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OF THE
PUBLIC ACCOUNTS COMMITTEE
ON THE
ACCOUNTS OF 1927-28

Volume I—Report



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Evidence taken at the first meeting of the Public Accounts Committee held on Friday, the 5th August 1927, at 2-30 p.m.

PRESENT :

- (1) The Hon'ble Sir Basil Blackett, *Chairman*.
- (2) Moulvi Abdul Matin Chaudhury.
- (3) Mr. A. Rangaswami Iyengar.
- (4) Maulvi Syyid Murtuza Sahib Bahadur.
- (5) Mr. N. M. Joshi.
- (6) Mr. G. Sarvotham Rao.
- (7) Sir Frederic Gauntlett, Auditor General.
- (9) Mr. C. W. Carson, Controller of Civil Accounts.
- (9) Mr. G. Kaula, Accountant General, Central Revenues.
- } *Members.*
- } *Were also present.*

The Hon'ble Mr. A. F. L. Brayne, Financial Secretary, *Witness.*

Chairman.—We propose to begin to-day with the Finance Department Resolution on last year's report.

1. *Mr. Rangaswami Iyengar.*—I should like to know whether the Auditor General has any suggestions to offer on the Resolution.

Sir F. Gauntlett.—The simplest thing will be to go through the Resolution paragraph by paragraph with the report of the Public Accounts Committee itself.

Mr. Brayne pointed out that there was an additional list of minor points which was being circulated.

2. *Mr. Rangaswami Iyengar.*—Are you in a position to tell us what you have done with regard to the more vigorous application of this system of lump cuts ?

Mr. Brayne.—I have not got the exact amounts of all the cuts we have made, but we have done so in the case of all the larger demands, for example, in Public Works we have made a lump cut of 10 lakhs in a budget of about a crore, and we have done this more or less in all the big departments. I can give a list of these cuts to members of the Committee.

Mr. Rangaswami Iyengar.—I do not want a list. The system of lump cuts is also applied very extensively in England. What I should like to know is whether you can reduce this system of making lump cuts to any particular principle or system. At present on what principle do you take 10 lakhs rather than 5 lakhs ?

Mr. Brayne.—We work on the estimates of past years, on the difference between revised estimates and the sanctioned amounts ; wherever under-spending to a certain extent has been noticeable in past years, we always work on that ; there is no percentage like 10 per cent. or 5 per cent. of the total.

Sir F. Gauntlett.—Perhaps I may remark here on this very pertinent point that the Accountant General, Central Provinces—which is a small province where a man is able to give more individual attention to his work—in his last report on the appropriation accounts brought to notice case after case in which during the last 3 or 4 years there had been persistent saving under the same heads. I would suggest that the Local Government ought to have no difficulty whatever in determining if lump cuts could be made suitably under those heads.

3. Chairman.—I would like to know from Mr. Brayne whether he does not think that if one can cut down the amount under a given sub-head, one ought to be able to reduce the actual provision under that sub-head rather than make a lump cut on the whole.

Mr. Brayne.—It would be better to do so. The lump cut does give rise to very considerable difficulty, as in the case of the Military accounts. A lump cut has to be distributed and it is very difficult to say whether any particular head is excessive.

Mr. Rangaswami Iyengar.—But where a lump cut is going on every year, surely we can cut down the estimate.

Mr. Brayne.—I think it is desirable to distribute the cut as far as possible.

Sir F. Gauntlett.—There are certain heads under which experience shows that no measure other than a lump cut is really adequate. The Punjab Government 2 or 3 years ago laid down very definite and strict rules, with regard to the measures which appear in Public Works budgets. The rules prescribed as strictly as possible what should properly appear in Public Works budgets, and even then there are always unforeseen circumstances in the course of the year which render it impossible to spend money on projects which are fully prepared and are actually going forward. No measure other than a lump cut can really rectify matters in Public Works. In the same way with regard to Establishments, you must budget on the basis of existing cadres and the only way to measure the saving or to estimate the saving is a lump cut.

Chairman.—But in that case you can take a lump cut under a particular head and not under the grant as a whole.

