,  $\frac{1}{2}$  anna, 1 anna, 2 annas and 4 annas) used to be unified, *i.e.*, they could be used throughout British India including Burma both in payment of Postage and Telegraph charges as well as on documents. A fixed amount determined by a method settled by the Government of India after consultation with the representatives of the Local Governments, out of the sale proceeds of postage stamps, used therefore to be assigned to the various Provincial Governments and other minor Administrations, as their share of the sale proceeds of stamps. With effect from the 1st April 1934, however, separate revenue stamps have been introduced in all provinces except Burma and the amount of assignment will in future be limited to that payable to that province. Since postage stamps are used for postal purposes as also for paying charges on telegrams, an apportionment of the balance of the sale proceeds, after deducting the assignment for the use of stamps for revenue purposes, is made between the Postal, Telegraph and Wireless Branches, as indicated below :—

2. Telegraph charges may be paid in stamps, cash or by book debit. The amount of Telegraph charges paid in stamps goes to form the Telegraph share of 'sale of stamps' which is a large part of Telegraph Revenue. This amount includes the following :—

- (1) Revenue from postage stamps affixed to Inland telegrams.
- (2) Revenue from prepaid Press messages.
- (3) Revenue from Bearing Press messages, bills for which are issued by the Telegraph Check Office, a few of which are actually paid in stamps.
- (4) Revenue from postage stamps affixed to Foreign telegrams.
- (5) Revenue from postage stamps affixed to telegrams to Afghanistan.
- (6) Undercharges recovered in postage stamps.
- (7) Fees for abbreviated addresses collected in stamps.
- (8) There is a deduct entry for postage stamps collected by Licensed Telegraph systems. The revenue from these is adjusted with the Licensed Telegraph systems by debit to 'Message revenue' and credit to the particular system as the licensed system retains all the revenue collected by it.
- (9) Revenue from Reuters and Indian News Agency telegrams supplied to High Government officials, bills for which are partly paid in stamps.

An actual account of Telegraph Revenue in postage stamps derived from items 3 to 9 is kept in the Telegraph Check Office while that from (1) and (2) is worked out by computation on the basis of four weeks' count described below—

*Four weeks' count.*

To get at the revenue collected in stamps from Inland telegrams and prepaid press telegrams the device of a statistical count has been employed since 1908. The principle of the count is the following :—

Typical periods in the year are chosen. All inland telegrams of these periods are collected and sorted according to the following classes of messages and according to ' Express ' and ' Ordinary ' under each class.

State,  
Raj,  
Private,  
Concessional,  
O. H. M. S., and  
T. M. O.

All telegrams for which actuals are available are segregated and excluded from the count. These include telegrams booked under the Deposit system of Accounts, by National Cash Register, Messages to Ceylon, etc. All telegrams under the various classes are listed by the Burroughs Listing machine separately for ' ordinary ' and ' Express ' and the total value as well as the number of the telegrams under each class (ordinary and express) is ascertained. Similarly a separate compilation is made of paid press messages and copies of Reuters Government and Press telegrams supplied to newspapers.

Raj telegrams are those sent by Indian States and paid for by service stamps issued to those States. It has been found convenient to make these into a separate class. The revenue from these telegrams is properly considered to be telegraph revenue. O. H. M. S. telegrams are issued on forms and the cost is recovered in cash or by cheques. A certain number of O. H. M. S. forms however bear stamps representing the cost of the words in excess of those permitted. The computation is designed to ascertain the stamp revenue accruing to the department over and above the cost of the O. H. M. S. forms. The inclusion of O. H. M. S. as well as Reuters Government and Press telegrams supplied to newspapers in this collection of statistics is due to the necessity of establishing the proportion of these messages to the total Inland messages, in order to arrive at the average value as ascertained from the count.

Signal offices submit to the Telegraph Check Office monthly returns of Traffic statistics showing the number of sent, transit and received messages dealt with by them separately under ' Press ' and ' All others ' and these figures are posted into Traffic Account maintained in the Check Office. The total number of Inland sent messages as found in the Traffic Account is divided according to the ratios of the various classes as ascertained during the weeks for which the ' count ' is taken. But before the numbers in the Traffic Account are divided up, all the telegrams for which actual numbers are available are deducted. Instances are :—

Reuters Government and Press Telegrams.

Supplied to Government officials.

Indian News Agency telegrams.

Bearing Press sent telegrams.

Telegrams on the Deposit system.

National Cash Register Teleter telegrams, etc.

The average value of a telegram under the various classes is calculated from the results given by the Burroughs Listing machine. The total value is divided by the ascertained number for the weeks, for which the 'count' has been taken. The average value is now in each case multiplied by the number of telegrams each class ascertained from the Traffic Account figures by applying the percentages of different classes of telegrams found out from the weeks count and the grand total shows the telegraph share of stamp revenue in so far as it cannot be ascertained from the actual account records. The count is taken for 4 weeks, *viz.*, the first fortnight of April and the first fortnight of October.

