

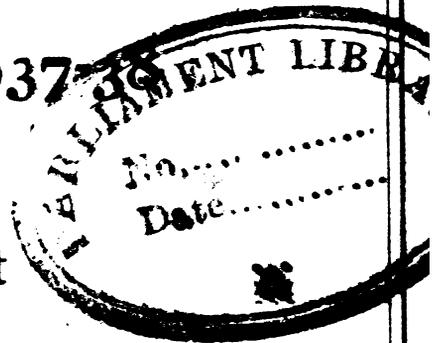
**REPORT**  
OF THE  
**PUBLIC ACCOUNTS COMMITTEE**  
ON THE  
**ACCOUNTS OF 1937**

Volume I—Report

Part I—Civil, Posts and Telegraphs, and  
Defence Services.



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1939.



**CONTENTS.**

Date .....

Composition of the Public Accounts Committee, 1939 .. ..	(iii)	
Report of the Public Accounts Committee, Part I* .. ..	1	
Proceedings of the Public Accounts Committee—		
<i>First Meeting</i> —Education Health and Lands Department .. ..	6-A	
<i>Second Meeting</i> —Education Health and Lands Department .. ..	9	
<i>Third Meeting</i> —Finance Department .. ..	11	
<i>Fourth Meeting</i> —Finance Department and the Auditor General .. ..	14	
<i>Fifth Meeting</i> —Central Board of Revenue and Finance Department .. ..	16	
<i>Sixth Meeting</i> —Communications Department including Civil Aviation ; .. ..	19	
<i>Seventh Meeting</i> —Labour Department .. ..	22	
<i>Eighth Meeting</i> —Labour and Finance Departments .. ..	25	
<i>Ninth Meeting</i> —Home Department .. ..	27	
<i>Tenth Meeting</i> —External Affairs Department .. ..	29	
<i>Eleventh Meeting</i> —Posts and Telegraphs Department .. ..	31	
<i>Twelfth Meeting</i> —Posts and Telegraphs Department .. ..	35	
<i>Thirteenth Meeting</i> —Commerce Department including I. S. D. .. ..	37	
<i>Nineteenth Meeting</i> —Legislative, Legislative Assembly, Defence and Finance Departments .. ..	40	
Report of the Military Accounts Committee .. ..	42	
Proceedings of the Military Accounts Committee .. ..	44	

**APPENDICES.**

APPENDIX I.—Statement showing action taken or proposed to be taken on recommendations made by the Central Public Accounts Committee	53	
APPENDIX II.—Statement comparing expenditure with grants for 1937-38 .. ..	68	
APPENDIX III.—Note on Map Sales .. ..	78	
APPENDIX IV.—Note on Kidderpore Orphananj Market .. ..	80	
APPENDIX V.—Note regarding the write off of the old debit balance in the “ Purchases and Sales of Silver Account ” .. ..	81	
APPENDIX VI.—Note on the necessity for a reserve of Rs. 10 lakhs in the Grant for “ Loans and Advances bearing interest ” .. ..	82	
APPENDIX VII.—Memorandum on the Depreciation Reserve Fund of the Vizagapatam Port .. ..	83	
APPENDIX VIII.—Report on the Staff employed in the Central Public Works Department .. ..	84	
APPENDIX IX.—Note regarding the sale of butter and mutton by the Commissariat Department, Andamans .. ..	85	
APPENDIX X.—Memorandum on the loss on Press Traffic of the Telegraph Branch of the Posts and Telegraphs Department .. ..	86	
APPENDIX XI.—Memorandum on the adjustment between the different Branches of the P. and T. Department of the contribution made from revenue to the Renewals Reserve Fund .. ..	90	
APPENDIX XII.—Note on allocation of Ecclesiastical expenditure .. ..	91	

\* Part II of the Report deals with Railway Accounts.

	PAGES.
APPENDIX XIII.—Note regarding revision of Army Regulations .. ..	92
APPENDIX XIV.—Review regarding overstocking of R. A. F. stores .. ..	93
APPENDIX XV.—Memorandum on the processes of estimating now in force for Defence expenditure and suggestions for their improvement	95
APPENDIX XVI.—Note regarding establishment charges in the M. E. S. .. ..	97
APPENDIX XVII.—Note regarding Surveyors of Works .. .. .	99
APPENDIX XVIII.—Note on Defence Reserve Fund .. .. .	100
APPENDIX XIX.—Note regarding Grass Farms .. .. .	101
APPENDIX XX.—Note on Dairy Farms .. .. .	102
APPENDIX XXI.—Note regarding Revision of the form of Accounts of Medical Store Depots .. .. .	103
APPENDIX XXII.—Note regarding profit made by Clothing Factory .. ..	104
APPENDIX XXIII.—Annual Certificates of Army authorities .. .. .	105

## COMPOSITION OF THE COMMITTEE ON PUBLIC ACCOUNTS, 1939.

## CHAIRMAN.

1. The Hon'ble Sir JEREMY RAISMAN, C.S.I.,  
C.I.E., I.C.S. .. .. Finance Member.

*Elected Members.**Date of Election.*

2. Mr. B. DAS .. .. 25th February 1938.  
3. Mr. S. SATYAMURTI .. .. Ditto.  
4. Bhai PARMA NAND .. .. Ditto.  
5. Mr. J. RAMSAY SCOTT .. .. Ditto.  
6. Captain Sardar Sir SHEER MOHAMMAD  
KHAN, C.I.E., M.B.E. .. .. 18th March 1939.  
7. Sirdar JOGENDRA SINGH .. .. Ditto.  
8. Prof. N. G. RANGA .. .. Ditto.  
9. Maulvi MOHAMMAD ABDUL GHANI .. .. Ditto.

*Nominated Members.**Date of nomination.*

10. Dr. R. D. DALAL, C.I.E. .. .. 17th March 1938.  
11. Khan Bahadur Shaikh FAZL-I-HAQ  
PIRACHA .. .. Ditto.  
12. Khan Bahadur Sir ABDUL HAMID, C.I.E.,  
O.B.E. .. .. Ditto.

# REPORT OF THE PUBLIC ACCOUNTS COMMITTEE.

## Part I.—Civil, Posts and Telegraphs, and Defence Services.

*Financial results of the year.*—The following table compares the original grants and appropriations with the actual expenditure for the year :—

	[In lakhs of Rupees.]		
	Original grant or *appropriation.	Final grant or appropriation.	Actual expenditure.
Expenditure charged to revenue (Voted)	23,44	23,60	22,91
Expenditure charged to capital (Voted)	1,09	1,09	68
	24,53	24,69	23,59
Disbursements of loans and advances (Voted)	1,35	1,47	1,33
Total Voted	25,88	26,16	24,92
Expenditure charged to revenue (Non-voted)	76,35	79,97	79,91
Expenditure charged to capital (Non-voted)	18	16	14
Total Non-voted	76,53	80,13	80,05
Total expenditure charged to revenue	99,79	103,57	1,02,82
Total expenditure charged to capital	1,27	1,25	82
Disbursements of loans and advances	1,35	1,47	1,33
Grand Total	102,41	106,29	104,97

There was thus a total saving of Rs. 132 lakhs or 1.24 per cent. of the final grant.

The following table compares the percentages of savings in the three main sections of the budget for the last five years :—

	1933-34.	1934-35.	1935-36.	1936-37.	1937-38.
Expenditure charged to revenue	1.0	—1.1	.56	.35	.73
Expenditure charged to capital	15.2	8.9	6.99	16.78	34.4
Disbursements of loans and advances	23.3	49.2	8.79	50.82	9.52
Combined percentage	2.7	2.9	1.69	3.21	1.24

The combined percentage in 1937-38 has been the lowest during the past five years.

2. *Excesses.*—In the following cases actual expenditure exceeded the grants voted by the Legislature :—

Item No.	Name of Grant.	Final Grant.	Actual Expenditure.	Excess requiring the vote of the Legislature.
		Rs.	Rs.	Rs.
1	12.—Executive Council . . . . .	1,18,699	1,19,054	355
2	29.—Lighthouses and Lightships . . . . .	9,05,000	9,11,765	6,765
3	32.—Geological Survey . . . . .	2,18,000	2,23,808	5,808
4	36.—Mines . . . . .	1,36,000	1,41,559	5,559
5	37.—Other Scientific Departments . . . . .	2,80,000	2,80,118	118
6	56.—Joint Stock Companies . . . . .	1,30,000	1,30,044	44
7	58.—Currency . . . . .	13,23,000	13,38,049	15,049
8	61.—Superannuation Allowances and Pensions . . . . .	1,07,23,000	1,11,43,246	4,20,246
9	62.—Stationery and Printing . . . . .	41,39,000	42,23,272	84,272
10	70.—Andamans and Nicobar Islands . . . . .	29,85,000	29,85,825	825
11	79.—Commuted Value of Pensions . . . . .	7,07,000	7,99,684	92,684

The more important excesses are briefly explained below :—

*Item 2.*—The excess was due to more contribution to General Reserve Fund as a result of increase in receipts from light dues.

*Item 3.*—The excess was the result of more English charges on stores for India, liability for which was brought forward from 1936-37, also more charges for leave and deputation salaries and sterling overseas pay drawn in England.

*Item 4.*—The excess was caused by more expenditure on leave and deputation salaries and sterling overseas pay drawn in England.

*Item 7.*—The excess was due to increased and accelerated demand for currency notes.

*Item 8.*—The excess was caused by heavy adjustments on account of pensions and commuted value of pensions made at the end of the year.

*Item 9.*—More expenditure on purchase in India of stationery stores due to unforeseen demands from paying and non-paying Departments mainly contributed to the excess.

*Item 11.*—The excess was mainly the result of more payments of commuted value of pensions in the Posts and Telegraphs Department.

We recommend that the necessary excess grants be voted by the Legislative Assembly.

Last year an excess of Rs. 27 under Grant No. 81 in the accounts for 1936-37 was recommended by us for an excess grant but this was not accepted by the Assembly. We have given further thought to the matter and recommend again, as no question of financial substance is involved, that this small excess be regularised.

3. *Minutes of Proceedings.*—We append the minutes of proceedings which we desire, as usual, to be regarded as part of our report. In the following paragraphs we refer only to some of the more important questions considered in the course of our examination.

4. *Accuracy of budgeting and control over expenditure.*—We are glad to learn that, in accordance with our recommendation, lump sum cuts for probable savings are being made in all Grants, especially under sub-heads, where it is found that there have been savings year after year. In the course of our examination, we had occasion to notice that appreciably large voted savings occurred in the last three years in Grants Nos. 30.—Survey of India, 31.—Meteorology, 41.—Agriculture, 47.—Aviation and 82.—Loans and Advances bearing Interest. We think it will be useful for the Finance Department to make a note of the persistence of savings under particular heads so as to make suitable cuts in the next budget.

The savings under a number of sub-heads in Grants Nos. 40.—Public Health and 44.—Imperial Institute of Sugar Technology were attributed to delays in getting the services of experts for certain posts. We have given considerable thought to the matter and have come to the conclusion that, in cases where difficulties in recruitment are expected, the provision in the budget estimates should be subject to a substantial cut for probable savings. Later on, if there is an excess on account of earlier recruitment than anticipated, there would be no objection to the submission of a supplementary demand to the Legislature.

We are impressed with the necessity of comparing not merely the final appropriation with the actual expenditure but also the original appropriation with the final appropriation and actual expenditure. In the case of voted grants, the original and supplementary grants are shown separately, but we regard it equally important that, in the case of non-voted heads, the original appropriation also should be brought to notice, particularly when large additions are made by executive orders.

Our recommendation that larger units of appropriations should be devised in a limited number of Grants as an experiment to see if it would lead to more accurate estimating and to economy, is, we are informed, being tried in Grants Nos. 4.—Salt, 28.—Ports and Pilotage, 41.—Agriculture, 60.—Civil Works and 63.—Miscellaneous, in the estimates for 1939-40. It is, of course, not possible to know the result of the experiment until the appropriation accounts for 1939-40 are ready, but we shall await it with interest.

5. *English Expenditure.*—We have been struck by the wide variations noticeable under the sub-heads relating to English Expenditure, *prima facie* suggesting a deterioration in budgeting and control. In explanation it has been stated that 1937-38 was the first year in which all expenditure in England was split up for incorporation in the relevant subject and Area demands; and that more accurate estimates would be possible after two or three year's actuals are available. In regard to leave salaries, where the variations are the largest, we are informed that, as there were no leave programmes or forecasts available for framing reliable estimates, the High Commissioner based the original appropriations upon the latest actuals available. Without minimising the difficulties attendant upon the preparation of reliable forecasts, we consider it desirable that the Finance Department should examine whether the High Commissioner should not be asked to base his estimates on leave programmes or forecasts furnished to him from India, as well as on past actuals.

6. *Works Expenditure.*—We have repeatedly drawn attention to the large savings under the Grants dealing with Works Expenditure, especially in the provision for Major Works. We are assured, however, that two recent changes, namely, prior consultation with the Labour Department regarding the provision in any year for a work which it is decided to include in the budget estimates, and the preparation of a supplementary list of approved works to be financed out of savings, will go far to remedy this unsatisfactory state of affairs. Although we trust that these changes will lead to an improvement in the budgeting and control of this Grant, we feel it necessary to recommend that lump sum cuts should be applied more closely and rigorously in future at the time of budget estimates, especially in respect of new works, in order to counteract this persistent tendency towards overbudgeting for Works Expenditure.

We had suggested last year that, in the case of large capital projects requiring a number of years for completion, the possibility of devising a procedure under which the required sum may be provided in a fund from which expenditure can be met as the work progresses, should be considered with a view to avoiding the difficulties of grants and lapses. We must admit that, on further consideration, we are not so sure that this would be the right procedure to adopt, for, as pointed out by the Auditor General, it is a further step in the process of voting money out of account, and thus vitiating parliamentary financial control. The question is, however, not of any immediate importance, as no large capital works are likely to be undertaken in the near future.

7. *Unnecessary Supplementary Grants.*—We are gratified to learn that the year 1937-38 was the first year out of the preceding 5 years, in which no supplementary grant presented to the Legislative Assembly proved to be unnecessary. It is a source of satisfaction to us that our recommendations in this matter have resulted in a progressive improvement.

8. *Audit of Revenue Receipts.*—The audit of revenue receipts, particularly Customs and Income-tax, had engaged our interest for a considerable time. The very full report made to us by the Auditor General on this matter has satisfied us that the scope and functions of audit have been defined on correct principles, and that within the field demarcated for the proper performance of its duties, the system is functioning smoothly and efficiently. We are further in agreement with the view that it is wrong in principle for audit to encroach upon the sphere of the Executive.

9. *Provision for reduction or avoidance of debt.*—The question of the adequacy of the provision of Rs. 3 crores every year in the Central budget for the reduction or avoidance of debt has again been discussed by us ; and we suggest that the Finance Department should examine whether in addition to these 3 crores, there should not be a separate provision for amortisation of the Railway debt, once the first quinquennium of the Niemeyer Award is over.

10. *Vizagapatam Port.*—We have re-examined the financial position of the Vizagapatam Port in the light of latest actuals available. Although, during 1937-38, there was a small revenue surplus (without any payment towards interest and with an inadequate provision for depreciation),

there has been a deterioration in the position during 1938-39. The economies resulting from the Administrative Officer's review of expenditure and certain further economy and revenue proposals stated to be under consideration would, even if fully practicable, do little more than counterbalance the additional provision which it has been rightly decided to make for depreciation. We are not sure that the difficulties of the Port are entirely due to its almost complete dependence upon the export of one commodity. We feel that a contributory factor is provided by the operation of the telescopic rate system for railway freights, which in some respects operates against the Port, as compared with other Ports, for example, Calcutta. In contrast to the financial straits of the Port, the feeder line specially constructed to serve the Port, is paying a return of over 7 per cent. on the capital invested. Our impression is that the Port would continue to be a burden on the general taxpayer, unless the Railway has a stake in its development. We, therefore, recommend that the question of handing over the Port to the Bengal Nagpur Railway should be actively pursued.

11. *Losses on Press Traffic.*—We have considered the Memorandum on the losses on Press traffic, submitted in compliance with our recommendation of last year. In view of the loss on the working of the Telegraph Branch as a whole, to which the issue of Press telegrams at concessional rates contributes in no small degree, we have been concerned to find what reductions in the concessions already granted, could be justified on financial and administrative grounds. While we recognise that it is in the public interest that Press Telegrams should be sent at a cheaper rate than ordinary telegrams, the practical determination of the extent of the concession is a difficult matter. One concession, namely, the concession in the case of multiple address Press telegrams, by which copies of the same Press message can be sent to different places on payment of a small copying fee, appears to us to lack justification. We are, therefore, of opinion that the question of revising the multiple address concession should be examined with a view to ascertaining the possibility of some curtailment of the concession.

12. *Report of the Military Accounts Committee.*—We append the report submitted by the Military Accounts Committee constituted to conduct a preliminary examination of the Military Appropriation Accounts and connected documents. We endorse the recommendations and suggestions made by the Committee both in their report and in the proceedings of their meetings.

13. It is a matter of regret to us that three of our members, two of whom were members of the Military Accounts Committee as well, abstained from joining our deliberations after the fourth meeting. It has not, thus, been possible for them to append their signatures either to the Report of the Military Accounts Committee or to the main Report.

14. We desire to place on record our appreciation of the extremely valuable service rendered to the Public Accounts Committee by Sir Ernest Burdon throughout his term of office as Auditor General.

A. J. RAISMAN.

J. RAMSAY SCOTT.

R. D. DALAL.

M. A. GHANI.

ABDUL HAMID.

SHER MOHAMMAD KHAN.

FAZL-I-HAQ PIRACHA.

BHAI PARMANAND.

MOHAMADALI,  
*Secretary.*

*2nd September, 1939.*

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**Proceedings of the first meeting of the Public Accounts Committee held on Friday, the 11th August 1939, at 11 A.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Mr. B. DASS.

Mr. S. SATYAMURTI.

Bhai PARMA NAND.

Prof. N. G. RANGA.

Maulvi MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

*Members.*

Mr. G. S. BOZMAN, C.I.E., I.C.S., Secretary, Department of Education, Health and Lands.

Mr. S. H. Y. OULSNAM, C.I.E., M.C., Joint Secretary, Department of Education, Health and Lands.

*Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

*Paragraph 30 of the Audit Report.*—During the examination of Grant No. 8—Forest, it was noticed that there were large variations under 'Leave Salary and Sterling Overseas Pay'. Some members were not fully satisfied with the general explanation given in paragraph 30 of the Audit Report that, as no leave programmes or forecasts were available for framing reliable estimates, the original appropriations were based on the latest actuals available. The difficulties attendant upon the preparation of a reliable forecast, such as the inclusion of the leave programmes of officers on foreign service or whose services had been borrowed by the Central Government in the past, a knowledge of whether the leave was going to be spent in India or out of India, were pointed out. The Committee, however, decided to recommend that the Finance Department should examine whether the High Commissioner should be asked to base his estimates under the above mentioned head on leave programmes or forecasts furnished to him from India as well as on past actuals.

2. *Grant No. 30.—Survey of India.*—A member of the Committee drew attention to the considerable savings under the sub-head 'Stores for

India', which had been explained as partly due to the liabilities carried forward. The Committee considered that every effort should be made to clear all liabilities within the year.

3. *Analysis of savings*.—It was noticed that the total savings (both gross and net) under this Grant were partly due to larger receipts than anticipated under the head 'Deduct—Establishment and other Charges from other Governments, Departments, etc.', and partly to less expenditure under other heads. Since an excess of receipts is not open to objection in the same way as underspending, the Committee considered that, in future, savings should be analysed into these two components.

4. *Map Accounts*.—The statement of maps of the Map Record and Issue Office given in the Appropriation Accounts showed that the closing balance excluded the stock of maps held at the City Branch Agency, Calcutta. It was pointed out that, unless there were valid reasons to the contrary, the balance should include the stock of all agencies.

The review of the stock held in the Map Record and Issue Office disclosed the fact that the number of copies of maps superseded during the year 1937-38 had increased as compared with 1936-37. It was explained that the position was reviewed from time to time by the Surveyor General and the Director of Map Publications; but the Committee desired a further examination of the possibility of reducing the number of superseded maps, and asked for a note on the subject next year.

5. *Map Sales*.—The Committee considered the report (Appendix III) on the efforts made to promote the sales of maps prepared by the Survey of India. They were particularly interested in the possibility, stated to be under investigation, of publishing a small popular Atlas of India, giving names in the various Indian languages as well as in English. The proposed establishment of agencies which would be responsible for the maintenance of maps and also act as sales organizations, appeared to be another promising possibility from a commercial point of view.

6. *Mathematical Instrument Office*.—In connection with item No. 1 of the statement of recommendations made in the previous year, the results of the discussions held by the Surveyor General with the Army authorities, regarding the supply to the Army of various articles manufactured by the Mathematical Instrument Office, were reported to the Committee. It was stated that, while the Army authorities agreed in principle that, as far as possible, they should obtain from the Mathematical Instrument Office articles which they at present imported from abroad, practical problems such as difficulties about the guarantee of supply and the reduction in the prices of particular articles, were still outstanding. The Committee regretted that, in spite of the strong recommendation made last year, no appreciable progress had been made, and hoped that early steps would be taken to implement their recommendation of last year.

The Committee were glad to find an increase of about 40 per cent. in the receipts from work undertaken by the Mathematical Instrument Office for other Governments, Departments, etc.

7. *Grant No. 33.—Botanical Survey*.—With reference to item No. 3 of the statement of recommendations made in the previous year, it was explained that the post of the Director of Botanical Survey was vacant. No decision regarding its abolition could, however, be taken until Government had considered the recommendations of the Imperial Council of

Agricultural Research on the report of the Officer who had been placed on Special Duty to investigate the possibilities of Cinchona production in India. This led to a discussion on the sufficiency of the stocks of quinine kept by the Central Government as a reserve against an epidemic or a pandemic. Some members of the Committee were doubtful of the adequacy of the Central reserve ; but it was pointed out that it was the duty of the Provincial Governments to maintain their own reserves.

8. *Grant No. 34.—Zoological Survey.*—A member of the Committee suggested that the question why the production of “ Fauna Indica ” could not be undertaken in India, might be looked into.

The Committee adjourned till 2-30 P.M.

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**Proceedings of the second meeting of the Public Accounts Committee  
held on Friday, the 11th August 1939, at 2-30 P.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance  
Member, *Chairman*.

Mr. B. DASS.

Mr. S. SATYAMURTI.

Bhai PARMA NAND.

Captain Sardar Sir SHEER MOHAMMAD KHAN,  
C.I.E., M.B.E.

Prof. N. G. RANGA.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E..  
O.B.E.

Mr. G. S. BOZMAN, C.I.E., I.C.S., Secretary,  
Department of Education, Health and  
Lands.

Mr. S. H. Y. OULSNAM, C.I.E., M.C., Joint  
Secretary, Department of Education,  
Health and Lands.

Mr. S. BASU, I.C.S., Secretary, Imperial  
Council of Agricultural Research.

SIR ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General,  
Central Revenues.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S.,  
Finance Secretary.

*Member.*

*Witnesses.*

9. *Grant No. 37.—Other Scientific Departments.*—With reference to the last sentence of paragraph 6 of the Proceedings of the Public Accounts Committee, 1938, the question was raised why the Bose Research Institute, Calcutta, should not be required to submit an audited account of its receipts and expenditure. The Committee desired that a report should be submitted on the question next year.

While examining the receipts and expenditure of the Central Museum, Calcutta, the Committee noticed that a sum of Rs. 16,811 was being paid to the Calcutta Corporation on account of the municipal taxes on the Museum buildings. It was explained that one reason why the Museum was not treated as a charitable institution and thus exempted from municipal taxes by the Corporation was the levy of a small charge for admission tickets on certain days. The Committee recommended that the admission fee should be abolished and the Corporation should be moved to grant exemption from the municipal taxes.

10. *Grant No. 39.—Medical Services.*—The savings and excesses under some of the sub-heads, relating to English expenditure, in this Grant led the Committee to comment upon the apparent deterioration in budgeting and control ; but it was suggested that, as pointed out in paragraph 17 of the Audit Report, this was perhaps due to the new accounting arrangement introduced this year.

There was some discussion over the question whether in provincial institutions to which Central grants-in-aid are given, non-provincial students got reasonable facilities. The Committee considered that the Department of Education, Health and Lands should satisfy themselves on this point.

11. *Grant No. 41.—Agriculture.*—In connection with item No. 5 of the statement of recommendations made last year, it was explained that the recently appointed Director of Dairy Research had arrived in India and was busy preparing a scheme for the establishment of a Central Research Institute. The Committee desired that the matter should be expedited

The Committee was informed that the question of terminating the contract for the Wellington Milk Depot with the military authorities was under examination.