Sir F. Gauntlett.—I think that ought to be done where possible.

4. Mr. Joshi.—Is this system of lump cuts to be pursued always ?

Mr. Brayne.—There is always a tendency to err on the safe side.

Chairman.—Of course it has to be remembered that the one important requisite is that the Governor General in Council should obtain a sufficient grant from the Assembly to meet his expenditure. He does not want to risk unnecessary supplementaries.

5. *Mr. Brayne.*—In connection with paragraph 3 of the Resolution, paragraph 7 of the report referred to certain particular forms of excesses on which the Committee recommended that action should be taken.

Chairman.—You mean heads (1)—(5) in paragraph 6 of last year's report. I think those come in paragraph 4 of the Resolution. Perhaps you might just go through them.

Mr. Brayne.—Taking head (1) first, that excess will disappear now we have got the new arrangements working. As regards head (2), supplementary grants were put before the Assembly last year. Head (3) deals with the difficulties encountered in watching the progress of expenditure. The particular instances were the Posts and Telegraphs and the Survey of India. No other instances of this sort have been noticed. In the case of Posts and Telegraphs it is due to a large debit for Stationery. Now these debits are adjusted quarterly, so there is not much risk of this sort of thing happening again.

Mr. Rangaswami Iyengar.—But I think in the Audit Report of the Posts and Telegraphs the Auditor General has drawn attention to the fact that there has been insufficient watch on the progress of expenditure in that Department.

Sir F. Gauntlett.—Yes, that is on the part of some junior officers. It ought to be remembered that it is hardly fair to judge from the report of one year the effect of any action taken on the previous year's report.

Mr. Rangaswami Iyengar.—But this difficulty of watching the progress of expenditure has been under consideration for the last 2 years and we dealt with it 2 years ago; and we find that this thing has occurred in the Post Office once in 1924-25 and again in 1925-26.

6. *Sir F. Gauntlett.*—I would like to suggest that this question should be taken up definitely as an accounting question by the Committee and that definite recommendations should be made. I do feel myself that annual adjustments ought to be avoided if possible. In other words, it ought to be possible some time during the course of the year to transfer an estimated amount, making the actual amount transferred at the end of the year strictly correct by adjustments in the last quarter. We should have much less trouble if we could make periodical adjustments in cases where it is possible to make a rough estimate of what the amount is likely to be. I am only suggesting that this question of minimising as far as possible the annual adjustments might be taken up for further consideration.

Mr. Rangaswami Iyengar.—To the best of my recollection we did make certain recommendations and there was a Government Resolution which also laid down elaborate directions as to how the progress of expenditure should be watched.

Mr. Brayne.—Yes in August last year we issued very elaborate instructions: perhaps the Committee would like to see a copy of them.

Chairman.—Does this cover the question of bringing amounts to account at the end of the year?

Sir F. Gauntlett.—Only indirectly: all that it says is no head of a department can really watch the progress of expenditure unless he keeps a watch on his liabilities as to what is still to be paid by him.

Chairman.—He should not merely keep a watch on his liabilities but actually bring it to charge in the course of the year ? Mr. Brayne agrees that it is desirable to take up this question.

7. **Mr. Brayne.**—Coming to head (4), definite orders were issued in 1924 to the effect that belated adjustments should be brought to account in the year in which the orders were passed and not antedated to a previous year just because the accounts of the previous year happen to be open.

8. **Chairman.**—Head (5) deals with the Railways.

Mr. Rangaswami Iyengar.—We can deal with that when we come to Railways.

Mr. Joshi.—Is it not a fact that in the case of the Capital account, this is happening every year ?

Mr. Brayne.—I do not think that excessive figures are put in deliberately year after year : underspending arises for various reasons for example because proper contracts are not available.

Mr. Joshi.—For the last 5 years we are underspending by something like 5, 6 or 7 crores.

Mr. Frederic Gauntlett.—Last year in evidence before us Mr. Grindal said the average saving in the New Capital Works for 10 years was 25 per cent. a year, and this year (1925-26) it is a good deal more than 25 per cent.