3. As regards the apportionment of the share creditable to the Radio branch out of the total receipts shown under 'sale of stamps' the procedure regarding the weeks' count outlined above has no bearing. It is based on the actual value of stamps affixed to radio telegrams of which suitable accounts are kept.

## *II.—Expenditure.*

### *C. I.—General Charges.*

This sub-head records the expenditure of the Directorate including contingencies and pay and allowances of officers and office establishment.

The apportionment of the charges between Post Office, Telegraph, Radio and Telephone branches is made in the following proportion—

Post Office	..	..	..	58 per cent.
Telegraph	..	..	..	31 per cent.
Radio	..	..	..	2 per cent.
Telephone	..	..	..	9 per cent.

The above percentages have been arrived at as a result of a detailed time test of the work performed by the staff employed in each branch of the Directorate. The last test was carried out during 1933.

### *D. I.—General Charges.*

This sub-head records the expenditure on the pay, allowances, etc., of the Accounts and Audit Offices, including Central Offices, except the Telegraph Check Office.

## *Audit Offices.*

The apportionment of the expenditure between the Post Office and the Telegraph, Wireless and Telephone branches is made on the basis of the actual staff engaged and the time spent by them on the work relating to the various branches as ascertained by means of a time test laid down by the Accountant General, Posts and Telegraphs.

\* *Central Office.*

The expenditure relating to the Central Office is distributed to the Postal, Telegraph, Telephone and Radio branches in the proportion of the respective shares of pay charges relating to all the Audit Offices under the control of the Accountant General, Posts and Telegraphs.

*D. II.—Telegraph Check Office.*

This is an office engaged purely on the audit of telegrams (including Wireless Telegrams).

One-twentythird of expenditure relating to the Telegraph Check Office is taken as the Radio share and the rest as the Telegraph share. The above proportion has been arrived at as a result of the time test of the work carried out in the office of the Accounts Officer, Telegraph Check Office, in the year 1933.

*E. I.—General Charges.*

This sub-head records the expenditure of the offices of the Postmasters-General. These offices control all the activities of the Indian Posts and Telegraphs Department (excluding the Wireless Branch) in their respective circles.

The expenditure is distributed to the Postal, Telegraph and Telephone branches in the ratio of the respective shares of pay of officers and establishment engaged in the various branches controlled by the Postmasters-General. The expenditure relating to these branches is booked separately as shown below :—

- (i) *Abstract J.*—Postal expenses (excluding the share debitable to the Telegraph branch) of pay charges relating to combined offices.
- (ii) *Abstract F. II A.*—(Joint Telegraph and Telephone Engineering expenses), *F. II B.* and *F. II C.*—Telegraph Engineering expenses.
- (iii) *Abstract K.*—Telegraph Traffic expenses (including the share of pay charges relating to combined offices debitable to the Telegraph branch, originally booked under abstract J.).
- (iv) *Abstract M.*—Telephone expenses.
- (v) *E. II.*—Excluding 3|5th of the pay of the Accounts Officer, Telephone Revenue, Stores and Workshops, which is allocated to stores accounts (*E.-III*). The Accounts Officer is in charge of two offices, *viz.*, the Telephone Revenue Accounting Office, and the Stores and Workshop Accounts Office.

*F. I.—Research and Training.*

The expenditure relating to the office of the Electrical Engineer-in-Chief, who is entrusted with the theoretical and laboratory work of the Engineering branch, is recorded under this sub-head. As his work extends both to telegraphs and telephones, the expenditure is apportioned between Telegraphs and Telephones at the rate of 55 and 45 per cent. respectively. These percentages have been fixed on the results of a time test.

**F. II. A.—Supervision (Joint Charges).**

The pay of Divisional Engineers and their Assistants and office staff is recorded under this sub-head. The Divisional Engineers are responsible for both Telegraph and Telephone Engineering matters in their Divisions.

The expenditure is apportioned between the Telegraph and Telephone branches in the ratio of the salaries of the subordinate staff engaged on the work of the respective branches and controlled by these officers. These salaries are booked under F. II. B.—Maintenance of Telegraph offices and Instruments, and F. II. C.—Maintenance of Telegraph and Trunk Telephone Lines, relating wholly to the Telegraph branch on the one hand and M. I. A.—Telephone offices, and M. I. B.—Maintenance of local Telephone lines relating wholly to the Telephone branch on the other. It may be mentioned that Trunk Telephone Lines and wires are treated as the property of the Telegraph branch, which recovers a rent from the telephone branch to cover interest, depreciation and technical maintenance.