12. *Grant No. 42.—Imperial Council of Agricultural Research.*—The accounts relating to the Imperial Council of Agricultural Research were next examined. The Committee desired that the annual reports of the Imperial Council of Agricultural Research should be circulated to the members of the Public Accounts Committee.

13. *Grant No. 44.—Imperial Institute of Sugar Technology.*—Attention was drawn to the fact that there were considerable savings under a number of sub-heads in this Grant. It was explained that this was due to delays in getting the services of experts for certain posts. A considerable discussion ensued regarding possible ways of avoiding large savings in such cases. Finally, the Committee came to the conclusion that, in cases where difficulties in recruitment were expected, the provision in the budget estimates should be subject to a substantial cut for probable savings. Later on, if there is an excess on account of earlier recruitment than anticipated, there would be no objection to the submission of a supplementary demand to the Legislature.

14. *Grant No. 45.—Civil Veterinary Services.*—The Committee commented upon the large savings under the head ' Capital Expenditure ' and considered that the Finance Department should make a note of large or progressively rising savings under particular heads so as to make suitable cuts in the next budget.

15. *Grant No. 63.—Miscellaneous.*—The Committee next considered the note (Appendix IV) on the Kidderpore Orphananj Market, submitted in connection with item No. 6 of the statement of recommendations made last year. In view of the fact that the liabilities in respect of pensionary charges, which had been taken over along with the assets, are far in excess of the net profits accruing from the Market, it was agreed that the Central Government should retain this property.

The Committee adjourned till 11 A.M. on Monday.

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**Proceedings of the third meeting of the Public Accounts Committee  
held on Monday, the 14th August 1939, at 11 A.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance  
Member, *Chairman*.

Mr. B. DASS.

Mr. S. SATYAMURTI.

Bhai PARMA NAND.

Captain Sardar Sir SHER MOHAMMAD KHAN,  
C.I.E., M.B.E.

Prof. N. G. RANGA.

Maulvi MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E.,  
O.B.E.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S.,  
Finance Secretary.

Mr. K. SANJIVA ROW, C.I.E., Joint Secretary,  
Finance Department.

SIR ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General,  
Central Revenues.

*Members.*

*Witnesses.*

16. With reference to paragraph 88 of the proceedings of the Public Accounts Committee, 1938, the question was raised whether the Appropriation Accounts of the Crown Representative and the audit report thereon should be laid on the table of the Central Legislature. The legal position in the matter was the subject of a lengthy discussion, in the course of which it was explained that the accounts of the Federation referred to in section 169 of the Government of India Act were exclusive of the accounts relating to the discharge of the functions of the Crown in its relation with Indian States, which, under section 171, were to be submitted to the Secretary of State, with his audit report thereon by the Auditor General. In view, however, of the reiteration of the recommendations of the last two years by the non-official members of the Committee, the Chairman agreed to have the legal position re-examined.

17. A member of the Committee suggested that the Finance Accounts of the Central Government, which are laid on the table of the Legislature under section 169 of the Government of India Act, should be made available to the members of the Public Accounts Committee. It was recognized that the functions of the Public Accounts Committee, as defined in rule 52 of the Indian Legislative Rules, related to the scrutiny of Appropriation Accounts only ; but in order to aid them in such scrutiny, copies of the Finance Accounts would be supplied to the members of the Public Accounts

**Committee.** It was hoped that, in future, the Finance Accounts would be ready at about the same date as the Appropriation Accounts.

18. The legal position with regard to the publication of the Appropriation Accounts (item 17, Appendix I) was explained, and the Committee expressed their satisfaction with the decision to publish the Appropriation Accounts and the audit reports thereon as soon as they had been laid on the table of the Legislature.

19. With regard to paragraph 15 of the proceedings of the Public Accounts Committee, 1938, the Chairman stated that Mr. Chambers was engaged in framing detailed rules for the guidance of officers in the preparation of income-tax estimates. As regards Customs Estimates, the Chairman assured the Committee that every effort was made to prepare the estimates on the basis of all relevant statistics and after close consultation with informed opinion on the subject of world trade conditions.

20. After a discussion regarding the function of Treasury Bills in the system of Government finances, the Committee started the examination of the Audit Report. The review of the Works Expenditure in paragraph 15 of the Audit Report disclosed that there were large savings under the grants dealing with Works Expenditure, especially in the provisions for major works. The savings were attributed to the abandonment of projects, delay or non-issue of technical sanction to estimates, delay in starting, or postponement of works, changes in designs, delay in land acquisition, slow progress of work due to lack of materials, etc. It was pointed out that the Committee had commented upon the large savings in the provision for works on earlier occasions also. The Committee desired that, in view of this persistence of large savings, lump sum cuts should be applied more closely and rigorously in future at the time of budget estimates, especially in respect of new works, in order to counteract this tendency towards overbudgeting for Works Expenditure.

21. The Committee again commented upon the third sub-paragraph of paragraph 17 and paragraph 30 of the Audit Report, regarding the wide variations under the sub-head relating to English Expenditure. It was explained that, this was the first year in which all expenditure in England was split up for incorporation in the relevant subject and area demands, and that more accurate estimating would be possible after two or three years.

22. The Committee were gratified to learn that the year 1937-38 was the first year out of the last 5 years, in which no supplementary demand presented to the Legislative Assembly, proved to be unnecessary.

23. The audit of Customs revenue (item 19, Appendix I) next engaged the attention of the Committee. The Auditor General explained at great length the working of the present system which had been introduced by himself with the approval of the Finance Department and the Central Board of Revenue. Under this system, which had manifest advantages over the previous one of a peripatetic Examiner of Customs Accounts moving round the major ports, the audit of Customs revenue was entrusted to each Maritime Accountant General. Continuous audit was carried out by trained auditors in each Customs House, and efforts were made to secure uniformity of procedure in all Customs Houses.

The scope and functions of audit had been clearly defined on the same principles as were in force in England, *viz.*, that it was the business

of audit to satisfy itself that a proper system existed for the assessment and collection of Government dues, that the system was in practice carried out, and that the sums of money collected were duly brought to account. It was entirely wrong in principle for audit to encroach upon the sphere of the Executive, but within the field defined for the proper performance of its duties, the Auditor General was satisfied that the system was functioning smoothly and efficiently. The Auditor General himself took a personal interest in the matter, and saw to it that the system did not degenerate into routine. The Committee endorsed the views of the Auditor General, and approved of the system in force.

The Committee adjourned till 2-30 P.M.

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**Proceedings of the fourth meeting of the Public Accounts Committee  
held on Monday, the 14th August 1939, at 2-30 P.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance  
Member, *Chairman*.

Mr. B. DAS.

Mr. S. SATYAMURTI.

BHAI PARMA NAND.

Mr. J. RAMSAY SCOTT.

Prof. N. G. RANGA.

Maulvi MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S.,  
Finance Secretary.

Mr. K. SANJIVA ROW, C.I.E., Joint Secretary,  
Finance Department.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.  
Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General,  
Central Revenues.

*Members.*

*Witnesses.*

24. In connection with paragraph 28 of the Audit Report, dealing with the question of funds created from revenue surpluses, it was explained that the balance of these funds merged in the cash balance and was utilised for the ways and means purposes of the Central Government. At the time of the initial creation of the funds a programme for a number of years is chalked out ; and the Finance Department approve of the amounts to be spent in any year.

25. The Committee were glad to note that their recommendation (item 10, Appendix I) to devise larger units of appropriation was being tried as an experiment in Grants Nos. 4, 28, 41, 60 and 63 in the estimates for 1939-40. The Committee desired that the results of the experiment should be reported to them in due course.

26. The rule framed in compliance with item No. 11 of the statement of recommendations made last year, was read out to the Committee. It was explained that the question had been very carefully considered, and that the Federal Public Service Commission had been consulted in the matter. The Committee expressed their gratification at the action taken by Government in complying with their recommendation.

27. The Committee then took up the examination of Grant No. 7- Stamps. The explanation for an additional appropriation for interest on capital outlay, namely, that it was mainly due to an unforeseen increase in the amount of interest bearing capital, led to some discussion on the

question of the capital account of the Security Printing Press. The Auditor General stated that the system had been devised by a Chartered Accountant and was quite suitable for such Government commercial concerns as were not run for profit but were really service departments.

28. With reference to item No. 14 of the statement of recommendations made last year, it was pointed out that the whole of the reserve in 1937-38 had been utilised ; and that while lump sum reserves were, in principle, open to objection, they were justified in commercial manufacturing concerns, which had to meet demands over which they had no control. The Chairman read out the note of the Master, Security Printing Press, India, in which he had discussed the utility of the reserve in years of rising demand and had stated that the reserve was surrendered at the earliest opportunity in a year of falling demand. The Committee agreed that the reserve provided the necessary element of elasticity in meeting demands for the products of the Security Printing Press.

29. *Grant No. 11.—Interest on Debt, etc.*—A member of the Committee drew attention to the fact that the Committee had previously doubted the adequacy of the provision of Rs. 3 crores every year in the Central budget for the reduction or avoidance of debt. After some discussion, the Committee made the recommendation that the Finance Department should examine whether there should not be a separate provision for amortisation of the Railway debt, once the first quinquennium of the Niemeyer award is over.

30. During their examination of Grant No. 18—Finance Department, the Committee commented upon the fact that a supplementary appropriation had been sanctioned under ' Pay of Officers ' due to the appointment of additional officers during the course of the year. The Committee considered that the Finance Department in particular should avoid appointing additional officers in the middle of the year, unless there were unforeseeable circumstances.

31. *Grant No. 25.—Audit.*—The Committee were glad to receive the assurance of the Auditor General that in general sufficient funds were placed at his disposal for the discharge of his statutory duties.

32. *Purchases and Sales of Silver Account.*—The Committee agreed with the conclusion in the note (Appendix V) submitted in connection with item No. 15 of the statement of recommendations made last year, that the debit balance in the ' Purchases and Sales of Silver Account ' should not be written off to Government account.

33. The Committee examined Grant No. 61—Superannuation Allowances and Pensions and the heads relating to the Finance Department in Grant No. 63—Miscellaneous, at considerable length. The examination of the remaining Grants relating to the Finance Department was deferred to a later meeting.

The Committee adjourned till 11 A.M. next day.

**Proceedings of the fifth meeting of the Public Accounts Committee  
held on Tuesday, the 15th August 1939 at 11 A.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance  
Member, *Chairman*.

BHAI PARMA NAND.

Mr. J. RAMSAY SCOTT.

Captain Sardar Sir SHER MOHAMMAD KHAN  
C.I.E., M.B.E.

Maulvi MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Mr. J. F. SHEEHY, C.S.I., I.C.S., Member,  
Central Board of Revenue.

Mr. T. S. PILLAY, Secretary, Central Board of  
Revenue.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S.,  
Finance Secretary.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General,  
Central Revenues.

Mr. RAM GOPAL, Audit Officer, Indian Stores  
Department.

*Members.*

*Witnesses.*

34. *Grant No. 1.—Customs.*—The Committee noted that, as desired by them (item No. 20 of the statement of recommendations made last year), the classification of the payments of Customs revenue to the Cochin and Travancore Governments under the Cochin Port agreement had been re-examined ; and that these payments were, with effect from the year 1938-39, treated as deductions from revenue.

The position regarding the treatment of receipts and expenditure on account of Overtime and Holiday Allowances and the Grants-in-aid, Contributions and Donations made therefrom, was next considered. The Committee were of the opinion that the note in the Appropriation Accounts should be expanded so as to include the information given in the explanatory note contained in the detailed estimates of Demand for Grants.

The attention of the Committee was drawn to the case reported in the Appropriation Accounts, in which the assessment of duty continued to be made for 20 years on the invoiced value of certain products imported by a firm, although this value did not include any addition on account of overhead charges and profits. It was explained that the case was not one of simple fraud. It was a special type of case which had arisen from the adoption of a particular accounting procedure by the firm. The Committee agreed that no further action was necessary.

35. *Grant No. 2.—Central Excise Duties.*—In connection with the variations under some of the heads in this Grant, it was explained that the budget estimates were based on the number of factories functioning at the time of framing the estimates. If the number of factories was reduced on account of economic conditions or the amalgamation of small concerns into bigger ones, staff was correspondingly reduced.

36. At the Auditor General's suggestion, the Committee recommended that, following the practice in England, a note similar to that under Customs, giving the statistics of receipts and net expenditure for the last 5 years should be produced under Grants No. 2—Central Excise Duties, No. 3—Taxes on Income including Corporation Tax, No. 4—Salt and No. 5—Opium.

37. *Grant No. 3.—Taxes on Income including Corporation Tax.*—In connection with item No. 21 of the statement of recommendations made last year, the results of the experiment in the audit of income-tax receipts were reported to the Committee. The Auditor General stated that the experiment had been conducted by an officer who had experience both of audit and of income-tax administration. The arguments which applied to limitation of Customs audit, applied still more forcibly in the case of income-tax audit. He was, therefore, convinced—and the Committee accepted his conclusion—that it was inadvisable to extend his audit to income-tax receipts.

A member of the Committee raised the question whether the amounts spent on judicial proceedings bore any proportion to the amount of the assessment in question. The Chairman explained that even though the amount involved might be small, Government regarded it necessary to take the matter to a higher court if the principle in question was important.

38. *Grant No. 4.—Salt.*—The Committee were informed that, as a result of the combination of the Central Excises with the Salt Department in Northern India, it had been found necessary to split up the charge of the Commissioner, Northern India Salt Revenue, into two, each under a Collector. This bifurcation required a small legislative amendment, which would be moved in the next session of the Legislature.

The Committee were glad to note that the budgeting and control under this Grant had been extraordinarily close.

39. The Committee then took up the examination of the accounts relating to the Finance Department, which had been left over from the previous meeting.

*Grant No. 80.—Expenditure on Retrenched Personnel charged to Capital.*—The Committee were glad to note the decision of the Government of India to write off to revenue the entire balance outstanding under this head at the end of the year 1937-38, and to meet any further payments of gratuities to retrenched personnel direct from revenue.

40. *Grant No. 82.—Loans and Advances bearing Interest.*—After a consideration of the note (Appendix VI) submitted in connection with item No. 16 of the statement of recommendations made last year, the Committee accepted the necessity for a reserve of Rs. 10 lakhs in this Grant.

41. The Committee agreed to recommend an excess vote in respect of the excesses in the voted sections of the following Grants, the examination of which had been completed by them :—

Grant No. 37.—Other Scientific Departments.

Grant No. 58.—Currency.

Grant No. 61.—Superannuation Allowances and Pensions.

Grant No. 79.—Commuted Value of Pensions.

The Committee adjourned till 2-30 P.M.

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**Proceedings of the sixth meeting of the Public Accounts Committee  
held on Tuesday, the 15th August 1939, at 2-30 P.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

BHAI PARMA NAND.

Mr. J. RAMSAY SCOTT.

Maulvi MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA,

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Mr. J. D. TYSON, C.B.E., I.C.S., Secretary,  
Department of Communications.

Mr. F. TYMMS, C.I.E., M.C., Director of Civil  
Aviation.

Mr. A. S. BOKHARI, Controller of Broadcasting.

Mr. A. D. GORWALA, I.C.S., Deputy Secretary,  
Department of Communications.

Mr. K. G. MITCHELL, C.I.E., I.S.E., Consulting  
Engineer to the Government of India  
(Roads).

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General,  
Central Revenues.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S.,  
Finance Secretary.

Mr. GHULAM MOHAMMAD, Finance Officer,  
Communications.

*Members.*

*Witnesses.*

42. *Grant No. 31.—Meteorology.*—Attention was drawn to the large surrender under the head ' M. 1 (2)—Stores for India ', which was stated to be due to carry-forward of liabilities to the next year. It was explained that such variations from the original budget estimates would be avoided in future, as budget provision was now based upon the anticipated payments during the year and not upon the value of orders placed.

43. *Grant No. 47.—Aviation.*—The variations in this Grant were explained as being due to the difficulties in accurate estimating in an expanding service and the postponement of the inauguration of the Empire Air Mail Scheme from October 1937 to February 1938.

A member of the Committee drew attention to the large surrender under the head ' B.1—Special Grants-in-aid from the additional tax on Petrol consumed for Aviation purposes '. It was pointed out that, in order to avoid the recurrence of such a situation, the Public Accounts Committee had recommended last year that the tax on petrol consumed

for Aviation purposes should be constituted into a separate fund from which the grants-in-aid might be allotted as required. The Committee's recommendation had been accepted and a fund had been constituted with effect from the current year.

44. *Grant No. 48.—Capital Outlay on Civil Aviation charged to Revenue.*—It was stated that the fund from which the expenditure on this head was met, would not be quite exhausted by the end of this year. The Committee commented upon the savings of 45.2 per cent. under this head, as compared with the original appropriation, and observed that a similar comment had been made on the accounts of 1936-37 in paragraph 38 of the proceedings of the Public Accounts Committee, 1938. The Committee remarked that since experience had shown that the Department was not able to work up to its estimated requirements, it should estimate its requirements on a more modest scale, so as to correspond more closely with the actual achievement.

45. *Grant No. 49.—Broadcasting.*—Comment was made on the re-appropriations under a number of heads, which were explained as being due to the difficulties and inexperience inherent in a new service. It was hoped that, with the appointment of an Administrative Officer, an improvement in budgeting and control would take place.

There was some discussion on the results of the anti-piracy campaign, which was conducted by the Posts and Telegraphs Department on behalf of the Broadcasting Department. It was stated that a staff of about 60 persons was engaged on this work, and the general staff of the Postal Department were also devoting their attention to it. The Committee were glad to note that the campaign had achieved a considerable measure of success.

The question was raised whether any attempt was made to co-ordinate the statistics of imports with the number of licenses issued. It was explained that, while an attempt in this direction was made, it was necessarily incomplete because of the absence of figures relating to stocks held by dealers.

46. The Commercial Accounts relating to this Department were next examined. The losses on radio publications called forth some adverse comments. In the case of the Indian Listener, for example, in spite of a rise in circulation, the loss in 1937-38 was almost three times that in 1936-37. The explanation for this state of affairs was to be found in the heavy expenditure caused by successive increases in the size of the journals to accommodate the programmes of new stations without corresponding increases in the rates of subscription. It was stated, however, that vigorous efforts were now being made to cut down the losses. A saving of Rs. 59,000 per annum would accrue from the recent contract for printing; the receipts from advertisements were on the increase; the rate of subscription had been raised from Rs. 4 to Rs. 6 per annum; and in general, the business side of these publications was being looked after more carefully. The Committee were glad to note the steps taken, and recommended that every effort should be made to place these journals on a self-supporting basis during the current year.

47. *Central Road Fund.*—The accounts of the Central Road Fund were examined. It was noticed that some Provinces had in the past been unable to spend up to the allotments made to them resulting in a balance

with the Provinces on the 31st March 1938 which amounted to Rs. 98.6 lakhs. It was explained to the Committee that, with effect from the financial year 1937-38, the allocations to Provinces were retained by the Central Government until actually required for expenditure. At the end of that year the amount so held by the Central Government was Rs. 93.89 lakhs.

48. *Vizagapatam Port*.—In connection with item 22 of the statement of recommendations made last year, the financial position of the Vizagapatam Port was reviewed. The note (Appendix VII) submitted on the Depreciation Reserve Fund of the Port showed that, according to recent orders issued on the subject, the method of calculating the annual contribution from revenue to the Depreciation Fund had been revised to provide for depreciation on all wasting assets above Rs. 2,000 in value with one minor exception. This the Committee regarded as satisfactory. It was noted that the effect would be to raise the sum payable annually as depreciation by over Rs. 80,000. The general financial position of the Port was, however, not at all reassuring. Although during 1937-38, there had been a small revenue surplus (without any payment towards interest and with an inadequate provision for depreciation), there had been a deterioration in the position during 1938-39. The economies resulting from the Administrative Officer's review of expenditure and certain further economy and revenue proposals stated to be under consideration would, even if fully practicable, do little more than counterbalance the additional provision for depreciation. It was explained that the Port depended almost entirely upon the export of one commodity. A contributory factor in the difficulties of the Port lay in the operation of the telescopic rates system for railway freights which in some respects operated against Vizagapatam as compared with other ports, *e.g.*, Calcutta. Reference was made to the flourishing condition of the feeder lines specially constructed to serve the Port. In contrast to the financial straits of the Port, this branch line was paying a return of over 7 per cent. on the capital invested. The general impression in the Committee was that the Port would continue to be a burden on the general taxpayer, unless the Railway had a stake in its development. The Committee, therefore, recommended that the question of handing over the Port to the Bengal-Nagpur Railway should be actively pursued, and a report submitted to the Committee next year.

The Committee adjourned till 11 A.M. next day.

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**Proceedings of the seventh meeting of the Public Accounts Committee held on Wednesday, the 16th August 1939 at 11 A.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

BHAI PARMA NAND.

Mr. J. RAMSAY SCOTT.

Captain Sardar Sir SHER MOHAMMAD KHAN, C.I.E., M.B.E.

Maulvi MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

The Honourable Mr. M. S. A. HYDARI, C.I.E., I.C.S., Secretary, Department of Labour.

Mr. N. MAHADEVA AYYAR, I.C.S., Deputy Secretary, Department of Labour.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

The Honourable Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

*Members.*

*Witnesses.*

49. *Grants No. 32.—Geological Survey, and No. 36.—Mines.*—The Committee examined these Grants and recommended that the required excess grants should be voted by the Legislature.

50. *Grant No. 60.—Civil Works—Review of Works Expenditure.*—A detailed examination of the modifications of, and surrenders from, the original provision for works expenditure confirmed the observations in paragraph 15 of the Audit Report, regarding the large savings in this Grant, especially in the provision for Major Works. The savings were attributed to a number of causes, but the main reason appeared to be delay in starting, or postponement of, works for want of duly sanctioned detailed estimates. The Public Accounts Committee had on previous occasions also drawn attention to the large variations in this Grant. It was explained, however, that two changes had been introduced about eighteen months ago, which should go far to remedy this unsatisfactory state of affairs. In the first place, orders had been issued by the Finance Department in February, 1938, that the provision for any work, which it was decided to include in the budget estimates, should be made in consultation with the Labour Department, and should be limited to what was definitely expected to be spent during the course of the year. Secondly, a supplementary list of works in contemplation was to be appended to the Civil Works Demand, so that selected works from this list could be undertaken and financed from any savings which might be available from the provision for budgeted works. An improvement could also be expected

from the fact that in most provinces the Central P. W. D. had taken over or would shortly take over the works under their direct charge, for in the past, the Provincial P. W. D. had been responsible for many cases of delay in the execution of Central works. The Committee hoped that, in future, the budgeting and control of this Grant would improve, and that actuals would approximate more closely to the budget estimates.

51. The Committee next considered the recommendation made by them last year (item No. 24 of the statement of past recommendations), viz., that, in the case of large capital projects requiring a number of years for completion, the possibility of devising a procedure, under which the required sum may be provided in a fund from which expenditure may be met as the work progresses, should be considered with a view to avoiding the difficulties of grants and lapses. It had been stated by the Labour Department that the possibilities would be considered when undertaking large capital works in future. The Auditor General, however, desired to sound a note of caution against this procedure which meant a further step in the process of voting money out of account and vitiating parliamentary financial control. The Committee were impressed with the point of view put forward by the Auditor General.

52. The report (Appendix VIII) submitted with reference to item No. 26 of the statement of recommendations made by the Committee last year, was examined, and it was noted that a further report on the subject would be made to the Committee next year.

53. In connection with item No. 27 of the statement of past recommendations, the Committee examined the statements given in paragraph 5 of the Important Comments under this Grant in the Appropriation Accounts, and noted that similar statements would continue to be furnished in the Appropriation Accounts in future years. It was noticed, however, that the relation between the statements given in sub-paragraphs (2) and (3) of the paragraph referred to above, was not clear on the face of it. The Auditor General undertook to have this point examined.

54. The administration of the reserve provided in this Grant was examined in the light of item No. 28 of the statement of recommendations made by the Committee last year. It was seen that the reserve had been utilized mainly for the regrant of lapses and to a small extent for unforeseen minor works. The amount spent on special repairs was a very small part of the reserve. The Committee regarded the position as satisfactory.

55. In connection with item 29 of the statement of recommendations made last year, a member of the Committee raised the question whether the advantages and disadvantages of *pro-rata* system had been fully considered. The Auditor General explained that the adoption of the fluctuating *pro-rata* basis led to the percentage charges varying in inverse ratio to the amount of work undertaken by the Public Works Department. Since this discouraged outside bodies from entrusting work to the P. W. D. at the very time it was to their advantage to undertake such work, it had been decided, a few years ago, in consultation with the Labour and the Finance Departments, to fix a normal percentage for a number of years. This rate was reviewed every year in the light of the rate arrived at with reference to actual expenditure ; and if the variation was not large, the fixed rate

was left unaltered. The Committee agreed that the system in force was based on sound principles.