Mr. Joshi.—~~And~~ my view is that on the whole it was a mistake on the part of the Assembly to have announced that they were willing to spend 150 crores.

Chairman.—You are speaking on the Railways : Sir Frederic is speaking on the New Capital. It is of course a general question but as regards the Railways we have put that right ; we have got away from the 30 crores.

Mr. Brayne.—In paragraph 4 of the report it is stated that steps have been taken to cut down the Capital Grant.

Chairman.—In the case of the Railways what we do now is this : the total estimates of what the Railways can spend come to over 30 crores ; we have actually provided only 24 crores.

Mr. Rangaswami Iyengar.—So far as the Delhi expenditure is concerned, the Auditor General is perfectly correct that this thing has gone on without our being able to find a remedy. So far as the Railways are concerned, the position was explained that the Railways were allowed to send up their full estimates and they were told that there would be lump reductions and if they were able to work up to programme money would be found. Therefore there was always a lump cut. But it would appear from some remarks made in the Appropriation Report, I think, that when you make these reductions and the estimate is sent back to the Agents, they distribute these things in a different way from what it was intended with the result that there have been excesses in some cases.

9. **Chairman.**—These are questions to be raised when we come to them. We now proceed to paragraph 5.

Mr. Rangaswami Iyengar.—I want to know at what stage this matter is now.

Sir F. Gauntlett.—We have invited the opinion of Local Governments. Three or four of the Local Governments have sent a final answer and they have accepted the scheme without comment. The technical position is that so far as it involves merely accounting processes, the Auditor General can state under which heads particular items of receipt or expenditure are to appear in the accounts ; so that it is possible for me in another couple of months to tell the Local Governments that if they abstain from or delay sending any reply, we shall have to lay down orders without further consultation because it is desirable that the scheme should come into effect from the 1st April next year. It is very important that the budget estimates should be drawn up in the way in which the accounts are to be maintained.

Mr. Brayne.—We are taking steps to do that in the case of the Budgets of the Central Government.

10. **Mr. Brayne.**—With regard to paragraph 6, the Finance Department have drawn up a scheme following the recommendations of the Public Accounts Committee last year and it is under the consideration of the departments concerned. We have to send a despatch to the Secretary of State and this has been drafted.

Mr. Rangaswami Iyengar.—May I know unless it is confidential, whether there is any proposal in that connection to alter the present statutory position.

Sir F. Gauntlett.—That position has not been touched at all ; we cannot possibly interfere with the Act.

11. **Mr. Rangaswami Iyengar.**—As I understood the discussion some time ago though I am not quite clear, the Secretary of State has prescribed a certain form in which the Finance and Revenue accounts are to be presented to Parliament, and it is necessary that the accounts that are presented to the Assembly should in all respects tally with the accounts presented there. There was some difficulty in making them identical which I think we discussed. The information I now want is whether you will alter the form of accounts which have to be presented to Parliament.

Sir F. Gauntlett.—The letter to the Secretary of State puts before him the proposals of the Government of India for the modification of the form of the Finance and Revenue accounts so as to give effect to your wishes.

Mr. Brayne.—There are two things—the Finance and Revenue accounts and the Budget estimates. The proposal seeks to modify the Finance and Revenue accounts with the approval of the Secretary of State and then to modify the form of the Budget estimates and various statements that are put before the Assembly in accordance with the modification made in those accounts. The result will be that the working expenses of Posts and Telegraphs, for instance, will appear on the expenditure side and there are various other modifications of that kind.

Paragraph 7 of the Resolution.

12. **Mr. Rangaswami Iyengar.**—Have the lawyers pronounced on this ?

Mr. Brayne.—A despatch has gone to the Secretary of State recommending that the Fund should be established, and that the token vote

should be accepted. It includes also the other question of the definition of new service. All these three questions have gone forward in one despatch to the Secretary of State.

Chairman.—The position is that the Government of India have formulated their proposals. I should like to ask whether all this is possible within the framework of the existing Government of India Act ?