F. III—Miscellaneous .. .. .	} Joint Charges.
F. IV—Unadjusted Indirect Charges on Telegraph Stores. . . . .	
F. V—Residue of unabsorbed on cost of Workshop Manufacture. . . . .	
F. VII—Net Gain or loss on Estimates. . . . .	
F. VIII—Unadjusted Freight Charges .. . . .	

The above items relate to Stores and Workshop charges included in abstract F, the total of the above heads is distributed between Telegraphs, Wireless and Telephones, in proportion of the book value of stores consumed in the branches.

**F. III.—Miscellaneous (Joint charges).**

The following detailed heads appear under this sub-head. The nature of charges booked under each head is noted against each head:—

- |   |   |
|---|---|
| (1) Stock adjustment .. .. .  | (Represents adjustments of surpluses and deficits in stock and those on account of revision of rates).  |
| (2) Unserviceable stock materials written off. . . . .                                      | (Represents write off of stores becoming obsolete or unserviceable by lying in stock for a long time).  |
| (3) Deduct—value of stores issued to works and manufacture from unserviceable dump. . . . . | (Represents amount realised by the sale of unserviceable and scrap materials).  |
| (4) Losses of stores written off .. . . .   | (Represents losses due to breakages or damages in transit, etc.).   |
| F. IV.—Unadjusted indirect charges on telegraph stores. . . . .                             | } (Represents the establishment and other charges of the stores depots and of the Telegraph Workshop which remain unabsorbed through the percentage recoveries on issue). |
| F. V.—Residue of unabsorbed on cost of Workshop manufacture. . . . .                        |   |

**F. VII.—Net gain or loss on estimates** •(The difference between the value of a job at estimated or average rates and the actual cost of its manufacture is charged against this head).

**F. VIII.—Unadjusted freight charges** (Represents the difference between the total expenditure on freight on depot transfers and issues of stores and the amount charged on issues).

The total of the above-mentioned heads is apportioned between Telegraphs, Wireless and Telephone branches, in proportion of the book value of stores consumed in those branches.

**F. VI.—Indirect Charges on Stores.**

This head represents the overhead charges levied on the stores issued from Stock to abstract F.

The expenditure is distributed between Telegraphs and Telephones in the ratio of the total stores expenditure as distributed between the two branches.

**Abstract G.—Pensionary charges.**

A.—Contribution to the Central Revenues for ordinary Pensionary charges.

The pensionary contribution of the Department to Central Revenues is calculated at the rate of 7.5 per cent. of the total gross pay and leave salary of the permanent pensionable establishment of the Department. This sum is apportioned between the four branches of the Department by applying the percentage rate mentioned above to the respective shares of gross pay and leave salary of permanent pensionable establishment in each branch. For this purpose the respective shares of gross pay and leave salary of general and joint staff booked under the various general and joint heads already determined is added to the gross pay and leave salary of the staff belonging exclusively to each branch.

**Abstract H.—Stamps Postcards, etc.**

**H. I.—Joint Charges.**

The detailed heads appearing under this sub-head are—

- (i) Share of establishment and contingencies of Stamp offices.
- (ii) Cost of printing and overprinting of ordinary and unified stamps.
- (iii) Conveyance and freight charges of stamps and Postal Stationery.

The apportionment is made as shown below:—

(i) Post Office 19|20ths, Telegraph 1|20th.

(ii) Post Office 9|10th, Telegraph 1|10th.

(iii) Post Office 999|1000ths, Telegraphs 1|1000ths.

The basis for apportioning items (i) and (ii) between Postal and Telegraph branches is the estimated number of stamps used for collecting the revenues of either branch.

*Abstract O.—Credits to Working Expenses.*

*O.-III.—Amount debited to Stores and Manufacture Suspense Accounts—*

The head represents the share of supervision and other indirect charges debitable to Stores and Workshop suspense.

The credit is distributed to the Telegraph, Wireless and Telephone branches in the proportion of the book value of stores consumed in each branch.

*Abstract R.—Extraordinary Payment.*

The abstract records expenditure incurred in the shape of leave allowances, repatriation charges granted to the personnel retrenched.

The expenditure is distributed between the Post Office, Telegraph, Wireless and Telephone branches, in the ratio of the pay charges relating to each branch.

*Expenditure in England.*

*Abstract C, D, E, F and R.*

The leave salary, deputation pay and allowance and the sterling overseas pay, drawn in England is debited to the sub-division of the abstract of working expenses in India to which the pay of the official concerned was debited before he proceeded on leave.

The apportionment is made in the proportion in which the total Indian expenditure under General and Joint charges of the abstract concerned is apportioned.

*17.—Interest on Capital Outlay.*

The above head includes interest on the average interest bearing balances of stores and Manufacture suspense.