56. It was noted that the recommendation of the Committee made last year (*vide* item No. 30 of the statement of past recommendations) to amalgamate sub-heads under this Grant had been given effect in the budget estimates for 1939-40. The Committee desired that the results of this experiment should be reported to them in due course.

The Committee adjourned till 2-45 P.M.

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**Proceedings of the eighth meeting of the Public Accounts Committee  
held on Wednesday, the 16th August 1939 at 2-45 P.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

BHAI PARMA NAND.

Mr. J. RAMSAY SCOTT.

Captain Sardar Sir SHER MOHAMMAD KHAN,  
C.I.E., M.B.E.

Maulvi MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

The Honourable Mr. M. S. A. HYDARI, C.I.E.,  
I.C.S., Secretary, Department of Labour.

Mr. N. MAHADEVA AYYAR, I.C.S., Deputy Secretary,  
Department of Labour.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General,  
Central Revenues.

The Honourable Mr. C. E. JONES, C.I.E., I.C.S.,  
Finance Secretary.

*Members.*

*Witnesses.*

57. *Grant No. 62—Stationery and Printing.*—The Committee noted the action taken on their recommendation made last year (item No. 31 of the statement of past recommendations).

58. A member of the Committee called in question the necessity of having separate Government Presses at Aligarh, Delhi, Simla and Calcutta. It was explained that the Aligarh Press worked only on the printing of forms ; urgent work was executed at Delhi and Simla ; and comparatively less urgent work was entrusted to the Calcutta Press. Some years ago, the question of bringing the Calcutta Press to Delhi was considered, but it had been found that this would not lead to any economy in expenditure.

59. The attention of the Committee was drawn to the statement at page 180 of the Commercial Appendix, which showed that very little of the Railway work was being done by Government Presses. It was explained that Railways got most of their work done by private presses.

60. In connection with the pricing of Government publications, it was suggested that it might be useful to have cost accounts for each item of work. The Secretary, Labour Department, undertook to examine the point.

61. With reference to item No. 32 of the statement of recommendations made last year, the question of unwanted publications that cannot be kept in stock in the Central Publication Branch, was discussed at some length. It had previously been suggested that they should be distributed free or at

half prices rather than destroyed. The Secretary, Labour Department, stated that it was difficult to hope for much improvement by pursuing this line of action, and that the proper approach to the question lay in devising a system, under which the number of surplus copies should be reduced to negligible proportions. The Committee were inclined to accept this view, and recommended that the Labour Department should be asked to lay down a procedure, in consultation with other Departments of the Government of India, for limiting the number of copies printed, especially in the case of technical and scientific publications, the demand for which was very limited.

62. The Committee recommended that an excess grant to cover the excess of Rs. 84,272 under this head should be voted by the Legislative Assembly.

*Finance Department.*

63. The Committee next considered item No. 13 of the statement of recommendations made by them last year, which had been left over from a previous meeting. The Committee concurred in the conclusion arrived at by Sir Ernest Burdon as the result of his investigation and accepted by the Government of India, viz., that it was not advisable to transfer any specific work to the High Commissioner, and that the India Office had justified their assessment of the charge which should be levied on India for agency work.

The Committee adjourned till 11 A.M. next day.

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**Proceedings of the ninth meeting of the Public Accounts Committee  
held on Thursday, the 17th August 1939 at 11 A.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

BHAI PARMA NAND.

Mr. J. RAMSAY SCOTT.

Captain Sardar Sir SHER MOHAMMAD KHAN,  
C.I.E., M.B.E.

Maulvi MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikk FAZL-I-HAQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Mr. E. CONRAN-SMITH, C.I.E., I.C.S., Secretary,  
Home Department.

Mr. J. C. TALUKDAR, I.C.S., Deputy Secretary,  
Home Department.

Mr. J. HENNESSY, Principal Information  
Officer.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General,  
Central Revenues.

The Honourable Mr. C. E. JONES, C.I.E., I.C.S.,  
Finance Secretary.

*Members.*

*Witnesses.*

64. *Grant No. 12.—Executive Council.*—It was noticed that the nominal reduction of Rs. 301 made by the Legislative Assembly had not been realized, but that, on the other hand, there had been an excess of Rs. 355 in the voted section of this Grant. After some discussion, the Committee came to the conclusion that the excess was too small to have any financial significance, and that it should be regarded as purely accidental. The Committee, therefore, decided to recommend that the necessary excess grant be voted by the Legislative Assembly.

65. *Grant No. 15.—Home Department.*—It was noticed that, during 1937-38 also, considerable savings had accrued in the original appropriation under sub-head 'C.4—Secret Service Contingencies'. In this connection, the attention of the Committee was drawn to item No. 38 of the statement of recommendations made last year, and it was stated that the lump sum cut made under this head in the estimates for 1939-40, was so considerable as to leave little room for savings. The Committee expressed their satisfaction with the position.

66. The accounts relating to Grants Nos. 26.—Administration of Justice, 27—Police, 53—Census, 57—Miscellaneous Departments and 63—Miscellaneous, were examined in considerable detail.

67. *Grant No. 67.—Delhi.*—The note on the receipts and expenditure of Delhi Province, appearing below the Appropriation Accounts for the

Delhi Grant, which had been prepared in compliance with item No. 18 of the statement of recommendations made by the Committee last year, was the subject of a prolonged discussion. The difficulties in preparing a *pro forma* account of sufficient accuracy, to be of any utility, had already been pointed out in a note from the Accountant General, Central Revenues, which had been reproduced as Appendix XVI to the Report of the Public Accounts Committee, 1938. It was, however, suggested that, notwithstanding these undoubted difficulties, it would be of advantage to know the extent to which the administration of Chief Commissioners' Provinces, was subsidized by the general revenues of the Central Government. While the statements of receipts and expenditure, given under the various Area demands in the Appropriation Accounts indicated that they were all deficit Areas, the statements did not give the detailed figures relating to particular heads on which alone a proper understanding of the financial position could be based. On the other hand, the statements included figures of total receipts and total expenditure adjusted in the accounts of the Areas, which were irrelevant to the purpose for which the statements were prepared. It was recognised that a compilation of the figures relating to these Areas in a serviceable form would be an onerous task, but the Auditor General undertook to have a further enquiry made, the results of which would be reported to the Finance Department. The Committee were content to let this matter be pursued departmentally.

68. *Grant No. 68.—Ajmer-Merwara.*—Comment was made upon the reappropriation from sub-head C. (Account No. I)—Commission on Land Revenue Collections, which had the effect of augmenting the uncovered excess under this head. It was remarked that the reappropriation should not have been made without local information regarding the progress of expenditure.

69. *Grant No. 70.—Andamans and Nicobar Islands.*—The Commercial Accounts of the Shipping, Marine and Supply Departments were examined. The Accountant General, Central Revenues, drew attention to the fact that the reduction in the cost of coal, mentioned in paragraph 178 of the Commercial Appendix, was the result of a suggestion made by local audit. The Committee were glad to note the improvement in the financial position of the Shipping and Marine Departments. In view of the fact that the 'bakery' and the 'butchery' as well as the Supply Department, Andamans, as a whole had shown a profit for the fourth successive year, and that the Supply Department was really a Service Department which was not run primarily for profit, the Committee accepted the conclusion in the note (Appendix IX) submitted in connection with item No. 39 of the statement of their recommendations made last year.

The Committee recommended an excess grant to cover the excess of Rs. 825 in this Grant.

The Committee adjourned till 2-30 P.M.

**Proceedings of the tenth meeting of the Public Accounts Committee held on Thursday, the 17th August 1939, at 2-30 P.M.**

PRESENT :

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Bhai PARMA NAND.

Mr. J. RAMSAY SCOTT.

MAULVI MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Mr. O. K. CAROE, C.I.E., I.C.S., Secretary, External Affairs Department.

Mr. G. K. S. SARMA, Under Secretary, External Affairs Department.

Major G. L. MALLAM, Finance Secretary to the Government of the North-West Frontier Province.

Rai Sahib Lala SUKH DAYAL, Financial Assistant to the Agent to the Governor-General and Chief Commissioner, Baluchistan.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

*Members.*

*Witnesses.*

70. *Tribal Areas*.—The Committee were glad to note that, as recommended by them last year (item No. 36 of the statement of recommendations made by them last year), a letter, dealing with the irregularities in expenditure in the North-West Frontier Province, brought to light during the audit of Khassadar and other unauthorized funds, had been issued.

The Committee examined the accounts in detail, and noted that the modifications from the original appropriations were almost entirely on account of Waziristan disturbances. The gross additional appropriation amounted to no less than Rs. 49 lakhs, but 25 lakhs out of it were met from the Fund for special Frontier Expenditure including Development for the purpose of new road construction in Waziristan. At this stage, the Auditor General raised a general question, regarding the necessity of comparing not merely the final appropriation with the actual expenditure, but also the original appropriation with the final appropriation and actual expenditure. In the case of voted grants, the original and supplementary grants were shown separately, and the Auditor General regarded it as

equally important that, in the case of non-voted heads, the original appropriation also should be brought to notice, particularly when large additions were made by Executive orders. The Committee accepted the views of the Auditor General.

71. In regard to Works Expenditure other than on works relating to Frontier Watch and Ward, the Committee endorsed the audit comment that, while control over Works Expenditure was, on the whole, satisfactory, there was room for improvement in estimation.

72. *External Affairs*.—In connection with item No. 37 of the statement of recommendations made by them last year, the Committee noted that the question of the incidence of Persian Gulf expenditure was still under discussion with His Majesty's Government, and reiterated their recommendation of the last year that a decision on this question should be arrived at as soon as possible.

73. A member of the Committee enquired whether expenditure on the upkeep of Bahrein prisoners, accounted for under 'H. 4.—Other Refugees and State Prisoners' was a proper charge on Indian revenues. The External Affairs Department undertook to examine this point.

74. *Baluchistan*.—It was noticed that the progress of the Quetta Reconstruction was slower than was originally expected. This, however, was not to be deplored, as the greater consideration given to the type of the structure to be erected in Quetta, had yielded valuable economies.

The Committee were gratified to find that considerable impetus had been given to the development of forests in Baluchistan, and that increased expenditure had brought its own reward in a still bigger increase in receipts. Another satisfactory feature of the Baluchistan Accounts was the considerable savings effected by the re-organization of the services in Baluchistan. In Police alone, the annual saving was estimated at Rs. 2 lakhs.

The Committee adjourned till 11 A.M. next day.

**Proceedings of the eleventh meeting of the Public Accounts Committee held on Friday, the 18th August 1939, at 11 A.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Bhai PARMA NAND.

Mr. J. RAMSAY SCOTT.

Captain Sardar Sir SHEER MOHAMMAD KHAN, C.I.E., M.B.E.

MAULVI MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Sir G. V. BEWOOR, C.I.E., I.C.S., Director General, Posts and Telegraphs.

Mr. GHULAM MOHAMMAD, Finance Officer, Communications.

Mr. K. S. V. RAMAN, I.C.S., Deputy Director (Finance), Posts and Telegraphs.

Mr. A. BROKENSHAW, Chief Engineer, Posts and Telegraphs.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. M. SUBRAHMANYAN, Accountant General, Posts and Telegraphs.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

*Members.*

*Witnesses.*

75. The Committee examined at length the financial review of the working of the Posts and Telegraphs Department for the year 1937-38. It was noted that all profits since 1936-37 had been utilized to pay off the interest bearing and non-interest bearing accumulated losses of the earlier years of depression since 1927-28.

76. *Losses on Press Traffic.*—The Committee considered the memorandum (Appendix X) on the loss of Press traffic, submitted in connection with item No. 40 of the statement of recommendations made by them last year. In the course of a lengthy discussion, the question was examined from all sides. The Committee were inclined to agree with the view taken in the memorandum that it was difficult to calculate the gain or loss on a particular kind of traffic in a system which handled several kinds of traffic. The basic fact was that there was loss on the working of the Telegraph Branch as a whole, and since Press Telegrams were issued at concessional rates, a considerable part of the loss could be attributed to the Press traffic. A precise calculation of this loss based as it would be on assumptions, the validity of which was open to certain objections, was, therefore, impracticable. The memorandum showed that, according to the only practicable method of calculation, the savings to the Department, consequent upon the abolition of Press traffic in 1937-38, would amount to

nearly Rs. 6 lakhs, as against the revenue derived from such traffic of nearly Rs. 6.73 lakhs ; but it was emphasised that the commercial cost to the Department of handling the Press traffic, including engineering and other overhead expenses which formed a legitimate charge, was not less than Rs. 23 lakhs.

It was therefore considered that the proper approach to the question lay in deciding what reductions in the concessions already granted, could be justified on financial and administrative grounds. While it was recognized that it was in the public interest that Press Telegrams should be sent at a cheaper rate than ordinary telegrams, the practical determination of the extent of the concession was a difficult matter. One concession, namely, the concession in the case of multiple address press telegrams, by which copies of the same Press message could be sent to different places on payment of a small copying fee only, appeared to the Committee to lack justification. The Committee, therefore, desired that the question of revising the multiple address concession which, it was understood was already engaging the attention of the Posts and Telegraphs Department, should be examined with a view to ascertaining the possibility of some curtailment of the concession, and a report made to the Committee next year.

A matter of some interest that came to the notice of the Committee during the course of this discussion was that carrier circuits, which rendered it possible to send more than one message on different wave lengths on one physical circuit, had enabled the Department to place certain spare circuits at the disposal of Reuters at an annual rent of Rs. 1 lakh. This arrangement, which was beneficial both to Government and to Reuters, had, it was estimated, reduced the number of Press Telegrams by about a lakh in 1938-39, and to that extent had reduced the loss on handling Press traffic.

77. It was considered that the table showing the percentage of working expenses to revenue in paragraph 10 of the Director-General, Posts and Telegraphs' Financial Review, was misleading inasmuch as it excluded the provision for depreciation from working expenses, for the reason that it did not contribute directly towards the earnings of revenue. On this ground, it would be equally logical to exclude interest as well. The Committee, therefore, suggested that in future two tables should be prepared, one exclusive of interest and depreciation, and the other inclusive of these charges.

78. The memorandum (Appendix XI) on the adjustment between the different branches of the Posts and Telegraphs Department of the contribution made from revenue to the Renewals Reserve Fund, which was submitted with reference to paragraph 79 of the proceedings of the Public Accounts Committee, 1938, was next considered. It was stated that the percentages, in which it was proposed to apportion the amount of contribution between the different branches, had been fixed after consultation with the Auditor General. The Committee approved of the proposed percentages. In this connection, it was explained that the annual contribution of Rs. 25 lakhs, which, after the separation of Burma, was reduced to Rs. 23.13 lakhs, had been fixed for a term of 5 years, at the end of which period it would be revised. It was possible that the provision might have to be enhanced in view of the rising proportion of capital expenditure on telephones and radios, where the life of the assets was shorter and

the factor of obsolescence more important than in the other branches of the Department.

79. *Audit Report*.—The examination of the Audit Report was then taken up. The attention of the Committee was drawn to the statement in paragraph 5 of the Audit Report, that the tendency to overestimate the normal requirements of the Department had been a persistent feature of the budget for the last three years. It was explained, however, that the saving under Grant No. 10, although apparently large in amount, was only 1.9 per cent. of the total grant. In the case of Grant No. 73.—Capital Expenditure, where the saving, both in amount and in terms of percentage, was really large, the divergence from the original budget provision was stated to be due to the postponement of works on account of a phenomenal rise in the price of copper in the early part of the year 1937-38. The rise in price, which had been caused by the speeding up of the rearmament programmes of the various countries, transformed a number of remunerative works into unremunerative ones. Since most of the works were not urgent, but were intended for an expansion of the service, it was decided to postpone them until prices had come down more or less to normal. This anticipation was fulfilled in the later part of the year, and the works programme was resumed. The Committee were, however, inclined to the view that Grant No. 73 was a proper case for the imposition of a lump sum cut. This, it was stated, had been done in the budget for 1938-39, although it had to be confessed that in spite of the cut, the final saving was expected to be very large. The Committee recommended the imposition in future of a really adequate and effective lump sum cut in Grant No. 73.

Another feature of the works expenditure, which appeared to require a change, was that referred to in paragraph 7 of the Audit Report. It appeared that in the Posts and Telegraphs Department, budget provision was made on the basis of sketch estimates, and that this was partly responsible for inaccuracies in the budget. The Committee recommended the adoption of the same procedure as was in force on the Civil side, namely, to make provision only after consultation with the technical department.

In connection with the price of copper, a member of the Committee raised the question whether the Department was allowed to accumulate stock when the prices were low. In reply, it was stated that only six months' stock was kept, although, as a measure of war preparedness, the question was under consideration whether larger stocks should not be kept.

80. It was noticed that deviations from the estimates were, in many cases, attributed to the increase in stock resulting from the transfer of charged off maintenance stock and unaccounted for stores found lying in various divisional and sub-divisional depots, to the Stores Account. In this connection, it was explained that, during the year under report, the stores organization of the Department had been overhauled and depots had been established at the headquarters of the Engineering Divisions. Stock verification on a large scale had been carried out and stores worth about Rs. 12 lakhs, which had previously been either left unaccounted for or charged off to the maintenance grant, had been brought to account under the usual Capital Suspense Head. This change in the system of

accounting has enabled closer accounts control over the disposal of stores and facilitated the audit of stores accounts.

81. The variations under the sub-head 'H.—Stamps, Postcards, etc.' in Grant 10, led to a discussion on the possibility of improving the estimating and control in respect of this head. It was stated that the excess was due to larger indents in March 1938, and that Heads of Circles had now been instructed to keep a watch on the rate of sale of stamps. It was hoped that this would lead to better estimating in future.

82. In explanation of some of the instances of defective control, given in the Audit Report, it was stated that this was due to the complicated system of budget heads originally designed to facilitate the preparation of commercial *pro forma* accounts. With effect from the year 1938-39, the budget heads had been greatly simplified with the approval of the Auditor General.

The Committee adjourned till 2-30 P.M.

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**Proceedings of the twelfth meeting of the Public Accounts Committee  
held on Friday, the 18th August 1939, at 2-30 P.M.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance  
Member, *Chairman*.

Bhai PARMA NAND.

Mr. J. RAMSAY SCOTT.

MAULVI MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRACHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E.,  
O.B.E.

Sir G. V. BEWOOR, C.I.E., I.C.S., Director  
General, Posts and Telegraphs.

Mr. GHULAM MOHAMMAD, Finance Officer,  
Communications.

Mr. M. S. V. RAMAN, I.C.S., Deputy Director  
(Finance), Posts and Telegraphs.

Mr. A. BROKENSHAW, Chief Engineer, Posts  
and Telegraphs.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor General of India.

Mr. M. SUBRAHMANYAN, Accountant General,  
Posts and Telegraphs.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S.,  
Finance Secretary.

*Members.*

*Witnesses.*

83. During the examination of the financial irregularities mentioned in the Audit Report, it was noticed that the amount of defalcations or loss of public money in 1937-38 was considerably in excess of the corresponding figures for the previous two years. The Director General, Posts and Telegraphs, explained that this was mainly due to one big defalcation lasting over 10 years, in which a postal employee had taken advantage of the trust reposed in him by a number of savings bank depositors who had left their pass books in his custody. He had been tried and sentenced to 14 years' imprisonment. As pointed out by the Accountant General, Posts and Telegraphs, no defect in the system had been revealed. However, a departmental committee of three officers had been appointed to examine the whole question of Savings Bank and Cash Certificate procedure. As a result of their recommendations, the system had been tightened up in many ways, and savings bank work had been withdrawn from a number of post offices where reliable extra-departmental men were not available. In relation to the total volume of monetary transactions of the post offices, neither the loss due to defalcations nor the amount of compensation for loss or damage to insured articles, was appreciable.

84. The Committee were glad to note that the centralization of telephone accounts had resulted in a considerable saving, and that bills were sent to subscribers earlier than before.

85. The attention of the Committee was drawn to paragraph 95 of the Proceedings of the Public Accounts Committee, 1937. The scale of permissible variations between grant or appropriation and actual expenditure had been approved by the Committee for a period of two years. As the budget form had been recast in 1938-39, it was proposed, after consultation with the Auditor General, that the previous limit should apply for another two years. The Committee accepted the proposal.

86. The Appropriation Accounts under each head of the Grant were examined by the Committee in great detail. The Committee had occasion to note a number of entirely unnecessary heads, which, it was stated, had disappeared in the simplified budget form adopted with effect from 1938-39.

87. The Committee were particularly glad to see that two of the biggest heads ' J. II. 2 ' and ' J. III. 1 ' in Grant No. 10, showed remarkably close estimating and control.

88. It was noticed that the capital expenditure on post office buildings, which was accounted for under the major head ' 21.—Posts and Telegraphs—Capital Outlay charged to Revenue ', was met from Central Civil revenues and not provided for under Grant No. 73. Although this capital expenditure was added to the interest bearing capital of the Posts and Telegraphs Department, it appeared anomalous to leave it to the exigencies of the Civil budget whether an integral part of the capital programme of the Posts and Telegraphs Department, even though technically non-productive, should be financed or not. The Committee, therefore, desired that this matter should be looked into.

89. A member of the Committee raised the question why a lump sum cut should not be levied on Grant No. 10, in which there had been savings of over Rs. 20 lakhs in 1936-37 and 1937-38. It was pointed out that the savings were comparatively small in relation to the total amount of the Grant, and that in 1935-36, there had actually been an excess over the Grant. The case of Grant No. 73 was, however, different, as there had been large savings in that Grant and a lump sum cut had already been imposed in 1938-39. It was further stated that, with the creation of the Telephone Development Fund of 2½ crores for 5 years' capital expenditure, the question of lump sum cut would cease to apply in respect of a large portion of the capital expenditure. The Works Expenditure of the other branches would, however, be subject to a lump sum cut. The Committee accepted the position outlined above, particularly in view of the Auditor General's observation that, although some years ago he had been constrained to criticise severely the administration of the Posts and Telegraphs Department, he desired now to acknowledge the remarkable improvement in control, which had taken place in recent years.

The Committee adjourned till 11 A.M. on Monday.

**Proceedings of the thirteenth meeting of the Public Accounts Committee held on Monday, the 21st August 1939 at 12 Noon.**

**PRESENT :**

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Bhai PARMA NAND .. .. .  
Mr. J. RAMSAY SCOTT .. .. .  
Captain Sardar Sir SHER MOHAMMAD KHAN,  
C.I.E., M.B.E.

Maulvi MOHAMMAD ABDUL GHANI .. .. .  
Dr. R. D. DALAL, C.I.E. .. .. .  
Khan Bahadur Shaikh FAZL-I-HAQ, PIRACHA  
Khan Bahadur Sir ABDUL HAMID, C.I.E.,  
O.B.E.

*Members.*

Sir ALAN LLOYD, C.S.I., C.I.E., I.C.S. Addl.  
Secretary, Department of Commerce.

Rai Sahib LADLI PERSHAD, Assistant Secre-  
tary, Department of Commerce.

Mr. R. W. TARGETT, CHIEF Controller of  
Stores, Indian Stores Department.

Rai Bahadur KIRPA RAM, Deputy Director of  
Administration and Intelligence, Indian  
Stores Department.

*Witnesses.*

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor-General of  
India.

Mr. GHULAM MOHAMMED, Finance Officer, Communications.

Mr. A. C. GUPTA, O.B.E., Accountant-General, Central Revenues.

Mr. RAM GOPAL, Audit Officer, Indian Stores Department.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

90. *Amalgamation of the India Stores Department in England with the Stores Department in India.*—Last year the Committee had asked that the decision on the above subject, should be reported to them (item No. 33 of the statement of recommendations). It was explained that the High Commissioner's remarks on the proposal were under consideration and that it was hoped to reach a decision within the next few months. The Committee desired that the matter should be expedited and a report submitted to them next year.

91. *Pro forma Accounts of the Indian Stores Department.*—An examination of the subsidiary accounts relating to the Indian Stores Department in the Appropriation Accounts showed that there was a net excess of expenditure over income in the commercial and non-commercial sections and in the Department as a whole amounting to over Rs. 6 lakhs. On the non-commercial side, the accounts of the Government Test House showed a net loss of over Rs. 3 lakhs. In the commercial sphere, however, the

**Metallurgical Inspectorate** had a small amount of profit to its credit. It was explained that, while the latter was managed on a purely commercial basis, the former, namely, the Government Test House, was really a national laboratory intended to help national industries. The loss on its working should thus be regarded as Government contribution to industrial development.