Mr. Brayne.—No, Sir. It will require the modification of the Government of India Act and the issue of rules thereunder. It is just possible the Secretary of State will follow the rule adopted last year, that such modification should wait and that we should carry on as at present until the new constitution is considered.

Mr. Rangaswami Iyengar.—You have suggested that the Act should be suitably modified in this respect ?

Mr. Brayne.—Yes.

13. *Mr. Joshi.*—With reference to paragraph 8, last line,—“ careful statistics should be kept of the proportions between actual expenditure and estimates based on the existing cadres under establishment heads ”—have you considered that ?

Mr. Brayne.—Yes.

Sir F. Gauntlett.—When these statistics have been recorded it will be possible to take averages.

Paragraph 10, Question of contracts.

14. *Mr. Brayne.*—The Finance Department are considering the new rules. We have collected the various rules in the Railway Department and the Army Department, and recently we received a statement for the Public Accounts Committee at Home of 1926, setting forth a very elaborate set of rules which we have endeavoured to incorporate in our rules as far as possible.

15. *Mr. Rangaswami Iyengar.*—I want the Committee to deal with the question as to what extent officers should be permitted to enter into contracts without calling for tenders.

Sir F. Gauntlett.—I understand the question is being dealt with in the Finance Department. They have received a copy of the orders issued by the Treasury in England which prescribe the conditions which must be fulfilled by departments before they could enter into contracts without the previous sanction of the Treasury. It would not perhaps be administratively practicable to apply the whole set of rules in India, but some of them could be applied and it was from that standpoint that the question was being considered.

Chairman.—The extent of the control of the Treasury at home as compared with the control exercised here was something almost incredible. The rules would be circulated to the Committee after which they could be considered.

16. *Mr. Rangaswami Iyengar.*—I would next raise the question of how far savings under voted heads could be reappropriated and utilised for expenditure under non-voted heads and whether the Governor General in Council was at liberty to do so.

Mr. Brayne.—No reappropriation is allowed from voted to non-voted and *vice versa*.

Chairman.—The answer is that we formally approve of a supplementary grant for the non-voted portion in the same way as a supplementary grant under a voted head is approved by the Assembly ; there is no question of reappropriation. Usually, unless we are absolutely driven to it and unless we are fairly sure that there is a clear prospect of a surplus on the budget, we do not easily assent to supplementary grants, whether under voted or non-voted heads.

Mr. Kaula.—The answer to that question is that the purse is a joint one for both heads and your objection will continue to apply so long as the joint purse continues.

Chairman.—I do not think that the assumption in Mr. Rangaswami Iyengar's argument that the Assembly is seized of certain monies is quite the correct way of putting it. Its function is to control expenditure under certain heads and any expenditure under those heads is to be out of monies voted by the Assembly ; but there is no obligation on the Governor General in Council to spend the money voted. He has asked for a grant and it has been given to him and it may sometimes be a merit on his part if he does not spend it.

17. *Mr. Rangaswami Iyengar.*—Therefore, when there are lapses are those lapses specifically ear-marked ?

Chairman.—No ; they are not.

Sir F. Gauntlett.—It has been laid down legally that a grant cannot be reduced, so that the head of a department unless he receives executive orders to the contrary, can go on spending against the grant which has been allotted to him by the Assembly. In so far as the Governor General in Council is utilising his powers to make a supplementary grant for non-voted expenditure, he is only utilising exactly the same powers as he has when he makes the original grant. Your objection is really to the whole system of non-voted expenditure. You will see in the Appropriation Accounts the savings under voted and non-voted heads given separately in each case.

Mr. Rangaswami Iyengar.—You do not think there has been any case in which savings under voted have been taken up to cover excesses under non-voted ?

Sir Frederic Gauntlett.—No ; any saving under a voted head goes into the joint purse and it then becomes available for any supplementary grant. One comment that I make throughout is that the savings under non-voted are generally bigger.

18. *Mr. Joshi.*—I do not understand you when you say that the Governor General in Council cannot reduce a grant ; if he does not spend it, he reduces it ?

Chairman.—He did not say " The Governor General in Council " ; it is the Assembly that cannot reduce the grant. The Governor General in Council can specifically direct that a saving whether under voted or non-voted shall be ' written off ' from the amount available to the spending officer under that head to spend.