The distribution of this expenditure between Telegraphs, Wireless and Telephone branches is made in the proportion of the consumption of stores in each branch.

## ANNEXURE " B " TO APPENDIX XI.

The method of adjustment of the cost incurred by one branch of the Posts and Telegraphs Department for services rendered to another is described below :—

- I. *Telegraph share of the cost of combined Posts and Telegraphs offices which is debited in the first instance to the postal branch.*—The procedure is described in detail in paragraphs 14 and 15 of the memorandum.
- II. *Rent of joint buildings.*—The principle is that rent is payable to the owning branch (that is to say, the branch which occupies the largest floor area) by the other branches. For this purpose the standard rent of each building is first determined in the usual way by the addition of (1) interest on the capital cost of the building, (2) contribution for depreciation, and (3) maintenance charges and repairs including incidental charges such as pay, allowances, etc., of caretakers, chowkidars, municipal taxes, etc. The rent thus arrived at is then distributed to the several branches in the proportion of the floor area (excluding verandahs) occupied by each and the amounts adjusted by debit to the other branches concerned and credit to the owning branch.
- III. *Establishments, etc., Charges on capital and repair works done by one branch for another branch.*—Statements are sent by the Heads of Circles to the Audit Offices for the capital and repair works done for each branch by another departmental agency. 16 per cent. of the total expenditure is debited to the Capital or Revenue works (as the case may be) of the branches concerned by credit to the branch carrying out the work.
- IV. *Conveyance by post of correspondence, etc., relating to telegraphs, radios and telephones.*—An enumeration of the various classes of service articles, viz., letters, postcards, parcels, packets, registered articles, registered parcels, insured letters and insured parcels issued by different branches are taken for two weeks during the year once for the second week of August and again for the second week of February. The ratio which each particular class of article of an individual branch bears to the total number of such articles is then determined. The total annual number of articles of each class is then ascertained by multiplying the number for two weeks by 26½ and the cost calculated at an average rate, viz., 1½ annas for letters, ¾ anna for postcards, 2 annas for parcels, ½ anna for packets, 5 annas for registered parcels, 4½ annas for other registered articles, 7½ annas for insured letters and 8 annas for insured parcels. This total cost of each class of article is then debited to the different branches in accordance with the percentage already arrived at, by credit to the postal branch.



V. *Issue of Money orders on telegraph, radio and telephone services.*—Previously the calculation used to be made on the enumeration taken for one month during the year (month of June) and furnished by the Accountant General, Posts and Telegraphs. In September 1931 the Accountant General, Posts and Telegraphs, represented that as his grant for special pay had been withdrawn, the compilation of the statistics would involve the employment of one temporary clerk for at least a month in each of the 4 branch audit offices. It was accordingly decided that the average figure of the preceding three years, *viz.*, Rs. 42,000 should be adjusted in the accounts for 1932-33, 1933-34 and 1934-35. Of this sum Rs. 41,800 is being debited to telegraph branch and Rs. 200 to telephone branch by a corresponding credit to the postal branch, on the basis of past actuals.

VI. *Transmission of telegrams on postal, radio and telephone services.*—A special enumeration of the number as well as of the value of telegrams issued for each branch is kept for one week (in September) of the year. From this the annual value is calculated and the amount debited to the branches concerned by credit to telegraph branch.

VII. *Despatch of telegrams on postal service to Ceylon.*—This is also calculated on the basis of one week's enumeration as in the preceding item and the annual value thus arrived at is debited to the postal branch by credit to telegraph branch.

VIII. *Telephone connections for postal, radio and telegraph branches.*—Separate statistics are obtained showing the number of telephone connections in use on the 31st March in the Postal, Telegraph and Radio branches and in audit offices and their *pro-forma* rental determined according to the rate then in force. Three per cent. of the total rent thus arrived at is deducted from the rent shown to be payable by the telegraph branch and debited to the telephone branch by credit to the former branch. As regards the rent for the audit office connections, 60 per cent. is debited to the postal branch, 35 per cent. to the telegraph branch, 2 per cent. to the radio branch and 3 per cent. to the Telephone Branch. The net figures thus arrived at are debited to the other branches by a corresponding credit to the telephone branch.