In this connection, the question was raised that the income of the Department represented the amounts actually realized as well as *pro forma* credits for the services rendered to the non-commercial departments of the Government of India, against which no charges were actually made. Credits from Provincial Governments, who were responsible for about 10 per cent. of the gross turnover and from commercial departments, were rightly treated as revenue, but the *pro forma* credits could justifiably be called illusory. It was stated that the Retrenchment Committee, 1932 had also regarded as misconceived the idea of putting the Indian Stores Department on a self-supporting basis with the help of these *pro forma* credits. According to that Committee, a correct picture of the financial position could only be obtained if, on the receipt side of the account, credit was taken for the large savings in the expenditure budgets of consuming departments on the cost of stores purchased by the Indian Stores Department. A calculation of any such savings would, however, be largely conjectural, and therefore the Auditor-General suggested that the real test of the comparative success or otherwise of the Department was to compare the percentage, which the cost of the Department bore to the volume of purchases made. Judged from this standpoint, the Department had shown satisfactory progress, as the incidence of cost was now 1.07 per cent. against 1.13 per cent. in 1937-38 and 1.38 per cent. four years ago. After some further discussion of the question whether it was necessary to maintain in their present form these *quasi-commercial* accounts inclusive of *pro forma* credits from non-commercial departments, the Committee came to the conclusion that it was necessary to have the question re-examined and a report submitted to them next year.

92. *Grant No. 29.—Lighthouses and Lightships.*—The Committee noted that it had been decided to abolish the Additions and Replacements Reserve of Lighthouses and Lightships Department (item No. 35 of the statement of recommendations). On concluding their examination of the accounts relating to this head, including commercial accounts, the Committee recommended that an excess grant for Rs. 6,765 should be voted by the Assembly.

93. *Bengal Pilot Service.*—With reference to item No. 34 of the statement of recommendations made last year, it was stated that, subject to the advice of the Advisory Committee, the provisional conclusion had been reached that the balance in the Heavy Repairs Reserve Fund for the Bengal Pilot Service was excessive and that contributions to it as well as to the Depreciation Reserve should cease until the replacement of the pilot vessels. The Committee desired that the final decision should be reported to them next year.

In reply to a question by a member of the Committee, the Chairman explained how it was in the public interest that the Bengal Pilot Service, which had always been a Government service, should continue on the same footing.

It was noted that the Bengal Pilot Service was run on a self-supporting basis, and had, in fact, considerable accumulated funds, which the Committee regarded as extremely satisfactory.

94. In order to know how far the expenditure on Ports and Pilotage was covered by fees, the Committee desired that a statement should be included in the Appropriation Accounts, indicating the total receipts as against the expenditure under this head, excluding the items relating to the "Dufferin" and the grant-in-aid to the Vizagapatam Port.

The Committee were gratified to learn that practically all the qualified cadets of the "Dufferin" had found employment.

95. The accounts relating to Grants Nos. 46.—Industries, 52.—Commercial Intelligence and Statistics and 56.—Joint Stock Companies were next examined. In respect of the excess of Rs. 44 under the last head, the Committee recommended that an excess grant should be voted by the Assembly.

96. *Grant No. 57.—Miscellaneous Departments.*—The income and expenditure account of the scheme for the registration of Accountants was examined. The deficit of over Rs. 6,000 in 1937-38 was stated to be due to special circumstances in that year. It was hoped that the institution which aimed at becoming a self-governing body, would be placed on a self-supporting basis in the near future.

The Committee adjourned till 2-45 P.M.

**Proceedings of the nineteenth meeting of the Public Accounts Committee held on Thursday, the 24th August 1939, at 11 a.m.**

**PRESENT :**

The Honourable Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member. *Chairman.*

Bhai PARMA NAND.

Mr. J. RAMSAY SCOTT.

Maulvi MOHAMMAD ABDUL GHANI.

Dr. R. D. DALAL, C.I.E.

Khan Bahadur Shaikh FAZL-I-HAQ PIRAGHA.

Khan Bahadur Sir ABDUL HAMID, C.I.E., O.B.E.

Mr. S. A. LAL, Deputy Secretary, Legislative Department.

Mian MUHAMMAD RAFI, Secretary, Legislative Assembly Department.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General of India.

Mr. A. C. GUPTA, O.B.E., Accountant General, Central Revenues.

*Members.*

*Witnesses.*

50. The accounts relating to the Legislative, Legislative Assembly and Defence Departments were examined. In connection with the Legislative Assembly Department, the Committee were informed that the question raised last year about the reorganization of the Department on the lines of a vacation department, had been examined by the Economy Committee. In consideration of the views of the Hon'ble the President of the Legislative Assembly, it was decided not to press the matter further but to accept for the present economies amounting to Rs. 10,800. offered as a temporary measure, in the budget for 1939-40.

Another question that had been raised last year, was the position of the Legislative Assembly Department in regard to expenditure proposals and budget procedure. The Chairman explained the procedure which differed in no essential respect from that followed in regard to other Departments. The Committee expressed their satisfaction with the position.

51. *Paragraph 32 of the Audit Report.*—The attention of the Committee was drawn to the fact that the excess of Rs. 27 under Grant No. 81-Ajmer-Merwara in the Accounts for 1936-37, which had been recommended by the Public Accounts Committee last year for the vote of the Assembly, had not been approved by the Assembly. The Committee again made a recommendation to the Legislative Assembly to regularise formally by their vote this trivial excess.

52. A member of the Committee pressed for the establishment of an Estimates Committee in place of the Standing Finance Committee at an

early date. The Chairman explained that, as had been stated in the Assembly on various occasions, such a proposal had already been circulated to the various Party Leaders. No further action was possible until their reactions to the proposal were known.

53. *Report of the Military Accounts Committee.*—The Committee approved the Report of the Military Accounts Committee.

54. The Committee desired to place on record their appreciation of the extremely valuable assistance rendered by Sir Ernest Burdon to the Committee throughout his term of office as Auditor General and also wished to convey their appreciation of the work done by Mr. Mohamadali as Secretary to the Committee.

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## Report of the Military Accounts Committee, 1939.

We are appointed in pursuance of the recommendation made in paragraph 31 of the Report of the Public Accounts Committee on the Accounts of 1929-30 to make a preliminary examination of the Appropriation Accounts of the Defence Services and connected documents. We have been assisted in this work by the Auditor General, the Defence Secretary, the Financial Adviser, Military Finance, and the Military Accountant General. The results of our examination are, as usual, embodied in the proceedings of our meetings which we desire to be treated as a part of our report. The following paragraphs deal only with some of the more important points.

2. *Revision of Regulations*.—We are glad to note that the work of revising the Army Regulations is being expedited. In particular, the arrangement, shortly to be introduced, under which all work relating to the Financial Regulations will be done under the expert direction of the Military Finance Branch, has our full approval. We regard the additional expenditure to be incurred on introducing this scheme as completely justified by the better financial control which will follow the publication of the Revised Regulations.

3. *Overstocking of R. A. F. Stores*.—It is a source of satisfaction to us that the unsatisfactory conditions regarding the provisioning and control of R. A. F. stores, to which we repeatedly drew attention, have ended. In view of the greatly improved state of the accounts and of financial control, we are content to leave it to the ordinary duties of audit to watch over any tendency to overstock.

4. *Percentage of establishment charges in the Military Engineer Services*.—Our examination of this subject induces us to think that, even after making full allowance for the various special factors, which tend to raise the establishment charges, there is still scope for further economies, and we accordingly recommend that the Defence Department should make an endeavour to reduce the percentage. The ratio should be reported upon annually, clearly irrelevant factors being discounted and the calculation being made on the same basis as that made by the Accountant General, Central Revenues in respect of Central Public Works Department establishment charges.

5. *Expenditure on the Military Engineer Services*.—We are glad to note that the system of automatic regrants has succeeded in eradicating the evil of accelerated payments in March, and also that the imposition of lump sum cuts has led to a decrease in the amount of lapses. We hope that, when the system of making allotments only to those works which have been properly considered and previously accepted, has been in operation for a year or two longer, the necessity for deviating from the original programme will be limited to cases of extreme urgency, which cannot possibly be foreseen at the time of framing the budget estimates. We trust also that the tendency noticed in some cases of inclusion in works estimates of a substantial margin for possible omissions and unforeseen items of expenditure will disappear entirely. We desire to express our appreciation of the extremely useful review of expenditure on the Military Engineer Services, included in the Appropriation Accounts.

6. *Defence Reserve Fund.*—We are of the opinion that the justification for the continuance of the Defence Reserve Fund on the basis on which it has been maintained hitherto, appears to have ceased, and that the question of continuing any such device in future should require separate justification.

7. We desire to place on record our indebtedness to the Auditor General for the valuable assistance given to us in our examination of these accounts.

A. J. RAISMAN.

C. E. JONES.

MOHAMADALI,

*Secretary.*

*2nd September, 1939.*

**Proceedings of the first meeting of the Military Accounts Committee held on Wednesday, the 9th August 1939, at 11 A.M.**

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Mr. S. SATYAMURTI.

Mr. B. DAS.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

*Members.*

Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Secretary, Defence Department.

Mr. E. T. COATES, C.I.E., I.C.S., Financial Adviser, Military Finance.

*Witnesses.*

Mr. M. R. COBURN, C.I.E., O.B.E., Military Accountant General.

Mr. V. NATESAN, Deputy Financial Adviser, Military Finance.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. W. R. TENNANT, I.C.S., Director of Audit, Defence Services.

The Committee first considered the military items in the statement (Appendix I) showing action taken or proposed to be taken on the recommendations made by them in previous years.

2. *Item 41.—Allocation of Ecclesiastical expenditure.*—In connection with the note (Appendix XII) on this subject, it was stated that the question of applying the results of the census of entitled persons to the actual distribution of the charges between Civil, Defence and Railways was under consideration. In view, however, of the difficult and involved nature of the question, it was not possible to give an assurance that it would be finally settled during the current year. The Committee trusted that every effort would be made to give effect to the revised allocation in the next year's budget.

3. *Item 42.—Revision of the Army Regulations.*—With reference to the report (Appendix XIII) submitted on the subject, the Defence Secretary stated that the work was progressing satisfactorily. The regulations mentioned in paragraph (a) of the report, the revision of which had been completed last year, had already been published; and it was hoped to publish, before the end of this year, the Pension Regulations, to which the approval of the Secretary of State had been received. The Auditor General expressed his satisfaction with the arrangement, shortly to be introduced, under which all work relating to the Financial Regulations will be done under the expert direction of the Military Finance Branch. This change will ensure not only that the work will be considerably expedited, but also that it will be more conclusive because of the

arrangement, similar to that on the civil side, of concurrent consultation with the Director of Audit, Defence Services. The Chairman stated that, in order to introduce this scheme, an additional expenditure of Rs. 40,000 had been sanctioned. The Committee welcomed the efforts made to speed up the work and desired that a report on the progress of the work should be submitted next year.

4. *Item 43.—Scheme for the interchange of Accountants of the Public Works Department and of the Military Engineer Services.*—On the recommendation of the Auditor General, the Committee decided that the scheme mentioned above should be terminated. The experiment had served its purpose and nothing of value would be gained by its further continuation. Both the Auditor General and the Financial Adviser, Military Finance, were satisfied that the Accountants of the Military Engineering Services were reasonably efficient and not inferior in quality to those of the Public Works Department.

5. *Item 44.—Overstocking of R. A. F. Stores.*—The review of the Director of Audit, Defence Services (Appendix XIV) on the report of the Air Officer Commanding, regarding the progress made in the review of R. A. F. stocks in relation to the prescribed stock limits, led to a considerable discussion. The Committee were gratified to learn that the unsatisfactory conditions prevailing some years ago—perhaps inevitable in the early days of a new service—had ended; that the accounts were now in a greatly improved state; and that provisioning was being carried out in accordance with correct principles and on some exact basis. The Committee accepted the view that the annual reviews of stock were impracticable; and that the future reviews, like the present one, would be biennial. On the assurance of the Auditor General that a watch over any tendency to overstock might be left to the ordinary duties of audit, the Committee decided to dispose of this item finally.

As regards the disposal of surplus stores, the Committee were informed that elaborate enquiries were at present made in order to find out possible purchasers for stores among the civil departments and other authorities. The Committee, however, commended the last sentence of the review by the Director of Audit, Defence Services, namely, that “the possibility of speedier disposals of redundant (and therefore depreciating) stores seems to merit consideration” to the attention of the Defence Department.

6. *Item 46.—Improvements in the processes of estimating now in force for the Defence Services.*—The Committee went at length into the budgetary procedure outlined in the Memorandum (Appendix XV) on the subject. A member of the Committee put forward the suggestion that at the time of scrutinizing the budget estimates, the Military Finance Branch should keep a special watch over possible economies. It was explained that this was done as a normal process. The Chairman stated that because of the increasing new demands of the Defence Services and the limited amount of money available, the incentive for economy in standing charges was perhaps greater on the military side than on the civil. The Committee were satisfied that a rigorous financial control was being exercised, but desired that a report should be submitted next year on the result of the reduction and simplification of budget headings referred to in the last sentence of the Memorandum.

7. *Item 48.—Percentage of establishment charges in the Military Engineer Services.*—The report (Appendix XVI) on this subject was next subjected to an examination. A member of the Committee desired to know the extra cost attributable to the fact that the Military Engineering establishment was not determined solely by the requirements of peace time work. It was explained that it was impossible to work it out with any accuracy as the Military Engineer Service was not strictly comparable with an organization in which the establishment was kept only for a definite programme of work. In regard to the rather high percentage of establishment charges, the Auditor General explained that apart from the factors mentioned in the report submitted on the subject, there were a few others requiring mention, such as the institution of the cadre of Surveyors of Works and the Quetta Reconstruction requiring a bigger establishment during the initial stages. It was hoped, however, that the creation of the cadre of Surveyors of Works would ultimately lead to economy in the cost of works. The Committee felt that even after making full allowance for the various factors mentioned, there was scope for further economies, and recommended that the Defence Department should make an endeavour to reduce the percentage of establishment charges. The ratio should be reported upon annually, clearly irrelevant factors being discounted and the calculation of the ratio being made on the same basis as that made by the Accountant General, Central Revenues, in respect of Central Public Works Department Establishment charges.

8. *Item 49.—Surveyors of Works.*—The Committee desired further information regarding the shortage in the cadre of Surveyors of Works mentioned in the report (Appendix XVII) of the Director of Audit, Defence Services. The Financial Adviser, Military Finance, undertook to supply the information at a later meeting.

9. *Item 50.—Defence Reserve Fund.*—In connection with the report (Appendix XVIII) on the Defence Reserve Fund, the question was raised whether the Fund could continue to play the same role in the Defence Services budget as it used to in the past. After some discussion the Committee came to the conclusion that the justification for the continuance of the Defence Services Reserve Fund on the basis on which it had been maintained in recent years, appeared to have ceased, and that the question of continuing any such device in future would require separate justification.

10. *Item 51.—Military Grass Farms.*—The Committee agreed with the conclusion in the report (Appendix XIX) on the subject that, because of the progressive mechanization of the army in India and the consequent reduction in the requirements of the fodder, a scheme for expanding Military Grass Farms could not profitably be embarked upon.

11. *Item 52.—Dairy Farms.*—After considering the report (Appendix XX) on the subject, the Committee were satisfied that the produce of the Dairy Farms was not being sold to the troops unduly cheaply. A member of the Committee raised the question that the rates charged to the civilian purchasers should be the full market rates. But it was explained that it was only the casual surplus which was sold to civilians, and that the financial effect of the proposal would be insignificant.

12. *Item 53.—Revision of the forms of accounts of the Medical Stores Depots.*—In connection with the report (Appendix XXI) on the above

subject, the Auditor General stated that the accounts of these Depots had greatly improved in the past 5 or 6 years ; and that they now showed the financial position from every point of view very clearly. The Committee desired that a report should be submitted to them on the results of the review of the present organization of the Medical Stores Depots which is now under consideration by a departmental committee.

13. *Item 54.—Clothing Factory.*—The Committee accepted the conclusion in the report (Appendix XXII) on the above subject.

The Committee adjourned till 2-30 P.M.

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**Proceedings of the second meeting of the Military Accounts Committee held on Wednesday, the 9th August 1939, at 2-30 P.M.**

PRESENT :

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance Member, *Chairman*.

Mr. S. SATYAMURTI.

Mr. B. DAS.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S., Finance Secretary.

Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Secretary, Defence Department.

Mr. E. T. COATES, C.I.E., I.C.S., Financial Adviser, Military Finance.

Mr. M. R. COBURN, C.I.E., O.B.E., Military Accountant General.

Mr. V. NATESAN, Deputy Financial Adviser, Military Finance.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S., Auditor General.

Mr. W. R. TENNANT, I.C.S., Director of Audit, Defence Services.

*Members.*

*Witnesses.*

14. The Committee took up the consideration of the Report of the Director of Audit, Defence Services.

15. *Paragraph 5, read with paragraphs 3, 7 and 8 of the Appropriation Report.*—In the course of the examination of the variations between the original budget estimates and the actuals for the year 1937-38, the Committee noticed that one of the factors contributing to the excess over the original budget provision was the application to British troops in India of certain concessions sanctioned by His Majesty's Government to all British troops in the middle of the year. It was explained that the Government of India had already made representations to His Majesty's Government regarding the need for giving adequate notice in such cases. The Committee endorsed the attitude of the Government of India in this matter.

The Committee noted that, with effect from the year 1938-39, the Defence Services were not entitled to get a refund of the excise duty on petrol consumed by them.

16. *Paragraph 12.*—The Director of Audit, Defence Services stated that orders for improving the machinery for the collection of data to facilitate more accurate revised estimating in respect of Head 3-D had been issued.

17. *Paragraph 13.*—In regard to the wide variations between the modified appropriation and the actual expenditure under the minor heads of sub-head 5-A-Royal Indian Army Service Corps, it was explained that the variation in this year should be viewed as an individual lapse due to the exceptional circumstances arising from the Waziristan Operations.

18. *Paragraph 16.*—In connection with the mistakes mentioned in the Audit Report, the Auditor General pointed out that some years ago, on the recommendation of the Public Accounts Committee, orders had been issued that the Appropriation Accounts and the Audit Report thereon should be studied very carefully by the officers responsible for controlling grants or controlling any financial operations. Those orders, which are scrupulously observed in practice, have a salutary effect.

19. *Financial irregularities.—Paragraphs 21 to 29.*—The Committee agreed that no further action was required with regard to the items mentioned in these paragraphs ; but in the case mentioned in paragraph 28, regarding the unauthorized renewal of a tennis court, the Committee desired to record their view that the transaction was gravely irregular.

20. *Review of expenditure on the Military Engineer Services.*—The Committee examined at great length the expenditure on the Military Engineer Services and expressed their appreciation of the extremely useful review of this expenditure in the Appropriation Accounts. The Auditor General stated that some years ago, fairly large diversions from the original programme of works were a normal feature ; but that a very considerable measure of improvement had now taken place. A member of the Committee drew attention to the fact that the amount of lapses had been increasing year by year. This led to a lengthy discussion, in the course of which the Financial Adviser, Military Finance, explained that the cause of the large lapses was to be found in the system of automatic regrants which had resulted in preventing the rush of expenditure in March. Looked at in that light, the lapses reflected better control of expenditure. The Committee, however, desired to know whether there had been any improvement in this respect in 1938-39, and the Financial Adviser, Military Finance, undertook to supply the information at the next meeting. The Committee ended by endorsing the opinion of the Auditor General that, tested in the light of experience, the system of automatic regrants had proved to be beneficial.

The Committee noted that, when the system of making allotments only to those works which had been properly considered and previously accepted, had been in operation for a year or two longer, the necessity for deviating from the original programme would be limited to cases of extreme urgency, which could not possibly be foreseen at the time of framing the budget estimates.

21. The Committee then went through Appendix I of the Appropriation Accounts in great detail. One aspect of the matter—namely, the exclusion from the Appendix of cases in which the whole amount originally granted for a specific purpose was withdrawn on account of the execution of the work having been postponed or abandoned as a result of military policy—was left over for discussion at the next meeting.

The discussion on the review of the Military Engineer Services was wound up by the Committee making the following recommendations :—

- (1) The inclusion in works estimates of a substantial margin for possible omissions and unforeseen items of expenditure is to be deprecated ; the estimates should approximate more closely to actual requirements.

- (2) Recoveries on account of rent, water and electricity should be made within the time allowed, *vide* paragraph 104 of the Appropriation Report.
- (3) Special efforts should be made to see that there is as little delay as possible in the payment of contractors' bills, including their final bills.

The Committee adjourned till 11 A.M. next day.

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**Proceedings of the third meeting of the Military Accounts Committee  
held on Thursday, the 10th August 1939, at 11 A.M.**

**PRESENT :**

The Hon'ble Sir JEREMY RAISMAN, C.S.I., C.I.E., I.C.S., Finance  
Member, *Chairman*.

Mr. S. SATYAMURTI.

Mr. B. DAS.

The Hon'ble Mr. C. E. JONES, C.I.E., I.C.S.,  
Finance Secretary.

Mr. C. M. G. OGILVIE, C.B.E., I.C.S., Sec-  
retary, Defence Department.

Mr. E. T. COATES, C.I.E., I.C.S., Financial  
Adviser, Military Finance.

Mr. M. R. COBURN, C.I.E., O.B.E., Military  
Accountant General.

Mr. V. NATESAN, Deputy Financial Adviser,  
Military Finance.

Sir ERNEST BURDON, K.C.I.E., C.S.I., I.C.S.,  
Auditor General.

Mr. W. R. TENNANT, I.C.S., Director of Audit,  
Defence Services.

*Members.*

*Witnesses.*

22. As desired by the Committee, the Financial Adviser, Military Finance, gave the necessary information regarding the shortage in the cadre of Surveyors of Works. It was explained that quantity-surveying was a very technical and specialized business, requiring a period of over 5 years for training. 48 Indians had been recruited as Grade I and Grade II Assistants and were being trained for ultimate employment as Surveyors of Works after they had passed the Chartered Surveyors' Institute's Examination and gained the necessary experience. The Committee regarded the position as satisfactory.

23. As regards the amount of lapsed provision for works in 1938-39, which the Committee had desired to know, it was reported that the lapse was Rs. 19 lakhs, out of which Rs. 12 lakhs were for regrants and only Rs. 7 lakhs represented a genuine lapse. There was thus a considerable improvement over the results of 1937-38 when the lapse amounted to 31 lakhs.

24. The next question taken up was the exclusion from Appendix I of the Appropriation Accounts of cases in which the whole amount previously granted for a specific purpose was withdrawn on account of the execution of the works having been postponed or abandoned as a result of military policy. After some discussion it was decided that the total number and total cost of such works should be shown in Appendix I along with the details of works over Rs. 50,000. Moreover, the Director of Audit, Defence Services, will draw attention to any other cases which, in his opinion, should be brought to the notice of the Committee.

25. The Committee then resumed the consideration of the Audit Report. In connection with the audit of Stores and Supply Accounts, a member of the Committee drew attention to the fact that certain military authorities had placed indents with the Indian Stores Department, London, for ridiculously small amounts. The Financial Adviser, Military Finance, made a special note of the point.

26. *Paragraph 40.—Faultily expressed rules or orders.*—It was explained that the Financial Adviser, Military Finance, had recently issued orders greatly improving the drafts of new orders as well as the revision of the old one ; and that the Director of Audit, Defence Services, was now being associated with the drafting.

#### *Appropriation Accounts.*

27. *Paragraph 61.—Excess under the heads (h) and (i), Central Revision Section and Director of Regulations and Forms.*—The Defence Secretary stated that detailed instructions had been issued to take account of all commitments so as to avoid excesses on account of belated debits from the Civil Department.

28. *Paragraph 133.*—The Financial Adviser, Military Finance, informed the Committee that, in future, transfers to and from the Equalisation Funds would be shown clearly in the budget estimates.

29. *Appendix C.*—The Committee considered that this Appendix might be dropped.

30. *Appendix F.*—With regard to the remark in paragraph 1 of the Appendix that private treaty sales as a normal arrangement had been discontinued in respect of all except important commodities such as metals, machinery, gunny bags, etc., the Committee considered that any departure from the procedure of sales by auction should require special justification.

#### *Commercial Appendix.*

31. *Medical Stores Depots.*—The Committee noted with satisfaction that the loss on the working of the Depots had gone down considerably in 1937-38, as compared with previous years. It was hoped that it might be further reduced as a result of the report of the Committee appointed to examine the present organization of the Depots.

The Committee adjourned at 1-30 P.M.

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## APPENDIX I.

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**Statement showing action taken or proposed to be taken on  
recommendations made by the Central Public Accounts  
Committee.**

**PART I.—Civil, Posts and Telegraphs, and Defence  
Services.**

## Statement showing action taken or proposed to be taken on recom

## PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
1	1935-36 1936-37	10-R. . . . and 7-P. 1-P.	<p><i>Education, Health and Lands Department.</i></p> <p>That the conference proposed to be held between representatives of the Education, Health and Lands and Defence Departments should seriously consider whether the transfer of work connected with the Army from the Mathematical Instrument Office is in the interests of India as a whole.</p>
2	1935-36 1936-37	5-P. . . . 3-P.	<p>That the efforts to increase the sales of Maps of the Map Record and Issue Office should be vigorously pursued and a further report on the results achieved should be submitted next year.</p>
3	1935-36 1936-37	8-P. . . . 5-P.	<p>That a further report on the question of the necessity for retaining the post of Director of the Botanical Survey should be submitted next year.</p>
4	1936-37	2-P. . . .	<p>That it should be made known through the Provincial Governments that the Mathematical Instrument Office is prepared to undertake work for educational institutions and local bodies.</p>
5	1936-37	9-P. . . .	<p>That a decision should be reached before next year as regards the centralising of dairy farm research or, if no decision has been come to, the question of terminating the contract for the Wellington Milk Depot with the military authorities should be independently taken up.</p>
6	1936-37	10-P. . . .	<p>That the question of handing over the Kidderpore Orphananj Market to the Committee that runs the Orphanage should be examined.</p>
7	1936-37	7-R. . . . and 13-P.	<p>That the Imperial Council of Agricultural Research should be allowed to undertake commitments with regard to research schemes in expectation of receiving their annual grant for a period of one or possibly even two years ahead.</p>
8	1936-37	13-P. . . .	<p>That the explanation for the research schemes given in the Report of the Imperial Council of Agricultural Research should be expanded so as to indicate the expenditure incurred up-to-date.</p>

*Recommendations made by the Central Public Accounts Committee.***Graphs, and Defence Services.**


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Action taken or proposed to be taken.

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As a result of discussions between the Surveyor General and the M. G. O. Branch, the latter are prepared to place with the Mathematical Instrument Office orders for manufacture of articles which the Army is unable to manufacture provided the prices and the quality offered by the M. I. O. compare favourably with those of other sources of supply. Further discussions to settle matters of details are in progress, and the possibility of reduction in M. I. O. prices is also under examination.

Further efforts were made by the Surveyor General to increase sales of maps through (1) advertisements, (2) personal contacts, (3) reduction in prices of maps, (4) agencies and (5) office organisation. A note explaining the results of these measures was considered by the Committee (Appendix III).

It was explained to the Committee that the post of the Director was vacant. No decision regarding its abolition could, however, be taken until Government had considered the recommendations of the I. C. A. R. on the report of the officer placed on special duty to investigate the possibilities of Cinchona production in India.

All the Provincial Government and Minor Administrations have been addressed in the matter as suggested. Lists of instruments which can be supplied or manufactured by the Mathematical Instrument Office have also been forwarded to them.

The Committee was informed that the question of terminating the contract for the Wellington Milk Depot with the military authorities was under examination.

The Committee considered the note furnished on the subject (Appendix IV) and agreed that the Central Government should retain this property.

The Imperial Council of Agricultural Research has already adopted the practice of provisionally allocating funds one year ahead, the allocation to be confirmed when the annual grant is voted by the Legislative Assembly.

A statement will be added to the Annual Report of the I.C.A.R. with effect from its next issue, which will indicate the expenditure incurred up-to-date.

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## Statement showing action taken or proposed to be taken on recom

## PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
<i>Finance Department.</i>			
9	1935-36 1936-37	5-R. . . . 4-R.	That the imposition of lump sum cuts may usefully be extended in a limited number of grants to cases where it has been found that there are savings year after year under particular sub-heads.
10	1935-36  1936-37	5-R. . . . 17-P. . . . and 22-P. . . . 4-R. . . . and 20-P.	That larger units of appropriation both for budgeting and appropriation report purposes should be devised in a limited number of Grants as an experiment to see if it would not lead to more accurate estimating and indeed to economy.
11	1935-36 1936-37	9-P. . . . 22-P.	That so far as the personnel under the control of the Government of India was concerned, the Finance Department should independently examine the position with regard to the recovery of money due from an officer on pension.
12	1935-36	110-P. . . .	That Grant No. 76—Miscellaneous should, if possible, be re-arranged in order to bring together the items relating to each Department.
13	1935-36  1936-37	9-R. . . . and 43-P. . . . 74-P.	That a report should be submitted next year on the question of the transfer of the agency functions at present performed by the India Office to the High Commissioner for India.
14	1936-37	25-P. . . .	That the justification for the provision of a lump sum reserve for unforeseen charges on account of the Security Printing Press should be examined.
15	1936-37	71-P. . . .	That a note should be furnished to the Committee next year on the question whether the old debit balance in the 'Purchases and Sales of Silver Account, should not be written off to Government account.
16	1936-37	75-P. . . .	That as savings had occurred in the Grant for 'Loans and Advances bearing interest' for a series of years, the necessity for a Reserve of Rs. 10 lakhs provided in the Grant should be examined.
17	1936-37	87-P. . . .	That the legal position and the possibility of publishing the Appropriation Accounts as soon as they are available without waiting for them to be laid more than formally before the Legislature should be examined.

*mendations made by the Central Public Accounts Committee—contd.*

*graphs, and Defence Services—contd.*

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Action taken or proposed to be taken.

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Lump cuts for probable savings are being made in all grants under particular sub-heads where it is found that there have been savings from year to year.

The experiment is being tried in Grants Nos. 4, 28, 41, 60 and 63 in the estimates for 1939-40.

The Central Government have after careful consideration framed a rule providing in certain circumstances for recovery from an officer's pension of the amount of loss found, in judicial or departmental proceedings, to have been caused to Government by the negligence or fraud of such officer during his service. This rule will apply to officers under the rule making control of the Governor General in Council who entered service on or after the 23rd February 1939. The Committee expressed their gratification at the action taken by Government in compliance with their recommendation.

The Grant has been recast in the budget for 1939-40.

The question was examined in England last summer by Sir Ernest Burdon on behalf of the Government of India. After a thorough investigation he has come to the conclusion, which the Government of India have accepted, that it is not advisable to transfer any specific work to the High Commissioner and that the India Office have justified their assessment of the charge which should be levied on India for agency work.

The justification for the provision of a lump sum reserve has been examined. It is considered desirable to retain this sub-head to provide for the incidence of unforeseen demands for the products of the Press and for fluctuations in the prices of raw materials. The Committee agreed that the reserve provided the necessary element of elasticity in meeting the demands for the products of the Press.

The Committee agreed with the conclusion in the note submitted in this connection (*Appendix V*) that the debit balance should not be written off to Government account.

The Committee considered the note furnished on the subject (*Appendix VI*) and accepted the necessity for the reserve.

It has been decided to publish the Appropriation Accounts and the Audit Reports thereon as soon as they have been laid on the table of the Legislature.

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## Statement showing action taken or proposed to be taken on recom

## PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			<i>Auditor General.</i>
18	1936-37	83-P . . .	That in future the Auditor General should elaborate the note on the receipts and expenditure of Delhi Province appearing below the Appropriation Account for the Delhi Grant.
			<i>Central Board of Revenues.</i>
19	1936-37	29-P . . .	That the question of extending the scope of the audit of customs receipts should be further explored and a report submitted next year.
20	1936-37	32-P . . .	That the classification of the payments of Customs revenue to the Cochin and Travancore Governments under the Cochin Port agreement should be re-examined to see if they should not be treated as a charge on revenue instead of being included as expenditure.
21	1936-37	33-P . . .	That the results of the experiment to be made in the audit of Income-tax receipts should be intimated to the Committee next year.
			<i>Communications Department.</i>
22	1935-36 and 1936-37	12-R . . . and 111-P. . . 8-R . . . and 41-P. . .	That while neither the question of closing Vizagapatam Port nor that of handing it over to the Bengal Nagpur Railway need be pursued for the present, every effort should be made by keeping the expenditure at the lowest possible level to provide for at any rate a part payment of the interest due on the capital invested in the Port. The question whether full provision for depreciation was being made should also be considered and a report on this point should be submitted next year.
23	1936-37	37-P . . .	That the amount available from the tax on petrol consumed for aviation purposes for expenditure on grants-in-aid should be voted to a special earmarked item in the Road Fund and allotted from this Fund as required.
			<i>Labour Department.</i>
24	1936-37	6-R . . .	That in the case of large capital projects requiring a number of years for completion, the possibility of devising a procedure, under which the required sum may be provided in a fund from which expenditure can be met as the work progresses, should be considered with a view to avoiding the difficulties of grants and lapses.

*recommendations made by the Central Public Accounts Committee—contd.*  
*graphs, and Defence Services—contd.*

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Action taken or proposed to be taken.

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This has been done in the Appropriation Accounts for 1937-38.

The Auditor General explained the working of the present system of audit of customs revenue under which the scope and functions of audit had been clearly defined on the same principles as were in force in England. The Committee agreed with the Auditor General that no extension of the scope was justified.

The question has been re-examined and it has now been decided that the payments of customs revenue to the Cochin and Travancore Governments under the Cochin Port Agreement will, commencing with the payment in respect of the revenue for the year 1938-39, be treated as deductions from revenue.

The Auditor General explained that the experiment had been conducted and as a result he was convinced—and the Committee accepted his conclusion—that it was inadvisable to undertake the audit of Income-tax receipts.

The Administrative Officer's review of expenditure has been completed, and, as a result, economies likely to produce a substantial saving are being effected during 1939-40. Still further economies are under examination. The Committee considered the note (Appendix vii) furnished regarding the provision for depreciation and was satisfied with the recent orders issued on the subject the effect of which would be to raise the annual contribution to the Depreciation Reserve Fund by over Rs. 80,000.

The Committee's recommendation has been accepted. It has been decided to earmark the amount available from the tax on petrol consumed for aviation purposes to a separate fund to be constituted with effect from 1939-40, and to make a lump sum budget provision for expenditure on grants-in-aid, etc., to be met from the fund.

The possibilities will be considered when further large capital works are to be undertaken in future.

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## Statement showing action taken or proposed to be taken on recom

## PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
<i>Labour Department—contd.</i>			
25	1936-37	42-P . . .	That the greatest possible foresight should be exercised in the preparation of the original estimates for civil works.
26	1935-36 1936-37	6-R . . . 69-P . . . and 116-P . . . 43-P . . .	That a further report be submitted next year on the question of the justification for the staff employed in the Central Public Works Department.
27	1936-37	46-P . . .	That the percentages given in the Appropriation Report for comparison of the cost of establishment with the work done, should next year be determined after excluding the charges not strictly debitable to the establishment of the Central Public Works Department.
28	1936-37	48-P . . .	That re-appropriations from the sub-head "Reserve for unforeseen works and repairs" in the Civil Works Grant should be restricted to minor works which were unforeseen at the time of the budget.
29	1936-37	49-P . . .	That as the system of <i>pro rata</i> distribution militates against the accurate estimating of establishment charges to be allocated to various Governments, the method of levying departmental charges at fixed rates should be adopted wherever Provincial Governments are agreeable.
30	1936-37	50-P . . .	That a general review of the Civil Works Grant should be undertaken both for the purpose of amalgamating sub-heads with a view to reducing the difficulties of budgeting and for that of fixing the responsibility for defective budgeting more clearly between the P. W. D. and the other Departments concerned.
31	1934-35 1935-36 1936-37	18-P . . . 11-R . . . and 55-P . . . 51-P . . .	That the consideration of the question of amalgamating the Hastings Street and Dharamtala Presses should be expedited and a report submitted next year.
32	1936-37	54-P . . .	That the question should be considered whether unwanted publications that cannot be kept in stock in the Central Publication Branch should not be distributed free or at half price rather than destroyed.

*mendations made by the Central Public Accounts Committee—contd.*  
*graphs, and Defence Services—contd.*

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Action taken or proposed to be taken.

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Noted.

A report on the subject is enclosed (*Appendix VIII*).

This has been done.

The financing of new works from this Reserve which is intended for the regrant of lapsed provision as well as for unforeseen and emergent expenditure which cannot otherwise be met from within the grant, will so far as possible be confined to minor works.

The only Provinces levying departmental charges on a *pro rata* basis are Bombay, Bihar, Sind and Assam. As the Government of India have since decided that the C. P. W. D. should take over all Central works in the first three Provinces the question will not arise at all in those Provinces. The question of taking over all Central works in Assam is still under consideration and the recommendation will be considered as soon as a decision has been reached on that question.

The recommendations have been given effect to with respect to the Civil Works Grant.

The financial effect of the proposal has been examined. It has been found that the savings produced by amalgamating the Presses would not in themselves justify the capital expenditure involved. The amalgamation will however bring about an improvement in efficiency. Furthermore, the Income-tax Department can make good use of the vacated Hastings Street building. Government therefore propose to reconsider the scheme in connection with the budget proposals for 1941-42 when the financial situation may have improved.

The rules as regards surplus publications in the Central Publication Branch already provide that such publications may, before destruction, be offered (a) at reduced prices to Indian Universities, Public Libraries and Institutions, and (b) thereafter, to members of the Central Legislature for their individual use on payment of the cost of packing and forwarding charges. It is further provided that publications of historical or scientific interest and non-periodical publications may, before being offered to Universities, etc., as mentioned above, be offered to the public at reduced prices. These provisions are considered to be adequate.

## Statement showing action taken or proposed to be taken on recom

## PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			<i>Commerce Department.</i>
33	1932-33 1933-34 1934-35 1935-36 1936-37	31-P. . . . 14-R. 23-P. 62-P. 55-P.	That the decision reached on the question of amalgamating the India Store Department in England with the Stores Department in India should be reported to the Committee next year.
34	1936-37	65-P. . . .	That as the balance in the Heavy Repairs Reserve Fund for the Bengal Pilot Service appeared <i>prima facie</i> to be excessive, the necessity for this Reserve or alternatively for the reduction of the amount of the present annual contribution should be examined.
35	1935-36 1936-37	109-P. . . . 66-P.	That a further report regarding the abolition of the Additions and Replacements Reserve Fund for the Lighthouses and Lightships should be submitted next year.
			<i>External Affairs Department.</i>
36	1936-37	9-R. and 59-P.	That the letter intended to be issued by Government dealing in general with the irregularities in expenditure in the N.-W. F. P. brought to light during the audit of Khassadar and other unauthorised funds should be issued without further delay and its provisions strictly enforced.
37	1929-30 1934-35 1935-36 1936-37	114-P. . . . 27-P. 78-P. 60-P.	That a decision on the question of the incidence of Persian Gulf expenditure should be arrived at as soon as possible.
			<i>Home Department.</i>
38	1936-37	68-P. . . .	That it should be considered whether a lump sum cut should not be imposed on the budget estimate under sub-head 'Secret Service Contingencies' in the Home Department Demand.
39	1936-37	86-P. . . .	That the reason for the sale of butter and mutton by the Commissariat Department, Andamans at less than cost price should be examined and a report submitted next year.
			<i>Posts and Telegraphs.</i>
40	1936-37	10-R. and 76-P.	That a verification of the present basis of calculation of the loss due to concessional rates given to Press Telegrams should be made and a report submitted next year.

*recommendations made by the Central Public Accounts Committee—contd.*  
*graphs, and Defence Services—contd.*

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Action taken or proposed to be taken.

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The question is still under consideration. The Committee will be informed as soon as a decision has been reached.

The recommendation of the Committee is under examination.

It has been decided that the Additions and Replacements Reserve Fund of the Lighthouses and Lightships Department should be abolished, with effect from the 1st April 1938, and that the balance thereof as at that date should be merged in the General Reserve Fund of that Department.

The letter has been issued.

The question is under consideration by His Majesty's Government.

A reduction of Rs. 58,000 has been made in the estimates for 1939-40 under sub-head " Secret Service Contingencies ".

A revised note on the subject is enclosed (*Appendix IX*).

A note on the subject was furnished to the Committee (*Appendix X*).

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*Statement showing action taken or proposed to be taken on recom*  
PART I.—Civil, Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
			<i>Defence Services.</i>
41	1926-27 1928-29 1929-30 1933-34 1934-35 1935-36 1936-37	25-R. . . . . 91-P. 118-P. 36-P. 20-P. 57-P. 2-P. (Mily.).	That all possible steps should be taken to finally settle the question of the allocation of ecclesiastical expenditure this year.
42	1930-31 1931-32 1932-33 1933-34 1934-35  1935-36  1936-37	1-R. } 3-R. } 2-P. } 4-R. } 3-R. } and } 2-P. } <b>Military</b> 2-R. } <b>Accounts</b> and } <b>Committee.</b> 2-P. } 2-R. } , and } 3-P. }	That a further report on the progress made in revising the Army Regulations should be submitted next year.
43	1932-33 1933-34 1935-36 1936-37	33-P. } 11-P. } <b>Military</b> 3-P. } <b>Accounts</b> 4-P. } <b>Committee.</b>	That the scheme for the interchange of Accountants of the Public Works Department and of the Military Engineer Services should be continued for another year when a further report should be submitted, and that meanwhile the Auditor General and the Financial Adviser should consider whether improvements could not be made in the selection of personnel of Public Works Accountants.
44	1934-35  1935-36 1936-37	18-P. } and } <b>Military</b> 19-P. } <b>Accounts</b> 18-P. } <b>Committee.</b> 2-R. } and } 5-P. }	That the Air Officer Commanding should next year give a full report of the progress made in view of R. A. F. stocks in relation to the prescribed stock limits, with statistics of the amounts declared surplus or obsolete and of the progress made in disposing of them ; and with this report should be submitted a review by the Director of Audit, Defence Services.
45	1936-37	14-P. } <b>Military</b> } <b>Accounts</b> } <b>Committee.</b>	That as regards Quetta Reconstruction the specific sanction of the Finance Department should in future be obtained for the construction of each item in the unauthorised list though these were included in the project estimate approved by the Government of India.

*mendations made by the Central Public Accounts Committee—contd.*  
*graphs, and Defence Services.—contd.*

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Action taken or proposed to be taken.

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A note on the subject was furnished to the Committee (*Appendix XII*).

A report was submitted to the Committee (*Appendix XIII*).

On the recommendation of the Auditor General, the Committee decided that the scheme should be terminated.

The Committee considered the review (*Appendix XIV*) of the Director of Audit, Defence Services on the Report of the Air Officer Commanding. The Committee was gratified at the improved state of affairs and decided to leave to audit to watch any tendency to overstock.

The recommendation of the Committee has been brought to the notice of the administrative authorities and has been given effect to.

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## Statement showing action taken or proposed to be taken on recom

## PART I.—Civil Posts and Tele

Serial No.	Year of Report.	Paragraph of the Report or Proceedings.	Recommendations or suggestions.
<i>Defence Services—contd.</i>			
46	1936-37	4-R. and 15-P. { Military Accounts Committee.	That the Financial Adviser, Military Finance should prepare a memorandum on the processes of estimating now in force for the Defence Services and the improvements that might be made in the system.
47	1936-37	16-P. { Military Accounts Committee.	That a larger lump sum cut on the basis of the average underspendings of previous years should be made under 'Pay of Officers' in Head I.—Defence Services.
48	1936-37	25-P. { Military Accounts Committee.	That the percentage of establishment charges in the Military Engineer Services, which had remained in the neighbourhood of 24 for the last three years, was <i>prima facie</i> excessive and called for investigation and report next year.
49	1936-37	26-P. { Military Accounts Committee.	That the Director of Audit, Defence Services, should submit a report next year on the distribution of responsibility for internal check consequent on the introduction of the specialist cadre of Surveyors of Works.
50	1936-37	6-R. and 29-P. { Military Accounts Committee.	That a review of the Defence Reserve Fund as a method of financing expenditure from Defence Estimates should now be undertaken and a report on the subject submitted next year.
51	1936-37	33-P. { Military Accounts Committee.	That the question whether the system of Military Grass Farms could not be profitably extended should be examined and a report submitted next year.
52	1936-37	34-P. { Military Accounts Committee.	That it should be examined whether the produce of Dairy Farms was not being sold to the troops unduly cheaply and a report should be furnished next year.
53	1936-37	35-P. { Military Accounts Committee.	That the form of accounts designed to show the net effect of the activities of the Medical Store Depots in connection with supplies and services rendered on payment to civil institutions should be settled in the course of the year.
54	1936-37	36-P. { Military Accounts Committee.	That the Financial Adviser, Military Finance, should submit a report next year on the possibility of testing the actual profit made by the Clothing Factory as against the open market.

*recommendations made by the Central Public Accounts Committee—contd.*  
*graphs, and Defence Services—contd.*

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Action taken or proposed to be taken.

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A memorandum was submitted to the Committee (*Appendix XV*).

The Committee's recommendation is noted and steps have been taken to frame more accurate estimates under Head 1—Pay of Officers.

A report was submitted to the Committee (*Appendix XVI*).

A report was submitted (*Appendix XVII*).

The Committee considered the Report furnished on the subject (*Appendix XVIII*).

The Committee considered the report furnished on the subject (*Appendix XIX*) and agreed that consequent on progressive mechanisation of the Army in India a scheme for expanding the Military Grass Farms could not profitably be embarked upon.

After considering the report on the subject (*Appendix XX*) the Committee were satisfied that the produce of the Dairy Farms was not being sold to the troops unduly cheaply.

A report on the subject was submitted to the Committee (*Appendix XXI*).

The Committee accepted the conclusion in the report submitted on the subject (*Appendix XXII*).

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## APPENDIX II.

Statement comparing expenditure with grants for 1937-38.

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>				
1. Customs :				
Voted . . .	82,22,000	82,08,870	13,130	..
Non-voted . . .	27,07,288	27,11,501	..	4,213
2. Central Excise Duties :				
Voted . . .	8,48,000	8,37,967	10,033	..
Non-voted . . .	7,000	8,220	..	1,220
3. Taxes on Income including Corporation Tax :				
Voted . . .	74,52,000	74,33,412	18,588	..
Non-voted . . .	95,402	92,440	2,962	..
4. Salt :				
Voted . . .	63,41,000	59,70,363	3,70,637	..
Non-voted . . .	43,45,910	43,43,522	2,388	..
5. Opium :				
Voted . . .	23,90,000	22,83,375	1,06,625	..
Non-voted . . .	1,65,371	1,65,051	320	..
6. Provincial Excise :				
Voted . . .	2,26,000	2,20,852	5,148	..
Non-voted . . .	42,013	41,949	64	..
7. Stamps :				
Voted . . .	15,31,000	15,23,074	7,926	..
Non-voted . . .	1,99,516	2,01,133	..	1,617
8. Forest :				
Voted . . .	5,72,000	5,59,279	12,721	..
Non-voted . . .	2,17,011	2,13,659	3,352	..
9. Irrigation, (including working expenses), Navi- gation, Embankment and Drainage Works :				
Voted . . .	4,29,000	3,72,672	56,328	..
Non-voted . . .	10,18,230	10,01,838	16,392	..
11. Interest on Debt and Other Obligations and Reduction or Avoidance of Debt :				
Voted . . .	93,67,000	93,58,938	8,062	..
Non-voted . . .	11,01,11,000	14,06,35,576	..	5,24,576
12. Executive Council :				
Voted . . .	1,18,699	1,19,054	..	355
Non-voted . . .	5,18,345	5,17,656	689	..