IX. *Rent of telephone trunk lines.*—Telephone trunk lines are erected and maintained by the telegraph branch to which the charges are debited and rent at a rate fixed by the Government of India is charged from the telephone branch for credit to the telegraph branch. For this purpose a consolidated statement showing the total wire mileage of such lines during the year (iron and copper separately) are obtained and the rent calculated. The total rent thus arrived at is debited to the telephone branch by credit to the telegraph branch. The rates of rent at present in force are as follows:—  
These were obtained as the result of an elaborate calculation

of the economic cost of providing a mile of wire of the two descriptions along roads and along railways : —

*For iron wire trunks—*

	Rate per annum. per mile of wire.
	Rs. A. P.
(a) If no telegraph circuit is superimposed thereon.	26 0 0
(b) If one telegraph circuit is superimposed thereon.	13 0 0
(c) If two telegraph circuits are superimposed thereon.	6 8 0

*For copper wire trunks—*

(a) If no telegraph circuit is superimposed thereon.	36 0 0
(b) If one telegraph circuit is superimposed thereon.	18 0 0
(c) If two telegraph circuits are superimposed thereon.	9 0 0

**X. Compensation for the loss or damage of telegraph, radio and telephone articles carried by the post office.**—Compensation is payable according to the rules on the subject (*cf.* clauses 116 and 131 of the Post and Telegraph Guide). A report as to the amount involved, if any, is received each year and debited to the postal branch by credit to the other branches as the case may be.

**XI. Rent for telegraph lines and cables in use by the radio branch.**—Statistics are obtained each year about the miles of wires (iron and copper separately) and of cables in use by the radio branch. Rent is calculated at the rate of Rs. 34 per mile of iron wire and of Rs. 50 per mile of copper wire and in the case of cables in exclusive use by the radio branch at the rate of 15 per cent. of the capital cost. The total amount thus arrived at is debited to the radio branch by credit to telegraphs. These rates were fixed as a result of the calculations mentioned in connection with item IX.

**XII. Rent for telegraph instruments supplied for use in the radio branch.**—The number and details of the instruments are obtained each year and rent calculated on each class of instrument at varying rates from annas 4 to Rs. 4-8-0 per mensem as laid down in the Post and Telegraph Manual. The total amount is then debited to the radio branch by credit to telegraphs.

**XIII. Share of radio branch expenditure debitable to the telegraph branch being the cost of services rendered by the former in the general interest of the telegraphic communication of the country.**—There are certain wireless stations such as those

which form part of the Madras-Rangoon high speed wireless circuit, which are engaged solely on services rendered in the general interest of the telegraphic communication of the country and their entire cost is debited to telegraph branch. Certain other stations carry out a mixed service and their cost is debited only partially to the telegraph branch. The general arrangement for these adjustments are that all radio telegrams, that is, telegrams sent to or received from ships at sea or air craft from and to these stations, and messages passed by wireless in connection with air services (for which an annual payment is received from the Civil Aviation Department) are treated as "Special radio traffic"; the remainder of the traffic handled at the wireless stations then constitutes the "ordinary commercial traffic". Statistics of the total traffic handled are maintained from which the percentage of the ordinary commercial traffic to the total traffic is ascertained. This percentage of the total cost of the wireless stations in question *plus* a proportionate amount of the overhead charges is then debited to the telegraph branch by credit to the radio.

## ANNEXURE " C " TO APPENDIX XI.

Method of determining the recovery for (1) Management of Savings Bank and Government Security work, (2) Cash Certificate work, (3) Collection of Customs Duty, (4) Management of Post Office Insurance Fund, (5) Payment of Military Pensions and Subsistence Allowance to Army Reservists, (6) Radio Services rendered to the Civil Aviation Department, and (7) Maintenance of Dak and Telegraph lines in the Gyantse Trade Agency.

(1) *Management of Savings Bank and Government Security work.*—The charge recoverable for this work includes two components :—

- (a) The actual cost of the work in the Posts and Telegraphs Audit offices and in the Central office. This item includes (i) the entire pay and allowances of the staff employed exclusively on Savings Bank and Government Security work, (ii) a proportionate share of pay and allowances of the staff employed partly on this work and partly on other work, based on the time actually spent on Savings Bank and Government security work, (iii) Pensionary charges and leave allowances of the above, (iv) Stationery and Printing charges incurred in connection with the work, (v) Travelling Allowance and other contingent charges, and (vi) charges for postage and for telegrams issued in connection with Savings Bank and Government Security work. All ordinary letters are charged at the rate of one anna, registered letter at 0-3-0 and each telegram at Re. 1.
- (b) A lump amount of annas seven for each transaction of Deposit, withdrawal and transfer of accounts is charged to cover all other expenses incurred in the Department. This rate per transaction has been arrived at by taking the following factors into account :—
  - (i) Full cost (including allowances) of all permanent establishment employed solely on Savings Bank and Government Security work in Post Offices and administrative Offices.
  - (ii) A proportionate share of pay and allowances of all officials engaged partly on Savings Bank and partly on other work. This share has been worked out on the basis of the time spent by the staff in doing Savings Bank and Government Security work.
  - (iii) The amount that may fairly be charged to Savings Bank on account of Travelling Allowance of different classes of officials who have to inspect post offices doing Savings Bank work.
  - (iv) A proportionate share of rent, contingencies, cost of furniture, Liveries and Uniforms, Stamping ink, pads, carbon paper, Repairs to buildings, etc.
  - (v) Contribution for pensions, Leave salary of staff engaged in the work.
  - (vi) Reasonable share of cost of stationery and printing.
  - (vii) A portion of pay and allowances of all temporary and seasonal establishment.
  - (viii) A portion of the Director-General's office expenditure.