## Statement comparing expenditure with grants for 1937-38—contd.

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—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
<b>13. Council of State :</b>				
Voted . . . . .	1,63,000	1,60,517	2,483	..
Non-voted . . . . .	1,400	1,335	65	..
<b>14. Legislative Assembly and Legislative Assembly Department :</b>				
Voted . . . . .	8,09,000	8,03,240	5,760	..
Non-voted . . . . .	69,942	72,222	..	2,280
<b>15. Home Department :</b>				
Voted . . . . .	8,52,000	8,51,798	202	..
Non-voted . . . . .	20,75,710	20,63,847	11,863	..
<b>16. Legislative Department :</b>				
Voted . . . . .	3,78,000	3,69,851	8,149	..
Non-voted . . . . .	1,98,100	1,97,408	692	..
<b>17. Department of Education, Health and Lands :</b>				
Voted . . . . .	5,84,900	5,71,835	13,065	..
Non-voted . . . . .	2,84,319	2,85,069	..	750
<b>18 Finance Department :</b>				
Voted . . . . .	11,03,000	5,29,931	5,73,069	..
Non-voted . . . . .	2,44,904	2,40,623	4,281	..
<b>19. Commerce Department :</b>				
Voted . . . . .	4,21,000	4,20,227	773	..
Non-voted . . . . .	2,05,332	2,06,213	..	881
<b>20. Defence Department :</b>				
Voted . . . . .	4,16,900	..	4,16,900	..
<b>21. Department of Industries and Labour :</b>				
Voted . . . . .	5,40,000	5,24,697	15,303	..
Non-voted . . . . .	1,87,436	1,87,401	35	..
<b>22. Central Board of Revenue :</b>				
Voted . . . . .	2,60,000	2,58,850	1,150	..
Non-voted . . . . .	1,38,200	1,36,454	1,746	..
<b>23. India Office and High Commissioner's Establishment Charges :</b>				
Voted . . . . .	17,42,000	15,67,722	1,74,278	..
Non-voted . . . . .	23,07,000	23,02,538	4,462	..
<b>24. Payments to Other Governments, Departments, etc., on account of Services rendered :</b>				
Voted . . . . .	1,46,000	1,37,585	8,415	..
<b>25. Audit :</b>				
Voted . . . . .	91,23,000	89,94,280	1,28,720	..
Non-voted . . . . .	9,76,977	9,36,196	40,781	..

## Statement comparing expenditure with grants for 1937-38—contd.

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—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
26. Administration of Justice :				
Voted . . . . .	53,000	36,188	16,812	..
Non-voted . . . . .	1,89,514	1,83,995	5,519	..
27. Police :				
Voted . . . . .	2,58,000	2,42,816	15,184	..
Non-voted . . . . .	28,000	25,951	2,049	..
28. Ports and Pilotage :				
Voted . . . . .	18,93,000	16,62,390	2,30,610	..
Non-voted . . . . .	9,68,653	9,65,871	2,782	..
19 Light houses and Light-ships :				
Voted . . . . .	9,05,000	9,11,765	..	6,705
Non-voted . . . . .	10,000	10,076	..	76
30. Survey of India :				
Voted . . . . .	20,04,000	18,05,627	1,98,373	..
Non-voted . . . . .	7,10,300	6,96,099	14,201	..
31. Meteorology :				
Voted . . . . .	19,05,000	18,00,887	1,04,113	..
Non-voted . . . . .	96,850	95,217	1,633	..
32. Geological Survey :				
Voted . . . . .	2,18,000	2,23,808	..	5,808
Non-voted . . . . .	2,43,800	2,41,351	2,449	..
33. Botanical Survey :				
Voted . . . . .	52,000	51,081	919	..
Non-voted . . . . .	34,887	34,603	284	..
34. Zoological Survey :				
Voted . . . . .	1,41,000	1,23,124	17,876	..
Non-voted . . . . .	48,000	47,944	56	..
35. Archæology :				
Voted . . . . .	10,57,000	10,40,975	16,025	..
Non-voted . . . . .	86,630	85,857	773	..
36. Mines :				
Voted . . . . .	1,36,000	1,41,559	..	5,559
Non-voted . . . . .	1,25,485	1,24,444	1,041	..
37. Other Scientific Departments :				
Voted . . . . .	2,80,000	2,80,118	..	118
38. Education :				
Voted . . . . .	7,31,000	7,30,431	569	..
Non-voted . . . . .	5,959	5,038	921	..
39. Medical Services :				
Voted . . . . .	7,31,000	7,29,227	1,773	..
Non-voted . . . . .	3,49,701	3,43,884	5,817	..

## Statement comparing expenditure with grants for 1937-38—contd.

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—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
40. Public Health :				
Voted .	8,04,000	7,30,829	73,171	..
Non-voted .	2,55,816	2,55,601	215	..
41. Agriculture :				
Voted .	31,47,000	27,19,971	4,27,029	..
Non-voted .	65,667	65,637	30	..
42. Imperial Council of Agricultural Research Department :				
Voted .	10,62,000	9,98,463	63,537	..
Non-voted .	1,43,768	1,43,791	..	23
43. Scheme for the Improvement of Agricultural Marketing in India :				
Voted .	4,65,000	4,63,695	1,305	..
44. Imperial Institute of Sugar Technology :				
Voted .	4,00,000	2,31,281	1,68,719	..
45. Civil Veterinary Services :				
Voted .	8,64,000	7,79,089	84,911	..
Non-voted .	60,000	58,083	1,917	..
46. Industries :				
Voted .	8,77,000	8,01,870	75,130	..
Non-voted .	380	378	2	..
47. Aviation :				
Voted .	24,81,000	21,29,363	3,51,637	..
Non-voted .	17,000	15,485	1,515	..
48. Capital Outlay on Civil Aviation charged to Revenue :				
Voted .	1,000	..	1,000	..
49. Broadcasting :				
Voted .	15,35,000	13,92,858	1,42,142	..
50. Capital Outlay on Broadcasting :				
Voted .	1,000	..	1,000	..
51. Indian Stores Department :				
Voted .	21,97,000	21,91,156	5,844	..
Non-voted .	1,21,000	1,20,040	960	..
52. Commercial Intelligence and Statistics :				
Voted .	6,34,000	5,89,598	44,402	..
Non-voted .	75,736	71,110	4,626	..

## Statement comparing expenditure with grants for 1937-38—contd.

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—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—contd.</b>				
Census :				
Voted . . . . .	8,000	7,667	333	..
Non-voted . . . . .	867	867	..	..
54. Emigration—Internal :				
Voted . . . . .	15,000	11,098	3,902	..
55. Emigration—External :				
Voted . . . . .	1,95,000	1,91,922	3,078	..
Non-voted . . . . .	76,981	76,777	204	..
56. Joint Stock Companies :				
Voted . . . . .	1,30,000	1,30,044	..	44
Non-voted . . . . .	3,100	4,146	..	1,046
57. Miscellaneous Departments :				
Voted . . . . .	4,09,000	3,38,678	70,322	..
Non-voted . . . . .	17,888	19,802	..	1,914
58. Currency :				
Voted . . . . .	13,23,000	13,38,049	..	15,049
Non-voted . . . . .	1,77,225	1,82,018	..	4,793
59. Mint :				
Voted . . . . .	20,95,000	20,89,282	5,718	..
Non-voted . . . . .	1,20,300	1,20,795	..	495
60. Civil Works :				
Voted . . . . .	2,25,96,000	2,14,46,173	11,49,827	..
Non-voted . . . . .	30,83,400	30,19,763	63,637	..
61. Superannuation Allowances and Pensions :				
Voted . . . . .	1,07,23,000	1,11,43,246	..	4,20,246
Non-voted . . . . .	1,79,16,000	1,78,65,129	50,871	..
62. Stationery and Printing :				
Voted . . . . .	41,39,000	42,23,272	..	84,272
Non-voted . . . . .	60,830	59,325	1,505	..
63. Miscellaneous :				
Voted . . . . .	22,55,000	22,18,202	36,798	..
Non-voted . . . . .	31,02,990	31,07,677	..	4,687
64. Grants-in-aid to Provincial Governments :				
Voted . . . . .	2,27,000	2,27,000	..	..
Non-voted . . . . .	3,12,00,000	3,12,00,000	..	..
65. Miscellaneous Adjustments between the Central and Provincial Governments :				
Voted . . . . .	14,000	13,562	438	..
Non-voted . . . . .	1,48,961	1,48,961	..	..

## Statement comparing expenditure with grants for 1937-38—contd.

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—contd.</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE—concl'd.</b>				
66. Expenditure on Re- trenched personnel charged to Revenue :				
Voted . . .	10,000	9,344	656	..
67. Delhi :				
Voted . . .	53,01,000	52,91,287	9,713	..
Non-voted . . .	3,03,267	3,01,677	1,590	..
68. Ajmer-Merwara :				
Voted . . .	16,37,000	15,98,326	38,674	..
Non-voted . . .	2,84,923	2,82,845	2,078	..
69. Panth Piploda :				
Voted . . .	11,000	10,708	292	..
70. Andamans and Nicobar Islands :				
Voted . . .	29,85,000	29,85,825		825
Non-voted . . .	1,61,621	1,62,645		1,024
Staff, Household and Allowances of the Governor General :				
Non-voted . . .	17,87,239	17,15,139	72,100	.
Public Service Commis- sion :				
Non-voted . . .	5,24,760	5,25,201		441
Ecclesiastical :				
Non-voted . . .	27,16,145	27,35,051		18,906
Payments to Crown Represen- tative :				
Non-voted . . .	1,07,93,900	1,05,19,427	2,74,473	..
Tribal Areas :				
Non-voted . . .	2,16,62,999	2,14,50,551	2,12,448	..
External affairs :				
Non-voted . . .	57,52,174	56,86,818	65,356	..
Baluchistan :				
Non-voted . . .	50,79,020	50,59,446	19,574	..
Total—Expenditure charged to Revenue . . . . .	39,76,68,641	39,25,56,609	62,20,015	11,07,983
Total . . . . .				
{ Voted . . . . .	13,29,40,490	12,81,60,243	53,19,297	5,39,041
{ Non-voted . . . . .	26,47,28,142	26,43,96,366	9,00,718	5,68,942

## Statement comparing expenditure with grants for 1937-38—contd.

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.
	Ra.	Ra.	Ra.	Ra.
<b>PART I.—CIVIL—concl'd.</b>				
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>				
71. Capital Outlay on Security Printing :				
Voted . . . . .	1,000	—81,915	82,915	..
72. Irrigation :				
Voted . . . . .	2,68,000	44,252	2,23,748	..
74. Capital Outlay on Schemes of Agricultural Improvement and Research :				
Voted . . . . .	2,37,000	85,409	1,51,591	
75. Capital Outlay on Vizagapatam Harbour :				
Voted . . . . .	3,87,000	—30,167	4,17,167	
76. Capital Outlay on Lighthouses and Lightships :				
Voted . . . . .	1,000	..	1,000	
77. Currency Capital Outlay :				
Voted . . . . .	4,000	—856	4,856	
78. Delhi Capital Outlay :				
Voted . . . . .	29,55,000	28,14,297	1,40,703	
79. Commuted Value of Pensions :				
Voted . . . . .	7,07,000	7,99,684	..	92,684
Non-voted . . . . .	16,82,000	13,85,098	2,96,902	..
80. Expenditure on Retrenched personnel charged to Capital				
Voted . . . . .	1,000	—8,19,143	8,20,143	..
Non-voted . . . . .	—42,136	—41,575	..	561
Total—Expenditure charged to Capital :	62,00,864	41,55,084	21,39,025	93,245
Total . . . . .	45,61,000	28,11,561	18,42,123	92,684
{ Voted . . . . .				
{ Non-voted . . . . .	16,39,864	13,43,523	2,96,902	561
<b>C.—DISBURSEMENTS OF LOANS AND ADVANCES :</b>				
81. Interest Free Advances :				
Voted . . . . .	48,63,000	47,04,847	1,58,153	..
82. Loans and Advances bearing interest :				
Voted . . . . .	98,49,000	86,04,878	12,44,122	..
Total—Disbursements of Loans and Advances.				
Voted . . . . .	1,47,12,000	1,33,09,725	14,02,275	..
Total—Civil . . . . .	41,85,81,505	41,00,21,418	97,61,315	12,01,228
Total . . . . .	15,22,13,499	14,42,81,529	85,63,605	6,31,725
{ Voted . . . . .				
{ Non-voted . . . . .	26,63,68,006	26,57,39,889	11,97,620	5,69,508

## Statement comparing expenditure with grants for 1937-38—contd.

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 II.—POSTS AND TELEGRAPHS.</b>					
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>					
10. Indian Posts and Telegraphs Department :					
Voted . . . . .	10,30,51,000	10,09,86,116	20,64,884	..	
Non-voted . . . . .	86,65,000	86,50,743	14,257	..	
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>					
73. Capital Outlay on Indian Posts and Telegraphs Department—(Not charged to Revenue) :					
Voted . . . . .	63,08,000	39,99,958	23,08,042	..	
Non-voted . . . . .	4,000	9,095	..	5,095	
Total—Posts and Telegraphs . . . . .	11,80,28,000	11,36,45,912	43,87,183	5,095	
Total . . . . .	Voted . . . . .	10,93,59,000	10,49,86,074	43,72,926	..
		Non-voted . . . . .	86,69,000	86,59,838	14,257
<b>PART III.—RAILWAYS.</b>					
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>					
1. Revenue—Railway Board :					
Voted . . . . .	8,54,688	8,59,049	..	4,361	
Non-voted . . . . .	5,06,000	5,07,188	..	1,188	
2. Revenue—Audit :					
Voted . . . . .	14,10,000	13,75,058	34,942	..	
Non-voted . . . . .	2,97,000	2,93,643	3,357	..	
3. Revenue—Miscellaneous Expenditure :					
Voted . . . . .	15,05,000	13,47,650	1,57,350	..	
Non-voted . . . . .	14,96,000	14,70,193	25,807	..	
5. Revenue—Payments to Indian States and Companies :					
Voted . . . . .	3,58,68,000	3,50,46,763	8,21,237	..	
6-A. Revenue—Working Expenses—Maintenance of Structural Works :					
Voted . . . . .	7,62,50,000	7,67,15,121	..	4,65,121	
Non-voted . . . . .	27,12,000	26,78,195	33,805	..	
6-B. Revenue—Working Expenses—Maintenance and Supply of Locomotive Power :					
Voted . . . . .	16,98,74,900	17,39,06,335	..	40,31,425	
Non-voted . . . . .	13,62,000	13,62,914	..	914	

## Statement comparing expenditure with grants for 1937-38—contd.

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>					
<i>contd.</i>					
<b>A.—EXPENDITURE CHARGED TO REVENUE—concl'd.</b>					
<b>6-C. Revenue—Working Expenses—Maintenance of Carriage and Wagon Stock :</b>					
Voted . . . . .	5,83,50,000	6,06,93,715	..	23,43,715	
Non-voted . . . . .	6,51,000	6,46,098	4,902	..	
<b>6-D. Revenue—Working Expenses—Maintenance of Ferry Steamers and Harbours :</b>					
Voted . . . . .	28,83,000	28,59,986	23,014	..	
Non-voted . . . . .	17,000	17,831	..	831	
<b>6-E. Revenue—Working Expenses—Expenses of Traffic Department :</b>					
Voted . . . . .	10,49,90,000	10,47,28,228	2,61,772	..	
Non-voted . . . . .	15,45,000	15,20,840	24,160	..	
<b>6-F. Revenue—Working Expenses—Expenses of General Departments :</b>					
Voted . . . . .	4,72,70,000	4,68,85,485	3,84,515	..	
Non-voted . . . . .	20,30,000	20,06,961	23,039	..	
<b>6-G. Revenue—Working Expenses—Miscellaneous Expenses :</b>					
Voted . . . . .	4,18,15,000	4,29,02,300	..	10,87,300	
Non-voted . . . . .	11,90,000	11,50,066	39,934	..	
<b>6-H. Revenue—Working Expenses—Electric Service Department :</b>					
Voted . . . . .	1,18,05,000	1,19,34,216	..	1,29,216	
Non-voted . . . . .	87,000	87,250	..	250	
<b>7. Revenue—Appropriation to Depreciation Reserve Fund :</b>					
Voted . . . . .	12,59,00,000	12,56,97,885	2,02,115	..	
<b>8. Revenue—Interest Charges :</b>					
Voted . . . . .	2,63,000	2,61,247	1,753	..	
Non-voted . . . . .	29,21,13,000	29,23,67,043	..	2,54,043	
<b>9. Temporary withdrawals from Depreciation Reserve Fund :</b>					
Voted . . . . .	8,00,000	8,00,000	..	..	
<b>Total—Railway expenditure Charged to Revenue . . . . .</b>					
	98,38,44,588	99,01,21,260	20,41,702	83,18,374	
Total . . . . .	Voted . . . . .	67,98,38,588	68,60,13,038	18,86,698	80,61,148
		Non-voted . . . . .	30,40,06,000	30,41,08,222	1,55,004

## Statement comparing expenditure with grants for 1937-38—concl'd.

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.—RAILWAY—concl'd.</b>				
<b>B.—EXPENDITURE CHARGED TO CAPITAL.</b>				
<b>11. Capital—New Construction :</b>				
Voted . . . . .	30,00,000	—4,92,950	34,92,950	..
Non-voted . . . . .	1,000	753	247	..
<b>12. Open Line Works :</b>				
Voted . . . . .	8,43,80,000	8,55,39,797	..	11,59,797
Non-voted . . . . .	1,43,000	68,197	74,803	..
<b>Discharge of Debentures :</b>				
Non-voted . . . . .	1,94,79,000	1,94,78,555	445	..
<b>Total—Railway expenditure Charged to Capital . . . . .</b>				
	10,70,03,000	10,45,94,352	35,68,445	11,59,797
Total . . . . .				
{ Voted . . . . .	8,73,80,000	8,50,46,847	34,92,950	11,59,797
{ Non-voted . . . . .	1,96,23,000	1,95,47,505	75,495	..
<b>Total—Railways . . . . .</b>				
	1,09,08,47,588	1,09,47,15,612	56,10,147	94,78,171
Total . . . . .				
{ Voted . . . . .	76,72,18,588	77,10,59,885	53,79,648	92,20,945
{ Non-voted . . . . .	32,36,29,000	32,36,55,727	2,30,499	2,57,226
<b>PART IV.—DEFENCE SERVICES.*</b>				
<b>A.—EXPENDITURE CHARGED TO REVENUE.</b>				
<b>58. A—Defence Secretariat—</b>				
India—Non-voted . . . . .	11,97,000	11,99,000	..	2,000
England—Non-voted . . . . .	1,11,000	1,01,000	10,000	..
<b>58. B—Defence Services—</b>				
<b>Proper—Effective—</b>				
India—Non-voted . . . . .	38,48,58,000	38,82,80,000	..	34,22,000
England—Non-voted . . . . .	6,77,56,000	6,74,20,000	3,36,000	..
<b>59.—Defence Services—</b>				
<b>Non-effective—</b>				
India—Non-voted . . . . .	3,69,70,000	3,72,41,000	..	2,71,000
England—Non-voted . . . . .	4,72,49,000	4,72,55,000	..	6,000
<b>60.—Defence Reserve Fund—</b>				
Non-voted . . . . .	—1,18,81,000	—1,54,76,000	35,95,000	..
<b>Total—Defence Services (Non-voted).</b>				
	52,62,60,000	52,60,20,000	39,41,000	37,01,000
<b>GRAND TOTAL . . . . .</b>				
	2,15,37,17,093	2,14,44,02,942	2,36,99,645	1,43,85,494
<b>Grand Total . . . . .</b>				
{ Voted . . . . .	1,02,87,91,087	1,02,03,27,488	1,83,16,269	98,52,670
{ Non-voted . . . . .	1,12,49,26,006	1,12,40,75,454	53,83,376	45,32,824

\* The figures are gross.

## APPENDIX III.

### Note on Map Sales.

Last year the Public Accounts Committee recommended that the efforts to increase the sales of maps of the Map Record and Issue Office of the Survey of India should be vigorously pursued and a further report on the results achieved should be placed before the Committee this year. The following is a report of the action taken and results achieved during the period September 1938—April, 1939 :—

#### I.—*Advertisements.*

Regular advertisements were inserted weekly for some months in "The Statesman", "The Times of India", "The Hindu", and "The Illustrated Weekly of India" and by this means certain special maps for which there is a popular demand, e.g., the Road Map, were brought to general notice but expenditure in almost every case greatly exceeded receipts and the results of this systematic advertising can only be described as very disappointing. It should not, however, be assumed that these efforts have been entirely wasted as it is reasonable to expect that the publicity given to certain maps will result in sales that might otherwise never have been effected. In view, however, of the very poor direct result it has been decided to drop systematic advertising and instead, to institute from time to time a short but extensive campaign which will coincide with the issue of a map specially selected for its appeal to the general public or to a particular section of it. This scheme contemplates the use of notices and reviews in papers selected according to the appeal of the map, which will be followed up by advertisements, the issue of folders to selected individuals and institutions and the establishment of suitable contacts. It is hoped by this means to effect sufficient sales to cover the cost of each campaign, while at the same time giving publicity to other maps.

Specially designed folders and posters have been prepared and will be used in conjunction with the scheme outlined above and also for general distribution and display.

#### II.—*Personal Contacts.*

A tour undertaken by a senior Upper Subordinate officer of the Survey of India with a view to establishing "personal contacts" was successful as not only did the orders received almost pay expenses but much useful knowledge was gained as to the styles of maps most likely to appeal to the various institutions visited. It is proposed to extend the scope of these tours in future.

#### III.—*Reduction in price of maps.*

In addition to the reductions and concession rates for all maps sold to *bona fide* educational institutions, the prices of the series of Town Guide maps were reviewed and reductions in a number of cases have been brought into force. The possibility of other advantageous reductions is being borne in mind.

#### IV.—*Agencies.*

The question of establishing a sales depot or organisation in Bombay and of having a representative to meet steamers is under consideration.

This question is connected to some extent with map maintenance policy. The desirability of creating a 'Bombay Party' with headquarters at Poona or Bombay, whose responsibility for the maintenance of maps would extend over Bombay Presidency, Deccan States, Baroda and Gujarat States, and States of Western India, is also under consideration. If such a party were created, the question of establishing a departmental map sales organisation at Poona or Bombay would present little difficulty and would cost comparatively little.

#### V.—*New action.*

Various new proposals are also being examined. It has been decided to initiate the publication of maps with names in various Indian languages and a start is being made with the new 40-mile maps of India, now being drawn. It is expected that this action will greatly improve the sales of the general maps of India, Provincial maps and certain special maps.

The possibility of publishing a small popular Atlas of India, mainly for use in the schools, is also under investigation. This would be published with names in various Indian languages as well as English and it is thought that such a publication would not only be remunerative in itself, but would also serve as a medium for advertising the regular and special maps.

It is clear that no spectacular increase in sales can be expected but it is hoped that if an active publicity campaign is developed and steadily pursued, it will eventually result in progressively increasing sales.

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**APPENDIX IV.****Kidderpore Orphananj Market, Calcutta.**

At the 7th meeting of the Public Accounts Committee on the 19th July 1938 the suggestion was made that Kidderpore Orphananj Market should be handed over to the Committee that runs the orphanage. The Public Accounts Committee expressed the desire that this matter should be examined.

2. In 1783 Officers of the Bengal Army founded the Bengal Military Orphan Society to provide for children of officers dying in indigent circumstances. In 1790 an orphanage was opened at Kidderpore and this was administered by the Society until 1866. In this year the Bengal Military Orphan Society was liquidated, and Govt. took over the assets and liabilities of the Society in consequence of the passing of the Indian Military Funds Act, 1866. The Orphanage continued under Government management until 1911, when pensions were given to the remaining inmates. The house and grounds of the orphanage were allowed to be used for the Zoological Gardens and the Calcutta Free School.

3. The Orphananj market is the sole remaining asset of the Bengal Military Society. The retention of this asset is a source of profit to the Government of India, and during the past five years the average annual net profit has been Rs. 83,680. Pension charges, being statutory liabilities quite independent of the income from the Orphananj market cannot be avoided or even reduced by surrender of this asset. Proposals for the disposal of this asset were considered a few years ago but these were dropped since there was no prospect of obtaining a fair market value.

4. The suggestion that the market should be handed back to the Committee cannot therefore be regarded as a practical proposal, because there is no such Committee in existence, and Government would lose a valuable source of income without obtaining any reduction of the statutory pensionary liabilities.

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**APPENDIX V.****Note regarding the write off of the old debit balance in the " Purchases and Sales of Silver Account "**

The balance transferred to the head " Purchases and Sales of Silver " on the 1st April 1935, when that head was opened, amounted to Rs. 44.61 crores. It was mainly made up of the outstanding loss on the sale of currency silver from 1927 up to that date. Since then the following transactions are being recorded under this head :—

- (1) Sale proceeds of silver ;
- (2) Value of gold and copper recovered from the silver refinery ;
- (3) Payments made to the Reserve Bank for surplus silver returned by the Bank under section 36 (1) of the Reserve Bank Act, less the share of Burma recovered from the Government of Burma ; and
- (4) Incidental charges connected with shipments and sales of silver.

2. The debits and credits on account of these transactions, which have reduced the balance to Rs. 44.03 crores on the 31st March 1938, have been as follows :—

*Credits—*

(i) Sale proceeds of silver .. ..	2.28 crores.
(ii) Value of gold and copper recovered from the refinery, etc. (including a special credit of 2.95 crores on account of certain assets which lapsed from the Gold Standard Reserve) .. ..	3.12 crores.

*Debits—*

(i) Payment to the Reserve Bank for surplus silver less the amount recovered from Burma .. ..	4.79 crores.
(ii) Incidental charges on sales of silver, etc. ..	.03 crores.