(c) Actual amount of loss incurred by the Posts and Telegraphs Department on account of frauds committed by the public and the Posts and Telegraphs staff in connection with Savings Bank and Government Security transactions, less the amount of recoveries made towards such losses.

(d) The gain or loss on account of transactions for the purchase and sale of Government Securities is deducted from (in the case of gain) or added to (in the case of loss) the cost of Audit for Government Security work.

(2) *Cost of Cash Certificate work.*—The basis of calculation of the recovery for Cash Certificate work is :—

(a) the value of the total number of transactions (issues, discharges and transfers) during a year at the rate of *four annas and three pies* per transaction, *plus* the actual cost of Audit incurred in the management of the work.

The cost of Audit and the rate per transaction have been worked out on the same principles as in the case of Savings Bank and Government Security work.

(b) The actual amount of loss incurred by the Department on account of frauds committed by the public and the Posts and Telegraphs staff in connection with the Cash Certificate transactions less the amount of recoveries made towards such losses.

(3) *Collection of Customs duty.*—For the assessment and realisation of Customs duty on articles of the inward foreign parcel and letter mails, the Customs Department is debited with a charge of  $2\frac{1}{2}$  per cent. on the total Customs duty realised through the Post Office. This amount represents the difference between the total cost incurred by the Posts and Telegraphs Department calculated on the same basis as in the case of Savings Bank and Government Security work in doing customs work, and the total postal fees realised by it from the senders at the rate of annas *four* on each article of inward foreign parcel and letter.

(4) *Cost of working the Post Office Insurance Fund.*—The following formula has been fixed on the recommendation of the Government Actuary, for the calculation of the cost recoverable from the fund :—

(a) Actual expenses of the Postal Insurance Section of the office of the Deputy Accountant General, Posts and Telegraphs, Calcutta, including rent, postage, Printing and Stationery.

(b) Actual medical fees paid by the fund.

(c) Annual fee of Rs. 2,000 for the actuarial work of the fund in the year.

(d) A flat rate per policy to cover all charges not included in the above three items. This flat rate consists of Rs. 2 for each policy issued during the year and Re. 1 for each policy in force at the beginning of the year.

(5) *Payment of Military Pensions and Subsistence Allowance to Army Reservists.*—The Army Department is debited with the cost of the work of payment of Military Pensions by the Post Office calculated at the rate of Re. 1-10-0 per cent. of the actual amounts paid during a year, and covers all expenditure incurred by the Posts and Telegraphs Department in connection with the above work, *e.g.*,

- (a) Cost of supervisory, clerical and menial establishment either whole time or part time in post offices and administrative offices.
- (b) Leave and Pensionary charges.
- (c) Cost of Audit.

(6) *Radio Services rendered to the Civil Aviation Department.*—

(i) There are two categories of Radio Stations, namely—

- (1) those which are maintained solely for the Civil Aviation Department, and
- (2) those which are maintained for departmental purposes but render service to the Aviation Department also.

(ii) The cost due to stations of the first category consists of the following items and the entire amount is debited to the Civil Aviation Department :—

- (a) Direct expenditure under working expenses relating to each such station ;
- (b) Overhead charges calculated on the ratio which the direct expenditure for all departmental radio stations bears to the total of radio expenditure booked under Abstracts C, D, E, F, G, H, I, L and O ; and
- (c) Interest on capital outlay and contribution for depreciation of wasting assets for each station.

(iii) The cost recovered on account of stations of the second category is also determined in the same way but only a percentage of the cost of each station is debited to the Civil Aviation Department. This percentage is calculated for each station on the basis of the amount of work done on behalf of Civil Aviation in relation to the work carried out for other purposes and is determined annually in consultation with the Director of Civil Aviation.

(iv) The recovery effected according to the above procedure is treated as a receipt in the Posts and Telegraphs accounts.

(7) *Maintenance of Dak and Telegraph lines in the Gyantse Trade Agency.*—The cost of maintenance of Dak and Telegraph lines in the Gyantse Trade Agency consists of the following :—

- (a) Direct charge for the cost of maintenance of the Dak and Telegraph lines ;
- (b) Contribution for the leave salary at 17 per cent. of the direct charges for establishment ;

- (c) Supervision charges at  $12\frac{1}{2}$  per cent. for Postal and 40 per cent. for Telegraphs of the charges in (a) and (b) above ;
- (d) Overhead charges at 23 per cent. for Postal and 20 per cent. for Telegraphs of the charges in (a), (b) and (c) above ;
- (e) Estimated rent for accommodation in the case of departmental buildings ; and
- (f) Interest and Depreciation charges at the rates fixed on the capital cost of lines and wires and Apparatus and Plant in the case of Telegraphs.