3. The balance under this head is, thus, not a dead balance but one which is being continuously altered by subsequent transactions. There is, therefore, no question of closing this head and it will serve no purpose to write off a part of the balance on a particular date. Further, the balance will be reduced by the sale proceeds of surplus silver.

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**APPENDIX VI.****Note on the necessity for a Reserve of Rs. 10 lakhs in the Grant for  
'Loans and Advances bearing interest'.**

The provision for a reserve in the Grant for 'Loans and Advances bearing interest' is a feature of long standing and is designed to secure provision for unforeseen demands which may arise in the course of the year or after the budget has been framed. Owing to the difficulties in estimating provincial requirements in the pre-autonomy years it was never possible to achieve a close estimate under Advances to the Provincial Loans Fund. The estimates were also affected by variations in the demand for the various advances to Government servants, which, before the 1st April 1937, used to cover both the Central and Provincial Governments. With the winding of the Provincial Loans Fund and the stoppage of nearly all advances to Government servants the estimating under this Grant will be much closer, and in future there will be no heads under which savings can be expected as in the past. A reserve for unforeseen demands will therefore be all the more necessary. For it happens on occasions that loan proposals are incomplete at the time the budget is framed and further claims are certain to come in during the course of the year. It is hardly possible to refuse all such applications nor to wait for a supplementary demand for meeting them. In the current year for example the additional loans over the budget estimates have amounted to twice the reserve. It has therefore been decided that this provision should be retained for the present and the question reconsidered if after further experience of present conditions it is found that the reserve is unnecessary.

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**APPENDIX VII.****Memorandum on the Depreciation Reserve Fund of the Vizagapatam Port.**

In paragraph 281 of the Commercial Appendix to the Appropriation Accounts (Civil), 1936-37 and the Audit Report, 1938, attention was drawn to the fact that contributions to the Depreciation Fund at the Port of Vizagapatam were not being made on all wasting assets and that contributions in respect of structures such as buildings, docks, timber jetties and bridges, broad and narrow gauge lines, electric crane tracks and also items of plant costing less than Rs. 2,000 each, had been discontinued. In July 1938, when considering the Accounts of the Port for the year 1936-37, the Public Accounts Committee desired that the question whether full provision was being made to meet depreciation charges should be further considered and a report submitted to them the following year.

2. The Government of India have since considered the matter fully and have now, with the concurrence of the Auditor General, issued orders to the effect that contributions should be made to the Depreciation Reserve Fund in respect of all wasting assets costing more than Rs. 2,000 each, with the proviso that so far as railways are concerned, track, as apart from rails and sleepers, should be excluded from the scope of the reserve. According to these orders, the annual contribution from revenue to the Depreciation Reserve Fund will now amount to approximately Rs. 2,36,000. If, however, in any year, the port is unable to contribute the full amount, the deficit will be treated as a deferred liability to be met from revenue in future years. The Government of India are satisfied that these orders will ensure that as full a contribution as is necessary will, in future, be made to the Depreciation Reserve Fund.

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**APPENDIX VIII.****Report on the Staff employed in the Central Public Works Department.**

In pursuance of the undertaking given by this Department at the last meeting of the Public Accounts Committee, the question of relieving Provincial Governments of their responsibility for the maintenance and execution of central civil works was examined. Central works in the United Provinces and the Punjab are already the responsibility of the Central Public Works Department and it has been decided that central works in Madras, Bombay, Bengal, Bihar and Sind should also be taken over by the Central Public Works Department with effect from the 1st April 1940. The Provincial Governments concerned have been informed of this decision, and all proposals for new works to be executed in these areas after the 1st April 1940 will be dealt with by the Central Public Works Department. It is not proposed at present to disturb the existing agency arrangements in Assam, the Central Provinces, Orissa and the North West Frontier Province as the taking over of works in these areas would, on account of their scattered nature and the comparatively small outlay, necessitate an expansion of the Central organization, the cost of which will not be covered by the probable saving in departmental charges.

2. Detailed proposals regarding the organization required in the Central Public Works Department after the transfer of works from the Provinces is effected are under consideration, and it is proposed to re-organize the Circles of superintendence and the divisional charges in the Department by a re-distribution of work, wherever possible, with a view to reducing the number of Circles and Divisions to the minimum consistent with efficiency. A further report on the subject will be made to the Committee next year when the re-organization proposals will have come into force.

3. The Committee will be interested to learn that since the submission of the last report, on the subject, it has been found possible to convert the permanent divisional post of Engineer officer in the Civil Aviation Directorate into that of an Assistant Executive Engineer. The temporary Aviation Division in Delhi has been abolished, and a further saving of Rs. 10,000 per annum has been effected by transferring the Estate work from the Administrative Officer, Central Public Works Department, to one of the Superintending Engineers and by the appointment to the post of Administrative officer of a junior I. C. S. Officer on a lower scale of pay. The total economies expected as a result of these changes amount to approximately Rs. 50,000 per annum.

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**APPENDIX IX.****Note regarding the sale of butter and mutton by the Commissariat Department, Andamans.**

In 1935 it was found that dairy sales were falling and that members of the detachment and their families were using tinned milk or margarine or obtaining their milk and butter through a contractor whose supplies could not be relied upon either for cleanliness or for quality. With a view to induce the members of the detachment to obtain their supplies from the Government dairy farm an arrangement was arrived at between the then Executive Commissariat Officer and the Commander, Rangoon Brigade Area, whereby butter is being supplied to the members of the detachment and their families at concessional rate below cost price. This arrangement is beneficial both to Government and to the Settlement as a whole. If the selling price of butter supplied to members of the detachment is increased, it will raise the Defence Department budget, and there is a possibility of demand for dairy products being decreased. The cost prices of cream and butter have been worked out on the hypothesis that no return is expected from the separated milk. But as a matter of fact the bulk of this separated milk fetches its full value as it is used to break down the fat percentage of richer milk in order to bring it to normal standard. If this is taken into account the actual costs are below the concessional rates.

2. Mutton is not sold at concessional rates to the detachment. In 1936-37 the selling price of mutton to all purchasers was annas 8 per pound against the cost price of annas 0-9-8 but the loss involved was more than covered by the profit on the sale of beef. The selling prices of beef and mutton at Port Blair are higher than those prevailing on the mainland and this has caused grumbling. Any further increase in the selling price will possibly reduce the demand and should be avoided as far as possible.

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**APPENDIX X.****Memorandum on the loss on Press Traffic of the Telegraph Branch of the Posts and Telegraphs Department.**

At the last meeting of the Public Accounts Committee, the question of loss in the working of the Telegraph Branch of the Posts and Telegraphs Department came in for considerable discussion. In this connection, the concessional rates allowed for press telegrams including multiple press telegrams to different stations were also discussed and the Committee observed that the figures supplied to them seemed to indicate that the bulk of the loss in the working of the Telegraph Branch was due to the concessional rates given to press telegrams. To make this point clear, the Committee, however, desired that a verification of the present basis of the calculation of the loss on press traffic should be made.

2. It is difficult to calculate the gain or loss on a particular kind of traffic in any system which handles several kinds of traffic, and, at best, a calculation can be made only on the basis of certain assumptions. One of the possible methods is that advocated by the Posts and Telegraphs Accounts Enquiry Committee in paragraphs 128 and 129 of their Report (copy attached). The method recommended is that the revenue realised from press traffic should be compared with the amount of savings to the department if this traffic were not handled. This is objectionable in theory because it involves comparing the present position with a position that could not conceivably arise. Even if press telegrams were charged at full rates, some would still be sent; the press would not refrain from using the telegraphs altogether. The correct basis, in theory, would be to compare the present position of the Department with that which would be reached if the concessional rates were abolished.

But it is impossible to estimate with even an approximation to accuracy how many press telegrams would be sent if they were charged at full rates; while the system recommended by the Accounts Enquiry Committee gives a practical figure. Provided that it is recognized that the figure of loss so reached will be below the correct figure (for if press telegrams had to go at full rates, there would be a profit on this traffic), it would appear to be the most suitable basis for calculation.

The examination of the case, however, has revealed that the detailed calculations made by the Committee were based on certain assumptions, two of which are not strictly correct. In the first place, the Committee adopted three 'conversion' factors. The first refers to the average number of pages per press telegram; the second is the equivalent of ordinary telegrams per page of press telegram; and the third the number of signalling operations per press telegram. The Committee assumed that the number of signalling operations required per telegram was the same for press and for private telegrams. Statistics taken recently for a week showed that, as against 4.87 signalling operations assumed by the Committee the actual figure for press telegrams is only 2.12. Considering that the press messages are usually transmitted to and from the larger stations, where in many cases direct lines exist, it is only natural that the number of signalling operations should be lower in the case of press telegrams. Thus the calculations of the Committee are considerably vitiated. Again recent statistics indicate that the average number of pages in a press telegram has fallen from 2.86 in 1929-30 to 2.34 in 1937-38.

Secondly, the Committee in calculating the savings to the department if the press traffic is not handled took into account a large saving under engineering charges. While the inclusion of such charges in calculating the commercial cost of a service would be justified, it must be pointed out that even if the entire press traffic disappears there will be no appreciable saving in engineering charges as lines, wires and apparatus as well as telegraph offices will still have to be maintained at their present efficiency.

3. With the two modifications in respect of the number of transmissions per press telegram and exclusion of the savings in engineering charges, which will not in practice materialise, a recalculation has been made in the next paragraph on the basis of the method adopted by the Committee of the savings that would have accrued to the department in 1937-38 if the entire press traffic had disappeared.

*Estimated amount of saving if the Press Traffic was not handled.*

1. Number of inland press telegrams during the year .. .. .		572,440
2. Corresponding number of signalling operations .. .. .		8,519,281
3. Number of operators required at 60,000 operations per operator per annum	142	
4. Number of telegraph masters (142 ÷ 9)	16	
5. Number of leave reserve operators 17 per cent. of (142 + 16) .. .. .	27	
6. Number of clerks (142 ÷ 3)	47	
7. Number of leave reserve clerks 17 per cent. of 47 .. .. .	8	
		Rs.
8. Pay of operators, clerks and T. Ms. ..	4,74,408	
9. Pensionary charges 9.5 per cent. ..	45,070	
10. Delivery charges .. .. .	56,626	
11. Audit charges .. .. .	23,783	
		5,99,887
	say ..	5,99,900
		Receipt from Inland press telegrams ..
		6,73,232

4. It would thus appear that the savings to the department consequent on the abolition of the press traffic in 1937-38 would amount to nearly 6 lakhs as against a revenue derived from such traffic of nearly 6.73 lakhs.

5. It must, however, be mentioned that the above estimate of saving does not in any way constitute a measure of the cost to the department of rendering service to the press which, on correct principles of cost accounting should take into consideration the share of engineering and other overhead expenses. Including these charges the commercial cost of handling the traffic in 1937-38 is estimated at a little over Rs. 23 lakhs

as against a revenue of 6.73 lakhs or an estimated loss of 16.33 lakhs. As the total loss to the department on the working of the telegraph branch as a whole was of the same order, it still remains true to say that the bulk of the loss on the telegraph branch is due to press traffic, although as has been pointed out above even if we discarded the entire press traffic we would save less than we receive from such traffic.

6. The figure of 23 lakhs representing the commercial cost of handling the press traffic in 1937-38 is arrived at as follows.

The number of signalling operations involved in handling the press traffic was 8,519,281. We have ascertained that in handling one private telegram, 4.82 signalling operations are involved. Therefore, the press traffic may be held as costing the same as  $\frac{8,519,281}{4.82}$  ordinary telegrams.

The cost of handling each telegram in 1937-38 was Rs. 1.305 *vide* Appendix XX of the Annual Report of the Posts and Telegraphs Department for 1937-38.

Therefore the cost of handling the press traffic amounts to  $\frac{8,519,281}{4.82} \times 1.305 = 23$  lakhs of rupees approx.

7. The fact is that in the Telegraph Department practically two-thirds of the total cost consists of interest, depreciation and maintenance of capital assets, pensionary charges, accounts and audit and engineering and general administration. Once the capital has been invested, these charges have to be met and remain practically constant; and the only variable factor is the number of staff employed. The existing equipment and staff can cope with considerable expansion of traffic without very much additional cost. Unfortunately, during the last few years the total number of paid telegrams has indicated a fall. Attempts are being made to revive telegraph traffic by advertisements and by the grant of certain concessional rates specially in regard to Empire telegrams. A new class of *de luxe* telegrams has been introduced in the inland system. The minimum delay on D. L. T. telegrams has been reduced by the introduction of N. L. T. class. Recently we have also introduced business reply telegrams. These and other possible measures in the same direction are the only ones that can effectively reduce the loss. We will also have to consider from time to time the various concessions including those given to the press in regard to multiple press telegrams to different stations.

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EXTRACT OF PARAGRAPHS 128 AND 129 OF THE REPORT OF THE POSTS AND TELEGRAPHS ACCOUNTS ENQUIRY COMMITTEE, 1931.

128. We are concerned, by the terms of our reference, with the effect of this concession on the results of the commercial working of the Department as pictured in the accounts. The loss accruing to the Department from its Press traffic formed the subject of comment by the Accountant General, Posts and Telegraphs, in his Appropriation Report on the accounts of the Posts and Telegraphs Department for the year 1923-24, and his estimates of the loss under varying conditions were as follows :—

“(a) if no concession is given to press telegrams and if they are charged for as private telegrams, the Department would have received an additional revenue of a little over Rs. 50 lacs ;

- (b) if the concessional rate for Press telegrams is removed and the multiple press concession remains, the additional revenue would amount to about Rs. 24 lacs ;
- (c) if the concessional rate remains, and the multiple message concession is removed a rough estimate of the increase in revenue is Rs. 4 lacs ;
- (d) if the rates for Press telegrams are increased in proportion to the increase in rates effected for private telegrams since 1905, and the multiple message concession is allowed to remain, the increased revenue would amount to about Rs. 10 lacs ;
- (e) if the rates for Press telegrams are increased in proportion to the increase in rates effected for private telegrams since 1905 and if the multiple concession is withdrawn, the revenue would be increased by something like Rs. 20 lacs."

The number of press telegrams dealt with during 1923-24 was 445,320. This number increased to 505,450 during 1929-30 and the estimated loss referred to above will now be correspondingly increased.

129. We have examined the estimates of the Accountant General. We do not think that the difference between the amount actually recovered, and that recoverable at the rates applying to public traffic, is a true measure of the loss incurred by the Department, for enhancement sufficient to raise the Press traffic rates to the level of those chargeable on ordinary traffic must inevitably reduce the volume of traffic. We consider that a truer measure of the loss is the saving that could be effected if no Press traffic had to be handled ; and, at our request, the Director General of Posts and Telegraphs, has kindly prepared an estimate of this amount, based on the statistics for 1929-30. His estimate is summarised below :--

Number of inland Press telegrams ..	505,450
Corresponding number of signalling operations .. ..	$505,450 \times 2.86 \times 3 \times 4.72 = 2,04,69,511.$

*N.B.*—These factors are conversion factors meant to allow for the length of Press messages and for multiple telegrams, and must be applied to determine the actual amount of work involved in the disposal of this traffic.

*Amount of saving if the traffic is not handled.*

	Rs.
On pay of Telegraph Master, Operative telegraphists and clerks including leave reserve, etc. .. ..	16,07,000
Pensionary charges at 8 per cent. of pay ..	1,28,000
Delivery charges .. ..	50,000
Engineering charges .. ..	8,92,000
Audit charges .. ..	21,000
Total saving ..	26,98,000
Deduct receipts from Inland Press messages ..	5,45,000
Net saving ..	21,53,000 per annum.

## APPENDIX XI.

**Memorandum on the adjustment between the different branches of the Posts and Telegraphs Department of the contribution made from revenue to the Renewals Reserve Fund.**

It was explained to the Public Accounts Committee at their meeting held on 26th July 1938, that further adjustment of contribution payable by the different branches of the Posts and Telegraphs Department to the Renewals Reserve Fund was under consideration.

2. The total amount of annual contribution to the Renewals Reserve Fund now is 23.05 lakhs and is at present apportioned in proportion to the capital outlay (as shown in the Finance and Revenue Accounts) of each branch on the last day of the previous year. The assets of the Postal Branch which consist almost exclusively of buildings are, however, taken as only 60 per cent. of the capital outlay for the purpose of this distribution, in view of the generally longer life of the assets of the Postal Branch.

3. After considering the actual withdrawals of the different branches for the last ten years as well as the capital value and lives of the assets of each of the branches, it has been decided, with the concurrence of the audit authorities, that the total amount of contribution should be apportioned between the different branches hereafter in the following proportions :—

(a) Post Office .. .. .	10 per cent.
(b) Telegraphs .. . . .	60 per cent.
(c) Telephones .. . . .	25 per cent.
(d) Radio .. . . .	5 per cent.
	100 per cent.

It is proposed that these percentages should apply for 1939-40 and 1941, after which the amount of annual contribution to Renewals Reserve Fund will have to be reconsidered.

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**APPENDIX XII.****Ecclesiastical.**

As explained to the Public Accounts Committee in 1937, persons residing at hill stations were enumerated in August 1937, while a general census of persons at all stations was taken in February 1938. The entire ecclesiastical expenditure is at present under review with reference to the results of these enumerations. It was intended to allocate the ecclesiastical charges to the Civil, the Defence and the Railway Departments after the completion of this review. But to avoid further delay, the question of allocation is being considered separately in consultation with the Departments concerned. As soon as this allocation is settled the budget and accounts will be prepared on that basis. It is hoped to give effect to this in the year 1940-41.

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**APPENDIX XIII.****Revision of Army Regulations.**

Reference the Report and Proceedings of the Military Accounts Committee on the accounts of 1936-37.

The progress on the revision of the more important regulations is as outlined below :—

(a) The position last year was that the revision of :—

Military Leave Rules,  
Regulations for the Army in India,  
Pay and Allowance Regulations,

had been completed.

(b) During the past year the following have received attention :—

(i) *Pension Regulations for the Army in India.*—These regulations have been prepared in 3 volumes—

Part I dealing with the pensions of personnel over whose conditions of service the Secretary of State exercises control.

Part II dealing with the pensions of all others, and

Part III containing the procedural rules common to both parts.

Work is practically completed. The three volumes will be printed off as soon as the Secretary of State's approval to the rules in Part I, is received. This is expected in the near future.

(ii) *Passage Regulations (India).*—These regulations will be prepared in two volumes—

Part I, dealing with passages out of India, the rules in which are required to be made with the approval of the Secretary of State.

Part II will deal with the grant of conveyance, travelling allowances and halting allowances for all movements within India.

A draft of Part I has been prepared and this is under examination by the administrative and financial authorities.

Part II has not yet been commenced. It is hoped that both parts will be completed within one year from now.

(iii) *Financial Regulations.*—The revision of the basic portion of this publication has been completed and the draft is ready for submission for the approval of the Secretary of State.

(c) The undermentioned books of basic regulations remain to be taken in hand :—

(i) Regulations for Civilians paid from the Defence Services Estimates.—Little progress was made on this during the year as work was concentrated on the revision of other regulations.

(ii) Financial Regulations for the Army in India, Parts I and II except basic portion referred to at (b) (iii) above.

(iii) Pay and Allowance Regulations for the Air Forces in India.

(iv) Pay, Allowances and Pension Regulations for the Royal Indian Navy.

(v) Financial Regulations for the Royal Indian Navy.

(vi) Ecclesiastical Rules.

**APPENDIX XIV.****Overstocking of R. A. F. Stores.**

In paragraph 5 of the proceedings of the meeting held on the 12th July 1938, the Military Accounts Committee desired that the Director of Audit, Defence Services should submit a review on the report to be prepared by the Air Officer Commanding on the progress made in the review of R. A. F. stores.

2. The report furnished by the Air Officer Commanding gives a complete picture of the situation.

3. The changes introduced in the review of stores (other than obsolete stores) are indicated in paragraph 38 of the Audit Report, 1939 ; and it has been stated in paragraph 39 that no clear case of avoidable overstocking was noticed by audit. Annual reviews of stock are held to be impracticable ; and the future reviews, like the present, will be biennial.

4. It appears that, out of stores of a book value of Rs. 1,88,600 struck off, stores worth Rs. 79,751 only had actually been disposed of up to May 1939. The possibility of speedier disposals of redundant (and therefore depreciating) stores seems to merit consideration.

**Note regarding R. A. F. Store Procedure.**

The information called for by the Military Accounts Committee may best be considered under the following two headings and in continuation of Appendix XIX to the Report of the Public Accounts Committee on the accounts of 1936-37, Volume I—Report, Part I :—

- (a) Progress made in connection with the revision of the Equipment Regulations and Tables.
- (b) Results of the Stock Review.

The work of the Revision Section has now been completed and the Flight Sergeant ceased to be attached to the Equipment Branch of the staff with effect from 25th March, 1939.

2. As regards (a) the following progress has been made since the position was examined by the Military Accounts Committee on the accounts of 1936-37 :—

- (i) *Revision of Equipment Regulations*.—The chapters regarding “ Accounting of Explosives ” and “ Accounting of Equipment in War ” have been drafted and it is hoped to issue them shortly.
- (ii) *Equipment Tables, Parts I, II, III and IV*.—All the required tables have been completed and distributed.

3. The first Stock Review which had to be spread over two years has been completed. As it is impracticable to complete subsequent reviews annually without the employment of additional staff to deal with the work, it has since been decided that the review should, like the stock-taking programme, be on a biennial basis.

## 4. The result of the first review is as under :—

	Book Value. Rs.
(a) Value of stocks put up for disposal—	
(i) Equipment classified as surplus to requirements .. .. .	82,046
(ii) Equipment classified as obsolete ..	1,06,554
Total ..	<u>1,88,600</u>

Actual disposals are effected through the Director of Contracts, but it has been ascertained that on the 18th May 1939, the book value of the equipment put up for disposal under this review and still awaiting disposal was Rs. 1,08,849.

	Number of items.
(b) Number of other items considered for disposal but retained—	
(i) Obsolete equipment .. .. .	48
(ii) Current equipment in excess of normal stockholdings but not considered surplus to requirements .. .. .	3,885

It is not possible to state the cost of the items retained without considerable clerical labour. The items of obsolete equipment were retained because it was felt that they might be useful in any emergency. It is anticipated that the items of current equipment retained will be used up in the normal course. Stocks of all items retained will again be reviewed in the course of the next stock review.

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**APPENDIX XV.****Memorandum on the processes of estimating now in force and suggestions for their improvement.**

This memorandum has been prepared in compliance with the request of the Military Accounts Committee in para. 4 of their Report and para. 15 of their proceedings of their meeting last year.

The budget estimates consist of two parts—the estimate of standing charges and the estimate for New Demands. The standing charges represent the more or less stable amounts required to meet the ordinary maintenance charges of the forces, *e.g.*, pay of personnel, purchase and manufacture of supplies and equipment, cost of movement of personnel and stores, pension charges, etc. The New Demands are sums required to carry out new schemes of improvements in organisation, equipment and training which are necessary if the forces in India are not to fall below modern standards.

As in the other Branches of Government the annual total of New Demands far exceeds the amount of money which can be made available to meet them. The usual procedure is for the standing charges to be evaluated first. To this sum is then added an allotment for New Demands depending in amount on the budgetary position of the Central Government as a whole which has to finance this and many other competing demands. Usually a list of New Demands is drawn up and arranged in order of priority by Principal Staff Officers in September or so for approval by His Excellency the Army Member and when the amount available for New Demands becomes known, nothing remains but to draw a line through the list at the appropriate point. The Military Finance Branch see that the estimates of cost of the various measures are correct and complete, and it is open to them to press for a high place to be given to some particular schemes on financial grounds, *e.g.*, that it will result in a recurring saving.

The estimate of standing charges is built up from a mass of detailed estimates under different heads. The heads are broadly classified for purposes of control into locally controlled heads, for example, incidental and miscellaneous expenses, and local purchase of stores, and centrally controlled heads, for example, pay and allowances of permanent personnel, and central purchase of stores. Estimates for locally controlled heads are submitted by local authorities through their Controllers of Military Accounts to the administrative branch of Army Headquarters; in the case of centrally controlled heads, the branch of Army Headquarters concerned makes out the estimates initially though the branch may call for estimates from local authorities under any particular heads, if it so desires. The estimates under both sets of heads are prepared in close co-operation with the Military Finance Branch.

The actual method of preparing estimates varies in accordance with the data available, but in all heads account is taken of such factors as the actual expenditure of previous years, the progress of expenditure in the current year, changes of policy, establishments, equipment, probable trend of prices, etc., and known or anticipated commitments in the ensuing year. These preliminary estimates are submitted to the Financial Adviser about the middle of December and are then subjected to further scrutiny in his Central Budget Section. That Section maintains a complete statistical record of expenditure under each head over a period of years and by the

middle of December has also a consolidated record of the actual expenditure of the first 8 months of the current financial year. The estimates prepared by the branches are checked with reference to these statistics and are subjected to a detailed critical examination. These estimates are then consolidated and placed before the Principal Staff Officers by the Financial Adviser at a meeting of the Principal Staff Officers. On approval the estimates are then submitted to His Excellency the Defence Member for final approval. It will be seen that there is close co-operation at all stages between the administrative and financial authorities, the common object being to arrive at a figure under each head which will make sufficient but no more than sufficient provision to cover the charges likely to be brought to account under that head.

The above represents broadly the main processes of budgeting; recently there have been certain improvements to which attention may now be drawn.

One is that, until the budget of the current year, the budget estimates were largely pared down to the level of the Treasury grant at the instance of the Military Finance Branch before the consolidated estimates were put up to Principal Staff Officers. This was suitable as far as obligatory charges such as pay and allowances were concerned but in regard to maintenance services it often led to a feeling in the administrative branches that their requirements were being cut down arbitrarily. The budget estimates of the current year were for the first time placed before an "Estimates Committee" consisting of the Deputy Principal Staff Officers and Deputy Financial Advisers and the estimates of standing charges (i.e., obligatory charges and maintenance services) and of certain minor new measures were accepted by the Committee before they were placed before the Principal Staff Officers. This helped to associate the administrative authorities even more closely than before in the process of 'pruning' the demands, and to remove the feeling that the 'pruning' had been done solely by finance. This procedure will form an important feature in the preparation of future budget estimates. This is understood to be in conformity with the War Office procedure.

Another improvement is that in regard to certain estimates of pay charges under the Head "Fighting Forces in India". Reliance was placed in the past mainly on the actuals of previous years, modified with reference to changes since the previous years. At the instance of the late Financial Adviser, the estimates were first built up on statistical data of the establishments that were likely to be in service in the budgetary year, and were then tested in the light of past actuals. This also conforms to War Office procedure. Its results will be carefully watched.

The late Financial Adviser desired it to be stated that the budgetary processes in vogue in this country were in his opinion quite as satisfactory, if not more detailed in certain respects, than those at Home and a few of the improvements that he still contemplated were of a minor character. They related mainly to the improvement of the statistical data in regard to establishments, and the adoption by administrative branches of common figures for purposes of budgeting for pay, rations, ordnance maintenance, etc. This will be done with effect from the next budget. A reduction in and simplification of budget headings should also result in improved budgeting and this matter has been taken up and is being closely pursued.

## APPENDIX XVI.

### Establishment charges in the M. E. S.

In pursuance of the wishes of the Military Accounts Committee, as expressed in paragraph 25 of the proceedings of their meeting held in July 1938, the question of establishment charges in the M. E. S. has been considered.

2. The Military Accounts Committee commented on the fact that the percentage of establishment charges remained in the neighbourhood of 24.00 for the three years ending 1936-37 and considered this was high. This percentage depends *inter alia* on—

- (i) the total amount of work done in a year ; the larger the amount of work done the lower will be the percentage figure,
- (ii) the stages at which the different works stand in that year ; in their initial stages the percentage of establishment to works is likely to be higher than in latter stages,
- (iii) the amount of credits for works done for other departments which go to reduce the cost of establishment.

The effect of these factors varies from year to year and the percentage for establishment charges varies in sympathy. The percentage figures for 1935-36 and 1936-37, for example, were affected mainly by the fact that the work in Quetta was in its initial stages and involved a comparatively higher outlay in establishment expenses. In 1937-38 that work had got into its stride, the total work done by the M. E. S. was larger than in the two preceding years, and credits from Civil Departments exceeded those in the preceding years ; all these factors combined resulted in lowering the percentage figure to 20.27.

3. The working of the M. E. S. and the employment of establishment in that department has certain special features which do not appear in a civil works department of Government or a commercial engineering concern. In judging the reasonableness of the percentage of establishment charges in the M. E. S. it is proper that an allowance should be made for these special features. Briefly speaking, they are as follows :—

- (a) M. E. S. Establishments are not determined solely by the requirements of peace time work. It is essential for reasons of policy that those establishments should contain a minimum number of Royal Engineers and British Warrant Officers and the extra costs of having to keep them can justly be regarded as an item of War Insurance.
- (b) The establishment employed in the M. E. S. perform certain military duties which are not connected with engineering works proper, *e.g.*, M. E. S. officers have to undergo military training and have to spend a considerable portion of their time on military training.
- (c) An appreciable portion of certain M. E. S. establishments' time is employed in connection with the administration, handing over, etc., of military buildings and the collection of Revenue Receipts. The cost of such establishment is included in the establishment charges of the M. E. S. but the

amount of work done in connection with these buildings or receipts is not included in the value of works done.

(d) The M. E. S. carry out a considerable amount of work for bodies or departments other than Army proper, *e.g.*, the Indian Ordnance Factories, R. A. F., Civil Departments, Cantonment Boards, and they levy departmental charges to reimburse themselves for supervision or direction costs on such works. The percentages vary with the departments and in a number of cases the departmental charges are less than the actual *pro rata* rate recoverable. To arrive at a correct idea of the efficiency of supervision in M. E. S. it seems proper that this percentage should be assessed on the basis of the gross value of works done and the gross value of establishment charges.

(e) M. E. S. maintain large Mobilization and Reserve Stocks, the establishment connected with which is included in the establishment charges on which the percentage is based.

4. A rough estimate has been made of the allowances to be made in respect of factors at (b), (c), (d) and (e) in the preceding paragraph and after making these, the percentage of establishment charges in the M. E. S. for 1937-38, would approximate to 18.00. This percentage is considered to be not unreasonable, especially when regard is had to the factor at (a) in paragraph 2 above, in respect of which it is difficult to estimate the allowance to be made with any degree of accuracy. The establishment percentage in the Central P. W. D. for 1936-37 was 17.70 and for 1937-38 it was 15.60.

5. The question of establishment charges in the M. E. S. receives the constant and careful attention of the M. E. S. administrative authorities. The financial authorities review the position each year, and bring variations in such expenditure to the notice of the administrative authorities. The Engineer-in-Chief's Branch have recently undertaken a review of the Temporary Establishment employed in the M. E. S. with a view to seeing if such establishment can be employed on a more economical basis.

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## APPENDIX XVII.

### Surveyors of Works.

In paragraph 26 of the proceedings of the meeting held on the 13th July 1938, the Military Accounts Committee desired that the Director of Audit, Defence Services, should submit a report on the distribution of responsibility for internal check consequent on the introduction of the Specialist Cadre of Surveyors of Works.

2. The transfer from the Military Accounts Department to the Surveyors of Works Cadre of responsibility for applying to works expenditure certain checks of a technical nature was reported in paragraph 30 of the Audit Report, 1938. This transfer has taken place in those areas only where the Surveyors' Cadre is more or less complete, *i.e.*, in Northern Command and Quetta Reconstruction. An annotated statement showing the present strength and distribution of this Cadre, obtained from the Engineer-in-Chief's Branch, is annexed.

3. The two authorities between which the field of responsibility for internal check has now been sub-divided are properly seized of their respective functions ; and, except for a short-lived misapprehension in the Eastern Command, when its Surveyors were suddenly diverted to Quetta Reconstruction early in 1938-39, the new system has worked satisfactorily in practice. Indeed, in the Northern Command, where the Controller of Military Accounts used his discretion to recheck bills already passed by Surveyors, he was able to convince the executive authorities of certain errors and omissions and secured recoveries from contractors in about a dozen instances. These errors may fairly be attributed to the still insufficient staff of Surveyors in this Command, or to incidental lapses which should not recur after the new system has become more familiar to all concerned. The Chief Technical Examiner is satisfied that this Cadre, both directly and indirectly by their educative influence, has already secured valuable economies through more precise estimating, closer tendering and more accurate preparation of bills ; and audit sees no reason for dissenting from his conclusions.

At present the provisions of F. D. (Military) letter No. 181|Accts., dated 26th October 1937, have been extended to Northern Command and Quetta Reconstruction only. The position as regards the posting of the Surveyors of Works is as follows on 1st April 1939 :—

	Authorised.	Actual number on duty.
A. H. Q. . . . .	10	1 S. S. W.
Northern Command . . . . .	11	7 (including 1 S. S. W. and 1 Dy. S. S. W.).
Eastern Command . . . . .	8	1 S. S. W.
Southern Command . . . . .	8	1 S. S. W.
Quetta Reconstruction . . . . .	2	*
Western (Ind.) District . . . . .	4	4 (Tempy). 14 (including 1 S. S. W.).
C. T. E. . . . .	4	3
Leave Reserve . . . . .	4	4 (3 pending termination of their contracts).
Total	46	31

\* 6 on loan from other Commands.

NOTE.—Further recruitment of Surveyors of Works from the United Kingdom for service in India has however, been stopped for the present as suitable candidates have declined to accept employment on the existing rates of pay and conditions of service approved by the Government of India for this class of personnel. It will, therefore, be some time before our requirements are complete in this respect, *i.e.*, until we have sufficiently trained a number of subordinate S. W. staff to a stage when they can be promoted Surveyors of Works.

**APPENDIX XVIII.****Defence Reserve Fund.**

The Government of India were asked in paragraph 6 of the report of the Military Accounts Committee that sat in July last year to furnish a report on the Defence Reserve Fund.

The Defence Reserve Fund now no longer plays the same role in the Defence Services Budget as it used to in the past. Originally it was used as a receptacle in which the unexpended balances of the annual Contract grants for Defence expenditure, whether due to genuine savings or to carry-forward liabilities, were stored for subsequent use. With the cessation of the Contract budget, it still remained intact and was used for much the same purposes except that the savings that went into the Defence Reserve Fund were those that accrued out of the normal grants of the year.

Up till 1937-38 this fund used also to accommodate the Equalisation funds, but since that year these funds have been kept in separate suspense accounts opened for the purpose in the Deposit section of Government Accounts.

Due to the elimination of safety margins in respect of prices of food-stuffs, a closer budgetting under all heads in view of the restricted grants from the Treasury, the rise in obligatory charges of the Defence Services due principally to the improvements in the conditions of service of British soldiers in India, and to the recrudescence of prolonged operations on the Frontier, etc., the Defence Services budget has from the year 1936-37 ceased to yield any genuine savings. By 1937-38 the free balance in the Fund was exhausted. The fund has, therefore, been confined to serving as a vehicle for carry-forward liabilities on budgeted measures, including underspent amounts on budgeted Military Engineer Services works earmarked for regrant in the subsequent year.

If however a scheme of re-armament is to be carried through with the maximum economy, and with the minimum disturbance to the Central budget, the Defence Reserve Fund will again have to function as the repository of savings in standing charges, because such savings will be required to meet excesses in subsequent years over the normal budget provision for the Defence Services as a whole. But it has been decided not to use the Defence Reserve Fund more than is absolutely essential. For example, it has been decided that any grants for capital expenditure such as the £5 million to be received from His Majesty's Government will be kept separate in the 'Deposit' section of the accounts and will be utilised exclusively for the purpose of modernising the Defence Forces.

The suggestion to include the Land Sales Suspense Account in the Defence Reserve Fund has been considered. The Land Sales Suspense Account was created for financing essential military works expenditure, whereas the Defence Reserve Fund is generally to be utilised on reequipment measures. To amalgamate a fund which has a very restricted purpose and is controlled by one individual Principle Staff Officer with the Defence Reserve Fund which is a general reserve, controlled by all P. S. Os., is not considered desirable. Indeed as has been already mentioned even equalisation funds which originally formed part of the Defence Reserve Fund were transferred from 1937-38 to a separate head under 'Deposits' for the same reason, namely that these funds served specific purposes of their own.

## APPENDIX XIX.

## Grass Farms.

In pursuance of the desire of the Military Accounts Committee that the question whether the system of Military Grass Farms could not profitably be extended, should be examined, the position was reviewed.

The Grass Farms are divided into 5 Circles. The total quantities of fodder produced and purchased in 1935-36 to 1937-38 in each of these circles are given below. The figures for 1937-38 are abnormal owing to Waziristan Operations.

	Quantities produced.			Quantities purchased.		
	1935-36	1936-37	1937-38 <sup>*</sup>	1935-36	1936-37	1937-38
			Tons.			Tons.
1st Circle .. ..	13,582	15,260	17,619	29,034	22,481	24,247
2nd Circle .. ..	22,127	26,932	21,874	9,531	8,079	5,265
3rd Circle .. ..	28,870	33,153	30,184	145	27	14
4th Circle .. ..	..	..	1	17,913	12,961	13,367
5th Circle .. ..	22,682	20,098	20,161	10,387	11,395	10,600
Total .. ..	87,261	95,443	89,839	67,010	54,943	53,493

Generally speaking production has increased and purchases have decreased. But for the Waziristan Operations which necessitated larger purchases in the first circle in 1937-38, the relative position of production *vis-a-vis* purchase would have shown a further improvement in that year.

As already explained purchases are mainly resorted to in places where fodder cannot be produced and transportation from other farms is uneconomical. Purchases are mainly made in the 1st and the 4th Circles. A reclamation programme is in progress in the 1st Circle as a result of which production will increase and purchases will decrease correspondingly. As regards the 4th Circle, no farming is undertaken as lands are not available in the area and it is not economical to do so. The requirements of this Circle are therefore partly met by transfer from other circles and partly by purchases. Fodder being a bulky article is uneconomical to transport to distant places, say over 100 miles. Extensions in other circles beyond this distance with the object of providing fodder to the 4th Circle will not, therefore, result in any economy. The farms in other circles are generally working to their maximum capacity.

The progressive mechanisation of the army in India will result in a considerable reduction in requirements of fodder and the consequent abolition of some of the existing grass farms. This is not, therefore, the time at which a scheme for expanding Military Grass Farms can profitably be embarked upon.

**APPENDIX XX.****Dairy Farms.**

In pursuance of the recommendation of the Military Accounts Committee on the accounts of 1936-37 contained in paragraph 34 of their proceedings, the question whether the military dairy produce was not being sold unduly cheaply as compared with market rates was examined.

The first point for consideration is whether there exists a market rate for dairy produce of the same quality with which the prices charged by military dairy farms can be compared. There is only one firm in India—and that operating only in a few stations—whose produce can be compared in quality with that of military dairies. The prices charged by this firm cannot be regarded as competitive and it will consequently be misleading to compare the prices charged by them with those charged by military dairies. The quality of the dairy produce otherwise obtainable in India cannot be compared with that produced by military dairies. So far as is known the average prices of “ bazaar ” produce are cheaper than those charged by the military dairies.

In the absence of a true market rate with which the prices charged by Government dairies can be compared, the only available criterion for judging whether the prices charged are “ too low ” is whether the sale of the produce results in a loss in the working of the farms. The Trading Accounts show that these are run on a profit and the cost of production inclusive of all direct and indirect charges is more than recovered from the customers.

There are however other considerations bearing on this question which may be briefly stated as follows :—

1. Military dairy farms exist primarily for the supply of pure dairy produce to hospitals and troops and so long as they serve this primary purpose without involving the State in loss, they have justified themselves. It was never intended that military dairies should be profit-making concerns.
2. British soldiers are compelled to purchase their requirements from military dairies where they exist. To enhance prices much beyond the costs of production and still to compel troops to purchase military dairy produce would be unjustifiable. Furthermore one cannot charge more than the troops can afford to pay.
3. If prices are enhanced and the soldier is given liberty to purchase from whatever source he prefers, it is inevitable that with his limited income he will turn to the cheap “ bazaar ” products. This will have a twofold effect. The trade of the military dairies will be reduced considerably involving a very high cash outlay for the limited quantities required by hospitals and the health of the troops will be affected with consequent deterioration in efficiency and increase in the incidence of sickness. These are contingencies which the military dairies were intended to obviate and have done so with considerable success.

For the above reasons, it is not considered desirable or equitable to make any change in the policy underlying the fixation of prices of military dairy produce.

**APPENDIX XXI.****Revision of the form of Accounts of Medical Store Depots.**

In paragraph 14 of the Financial Adviser's Review on the account for the year 1936-37, it was stated that the question of the best method of compiling the Medical Store Depots accounts was under discussion and that numerous changes in the form of accounts were contemplated. Certain of those changes have since been introduced in the "Consolidated Profit and Loss Account" for 1937-38 published in the Commercial Appendix to the Appropriation Accounts of Defence Services for 1937-38. Further improvements have been proposed and the question is under discussion with the administrative and other authorities concerned at Army Headquarters.

2. In the meanwhile, a Committee was formed under the auspices of the Defence Department, to examine the present organisation of the Medical Store Depots in all its aspects including administrative and financial control, internal administration and its relations with civil customers and method of pricing and to make recommendations thereon. The findings of this committee are awaited and pending receipt of their report, final decisions on points concerning further improvements have been held over by the administrative authorities.

**APPENDIX XXII.****Clothing Factory.**

In paragraph 36 of their proceedings on the accounts of 1936-37 the Military Accounts Committee suggested that it should be possible to test the actual profit made by the Clothing Factory against open market rates and desired a report on this matter to be submitted this year.

2. The Government of India are not in possession of a market rate for any garment manufactured by the Clothing Factory ; in fact they are not aware of any concern which produces garments of the same pattern and manufactured from the same quality and type of materials as those produced by the Clothing Factory.

3. In the past, attempts have been made to arrive at a comparison between garments produced by the Clothing Factory and those produced by Contractors who manufacture for the Police, Postal and other departments ; but in all cases it was impossible to make any comparison because, apart from differences in material, the workmanship in these garments could not be compared with those produced by the Factory.

4. Thus, seeing that there is no market in India for similar articles, it is not possible to compare the cost to the Army of garments manufactured by the Clothing Factory with the cost of purchase of the same garments in the open market. It may, however, be of interest to the Military Accounts Committee to compare the cost of the following typical garments now made at Shahjahanpur Factory with the Home (War Office) rates for similar garments made by Army Contractors in England for the War Office adding freight and customs to compare like with like.

Item.	Indian cost of Factory- made garment.	Home rate including freight and customs duty.	Remarks.
	Rs. AS.	Rs. AS.	
1. Shorts drill .. .. .	2 0	2 4	Made from cloth produced in India.
2. Jackets drill .. .. .	3 4	4 4	Ditto.

**APPENDIX XXIII.****Annual Certificates of the Master-General of the Ordnance in India.**

I certify that on 31st March 1939

1. The mobilization equipment and clothing authorised to be held for the mobilization of the Army in India and detailed in published War Equipment Tables was complete to the extent to which the quantities have been provided with the following exceptions :—

- (a) Fluctuations due to the normal maintenance of such equipment.
- (b) Deficiencies due to a fire in Quetta Arsenal on the 30th March 1937 when a considerable amount of mobilization equipment was destroyed.

2. War Maintenance Reserves detailed in published War Maintenance Reserve Statements, and which have been provided, were complete with the exception of fluctuations normal to the maintenance and turn-over of such reserves.

3. Materials and semi and fully manufactured articles specially set apart or provided from within the factory budget or from funds specially allotted are complete : also machinery provided from any special allotment of funds was complete with the exception of certain items which although on order have not been received as yet. Calculation of deficiencies in the War Maintenance Reserves of Ordnance and Clothing Factories is in hand.

C. C. ARMITAGE,  
*Lieut.-General,*

*Master-General of the Ordnance in India.*

*The 7th June 1939.*

I certify that on 31st March 1939, the war reserves of stores authorized by the Government of India to be held at that date for the mobilization of the Army in India (less M. T. Repair and Maintenance units and M. T. vehicles, for which a separate certificate will be rendered) 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 shewn in the attached annexure.

B. MOBERLY,  
*Lieut.-General,*  
*Quartermaster General.*

*The 16th June 1939.*

## ANNEXURE TO THE CERTIFICATE, DATED 16TH JUNE 1939.

*Supply Units whose war equipment is complete in all respects.*

No. 62 Depot Section.

No. 35 P. O. L. Section.

Nos. 3, 6 and 9 Railhead Supply Detachments.

No. 7 Field Butchery Section B. T. (I).

No. 108 Field Butchery Sub-Section B. T. (I).

Nos. 1 and 2 Local Purchase Sections.

H. Q. No. 2 Cattle Supply Unit Class II.

No. 9 Cattle Supply Section Class II.

No. 3 Cattle Supply Section Class IV.

*Supply Units whose war equipment is deficient of a few minor items but which could be sent on Field Service.*

Nos. 1—12 (12) Supply Issue Section.

Nos. 15—19 (5) Supply Issue Section.

Nos. 21—28 (6) Supply Issue Section.

Nos. 28—31 (4) Supply Issue Section.

H. Qrs. Nos. 1 and 8 Supply Personnel Companies.

Nos. 1, 2, 7, 9, 10, 17 to 19, 22, 34 to 41, 54, 56 to 59 and 101 Supply Depot Sections.

No. 19 P. O. L. Section.

Nos. 1, 2, 4, 5 and 7 Railhead Supply Detachments.

Nos. 3, 4 and 7 Field Bakery Sections B. T. (I).

Nos. 106 to 108 (3) Field Bakery Sub-Sections (I).

Nos. 1 and 3 Field Butchery Sections B. T. (I).

Nos. 103, 105 to 107 (3) Field Butchery Sub-Sections B. T. (I).

Nos. 1, 3, 4 and 6 Cattle Supply Units Class II.

Nos. 1 to 8 (8), 10 and 14 Cattle Supply Sections Class II.

Nos. 1, 6 and 8 Cattle Supply Sections Class IV.

H. Qrs. Divisional R. I. A. S. C.

*Supply Units whose war equipment is deficient to the extent as to render them unfit to proceed on Field Service.*

Nos. 13, 14, 20 and 27 Supply Issue Sections.

H. Qrs. Nos. 5 and 7 Supply Personnel Companies.

Nos. 3, 8, 13, 24, 29 to 32, 46 to 53, 55, 60 and 61 Depot Sections.

Nos. 1, 2, 5, 17, 18, 21 to 23, 27 to 31 and 34 P. O. L. Sections.

Nos. 8, 10 and 11 Railhead Supply Detachment.

H. Qrs. Nos. 1 and 2 Field Bakery.

No. 6 Field Bakery Section (I).

Nos. 102, 104, 109 to 111 (3) and 113 Field Bakery Sub-Sections (I).

H. Qrs. Nos. 1 and 2 Field Butcheries B. T.

Nos. 4 to 6 (3) Field Butchery Sections B. T. (I).

Nos. 101, 102, 104 to 109 to 111 (3) Field Butchery Sub-Sections B. T. (I).

No. 1 Cattle Supply Unit Class I.

H. Qrs. No. 6 Cattle Supply Unit Class II.

Nos. 11 to 13 (3) and 15 Cattle Supply Sections Class II.

Nos. 2, 4, 5, 7 and 9 Cattle Supply Units Class IV.

NOTE.—The deficiencies of war equipment of the supply units referred to above are at present being adjusted in accordance with D. O. S., A. H. Q., letter No. 14252|21|M.G.-7-B, dated the 27th February 1939.

I certify that on the 31st March 1939, war reserves of M. T. vehicles authorised by the Government of India to be held on that date for the mobilization of the Army in India were complete, except as shewn below :—

(i) Motor cycles, solo (Indianization of Indian Signal Corps)	..	..	..	Nos. 4
Necessary orders for the 4 motor cycles have been placed.				
(ii) Lorries, 30-cwt., 6-wheeled	..	..	..	Nos. 12
(a) Indianization, Indian Signal Corps, 1936-37	..	..	..	4
(b) Mechanization of Draught Cable Section, Corps Signals	..	..	..	4
(c) Indianization, Indian Signal Corps, 1938-39	..	..	..	4
				—
				12
				—

(a), (b) and (c). The deficiency is being made good from the " type 15 " lorries which have been released by 2 Cavalry Brigade M. T. Companies on replacement by new vehicles.

(iii) Lorries, disinfector .. .. . Nos. 4

The deficiency will not be made good, as this type of vehicle will be replaced by the portable disinfecting plants.

B. MOBERLY,  
*Lieut.-General,*  
*Quartermaster General.*

*The 24th July 1939.*

I certify that on 31st March 1939, the war reserves of stores authorised by the Government of India to be held at that date for the mobilization of the M. T. repair and maintenance units, and detailed in the published War Equipment Tables, or provided for under specific sanctions, for the provision and maintenance of which I was responsible, were complete to the extent to which the quantities required had been calculated, with the exceptions 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 was in hand.

B. MOBERLY,  
*Lieut.-General,*  
*Quartermaster General*

*The 4th August 1939.*