The total of the above items is recovered from the Foreign and Political Department and, in the Posts and Telegraphs Accounts, the recovery is treated as a receipt.

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## APPENDIX XII.

**Memorandum on the outstandings in the accounts of the Central Publication Branch, furnished by the Department of Industries and Labour with reference to paragraph 37 of the Proceedings of the Public Accounts Committee relating to the accounts of 1931-32, Part I.**

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The amount of outstandings relating to 1928-29 and previous years as reported by audit in paragraph 479 of the Commercial Appendix to the Appropriation Report for 1931-32 is Rs. 60,636, while that reported by the Controller of Printing is Rs. 30,148. It is understood that the auditors were misled by the incompleteness of the ledgers into reporting a wrong figure.

2. The details of the outstandings for 1928-29 and previous years as given by the Controller of Printing are shown in the statement appended (Annexure). They have been divided under two heads, viz., (1) "To Pay" items, and (2) "Book debits". The "To pay" category arose from the practice, since discontinued, of issuing publications on credit to Government Departments, private individuals and others in order to save delay in complying with indents in cases where the cost of the indents could not be immediately ascertained. It will be seen that ninety per cent. of the outstandings under this head had been accounted for and adjusted by the end of May last. It can be presumed by analogy from the cases of sums accounted for under this head that the unaccounted for balance mainly represents sums actually received but not entered. Most of the outstanding amounts are, moreover, due from Departments of the Government of India. It cannot, however, be stated categorically that there has been no loss because the vouchers for the period were destroyed when the Branch moved to Delhi.

3. Under the head "Book debits", however, the outstandings of Rs. 15,331 have been adjusted only to the extent of Rs. 564, and a balance of Rs. 14,767 was outstanding on the 31st May 1934. In this case also the outstandings are certainly mainly due to failure to enter up ledgers. They involve no loss to public revenues and only a very small loss, if any, to Central revenues.

4. The statement attached to this memorandum (Annexure) also gives figures of outstandings relating to the years 1929-30 to 1931-32 regarding which comments have been made by audit in the financial review of the accounts of the Central Publication Branch for the year 1932-33 (paragraph 303 in Chapter VII of the Commercial Appendix to the Appropriation Report for 1932-33). The progress made in adjusting these items has been very satisfactory except in the case of book debits for 1929-30, where again the destruction of vouchers has made it impossible to tally accounts with the indenting officers.

5. These outstandings arose partly because of the lack of accommodation at Calcutta, partly because of the over-elaboration of the system of accounting and partly because of the inertia of the staff. These defects have been removed by the transfer to Delhi, the reorganisation of the system of accounts and the



entire change in the management of the Branch. Special temporary circumstances enhancing the difficulties of the Branch were changes in accounts procedure due to its commercialization and subsequent decommercialization, and disorganization caused by the transfer to Delhi. The Government of India are satisfied that the investigation so far conducted has shown that the loss of money, if there is any, in this case is trivial and that further investigation, so far from being advantageous, would hamper the further improvement of the Branch by distracting attention from more important matters. Action is, therefore, being taken for the write-off of the outstandings relating to 1931-32 and previous years.

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## ANNEXURE TO APPENDIX XII.

Statement showing the outstanding amounts in the accounts of the Central Publication Branch.

	Outstand- ings on the 31st March 1932.	Outstand- ings on the 31st May 1934.	Remarks.
<i>'To pay' items.</i>			
	Rs.	Rs.	
Relating to 1928-29 and pre- vious years .. ..	14,817	1,465	
1929-30 .. ..	5,641	272	
1930-31 .. ..	239	..	
1931-32 .. ..	3,964	..	
Total ..	24,661	1,737 + *44	<p>* On account of non-recovery of outstandings from Messrs. Thacker, Spink and Company, Calcutta, now in liquidation.</p> <p>Departments, etc., from which the amount was due :— Departments of the Government of India (including Military) .. 1,110 Railways .. 204 Provincial Govern- ments .. 73 Private individuals 394</p> <hr/> <p>1,781</p> <hr/>
		1,781	
<i>Book debits.</i>			
Relating to 1928-29 and pre- vious years .. ..	15,331	14,767	
1929-30 .. ..	2,603	2,419	
1930-31 .. ..	304	82	
1931-32 .. ..	2,984	108	
Total ..	21,222	17,376	<p>Departments, etc., from which the amount was due :—</p> <p>(a) Central Govern- ment Departments 1,381 (b) Provincial Gov- ernments .. 13,142 (c) Others to whom supplies on book debit should not have been issued or to whom the book debit system did not apply .. 2,853</p> <hr/> <p>17,376</p>

## APPENDIX XIII.

**Note explaining the large stock of Malwa opium and cost of manufacture of Provision opium, furnished by the Central Board of Revenue on the 1st August 1934, with reference to paragraph 55 of the Proceedings.**

*Stocks of Malwa Opium.*—This opium we get from Indian States and under agreements entered into with them, we have fixed certain quantities to be delivered to us each year, looking to the probable consumption thereof. It so happened that for two successive years, viz., 1931-32 and 1932-33, due to very favourable weather conditions, there was a bumper crop and Indian States delivered opium in excess of the quotas fixed for them. The quota for 1932-33 was 6,500 maunds, which was the estimated yield of the area which the States were allowed to cultivate that year. As a matter of fact, the actual yield was 7,684 maunds. The excess yield for *two successive years* tended to swell the stocks appreciably. Also, for the purposes of manufacturing excise opium, we make use of Benares Opium (which we cultivate ourselves in the United Provinces) and this Malwa opium. In 1932-33, in order to reduce the stocks of Benares opium, we changed the blend from 1 Benares : 3 Malwa to 1 Benares : 1 Malwa. Hence in the manufacture of excise opium, Malwa opium used was 50 per cent. less than what we would have used as per the former blend of 1 to 3. From the Profit and Loss account on pages 68-69 of the Commercial Appendix to the Appropriation Report, it will be seen that the Manufacturing charges for excise opium, Blend 1 to 3, for 1931-32 were Rs. 35,13,250 and for 1932-33 they were Rs. 2,053 only. On the other hand, as regards the 1 to 1 Blend, the charges were Rs. 2,89,476 for 1931-32 and Rs. 35,21,047 for 1932-33. The Benares opium stock would have been much greater had it not been for this change in the blend. The favourable weather for two successive years, of course, meant not only an abnormal increase in the yield of Malwa opium but also in the yield of Benares opium. On account of the change in the blend, however, the increase in the stock of Benares opium is not as much as in the case of the Malwa opium. In 1933-34, there has been a partial failure of the opium crop and in place of the fixed quota of 4,355 maunds for Malwa opium for that year, only 2,815 maunds have been received. The blend has also been changed to 3 Malwa : 2 Benares from 1934-35 to reduce the Malwa opium stock.

2. As regards the question of financial aspects and prospects with reference to these stocks of opium, a regular programme has been drawn up up to 1940-41 so as to secure, as far as possible, that production may not exceed our requirements. According to this programme, we start with an opening stock of 27,794 maunds for 1933-34 (the same as the closing stock for 1932-33, of course) against an estimated consumption of 11,400 maunds per annum and end with a stock of 14,643 maunds on 1st October, 1940, with an estimated consumption of 7,100 maunds per annum and an annual yield of 1,650 maunds from Benares opium and something under 3,000 maunds from Indian States as per fresh agreements to be entered into with them. The total estimated annual receipt of opium

has been gradually reduced to 4,560 maunds only for 1939-40 from 9,000 maunds fixed for 1933-34. There is a gradual reduction throughout the period in view of our settled policy in this matter. As far as can be foreseen, the position as thus outlined does not appear to be likely to lead to any embarrassing results from the financial point of view.

3. *Provision opium*.—The fact is that since 1st October, 1933, the manufacture of provision opium has been *entirely stopped* in view of our international agreement and declaration to stop export of opium from the beginning of 1936. Hence, in order to make due provision for all expected exports up to 31st December, 1935, a much larger quantity of provision opium was manufactured in the year under report than in the preceding year 1931-32. From the figures given on page 70 of the Commercial Appendix to the Appropriation Report, it will be seen that 75,604 cakes of provision opium were manufactured in 1932-33 as against 48,040 in 1931-32. The manufacture thus increased by nearly 50 per cent. in 1932-33) and not decreased with the result that the total manufacturing charges went up from Rs. 11,16,324 in 1931-32 to Rs. 15,75,354 in 1932-33 as per figures given on page 68 of the Commercial Appendix. These figures do not represent “the cost rate of manufacture” but total “Manufacturing charges” including cost of opium used and the increase in the charges is proportionate to the increase in the quantity manufactured. The cost rate per cake is given on page 61 of the Commercial Appendix under “Manufacture of provision opium” and was Rs. 26-9-2 per cake for 1932-33 as against Rs. 31-5-5 per cake for 1931-32, the decrease being due to the increase in the quantity manufactured. The figures of 3,095 for 1931-32 and 1,201 for 1932-33 on page 70 of the Commercial Appendix giving “output” of chests under “Provision Opium” have no connection with the manufacture of provision opium. These figures merely represent the number of chests packed for despatch. The quantity manufactured is given against “Cakes” as stated above.