Sir F. Gauntlett.—Might it not also be said that the executive Government throughout the world can specifically order a diminution in the rate of expenditure ?

Chairman.—Yes, certainly. The question arises where there is a new service and it has been ruled in such cases that the Governor General in Council must obtain authority from the Assembly for the whole of the expenditure for that service whether there are savings under voted heads or not.

19. *Mr. Rangaswami Iyengar.*—It comes to this : when money has not been spent under a voted head, it lapses or goes into the joint purse or the total revenues in the hands of the Governor General in Council, and being there he has got the right to use such monies for non-voted items, if necessary.

Chairman.—I do not like the phrase “ joint purse ” ; it is one single consolidated fund out of which the Governor General in Council is spending money on certain services which he is authorised to spend without the vote of the Assembly and others which he could only spend with the vote of the Assembly ; it is all one fund which is being spent by one authority, the Governor General in Council.

Mr. Rangaswami Iyengar.—Has anything been done with regard to the rules mentioned in paragraph 12 ?

Mr. Brayne.—We have got the rules in hand. The Army rules are under revision ; possibly they would broaden the rules somewhat, as there was too much centralisation.

Mr. Rangaswami Iyengar.—Giving them a blank cheque ?

Chairman.—It has to be remembered that the Army is the most centralised department in India and the powers of re-appropriation which are now given to spending authorities under the Commander-in-Chief are extremely limited.

Sir F. Gauntlett.—I think it will be found when the Army rules are closely studied that it will not necessitate very much revision on the civil side because the main point which was made by the Secretary of State was that re-appropriations to meet new expenditure should not be made without the sanction of the Finance Department and that is practically the same as the procedure for supplementary grants requiring the vote of the Assembly.

Chairman.—The specific intervention of the Governor General is required for the appropriation of savings for new services.

Mr. Rangaswami Iyengar.—So far as the Army is concerned is there any such rule ?

Sir F. Gauntlett.—Yes ; that is the rule which was laid down by the Secretary of State, which is called attention to in this paragraph.

Mr. Rangaswami Iyengar.—We would like to see how far the rules are undergoing revision.

Chairman.—I think there will be no objection to the revised rules being placed before the Public Accounts Committee after they have been framed.

Sir F. Gauntlett.—The main point to notice is that this question is still open.

Paragraph 13 of the Resolution.

20. *Chairman.*—The report of the Auditor General is not yet ready ?

Sir F. Gauntlett.—No ; all that I have received up to the present have been various reports by Mr. Bhimasena Rau on accounts completed about 18 months ago ; I have not got the final reports because the accounts do not close until July or August.

Paragraph 14 of the Resolution.

21. *Chairman.*—“ The outstanding points are now under examination and the views of the Government of India will be placed before the Committee.”

Mr. Joshi.—Are they going to be placed this year ?

Mr. Brayne.—Yes.

22. *Mr. Joshi.*—You are referring to some rules being framed for giving certain powers to officers working in remote corners ?

Mr. Brayne.—The point of view of the Central Board of Revenue is this : they say there is no necessity to frame rules because they are not likely to have many more works of this kind ; we referred the general question to the Department of Industries and Labour and they are not in favour of having separate rules because they say there already is one complete set of rules, and if any modifications of those rules are required in a particular case those modifications should be sought by the officers

who are carrying out the work. You cannot have separate sets of rules applying to every officer who has some special work to do.

23. *Chairman.*—Are we not in a position to state finally that the Government of India's opinion is that it is undesirable to frame such a set of rules ?

Mr. Brayne.—Yes ; the trouble in this case was that the particular officer concerned did not apply for any relaxation ; it might have been given to him.

Mr. Kaula.—May I suggest that that question be put to the Audit officer when he is present when this case is taken up ? I doubt if he will admit that there are regulations suitable for the Salt Department. My impression is that he is of opinion that there are no definite rules.

Chairman.—The point being that the rules that apply to works in the P. W. D. do not apply to the Salt Department ?

Mr. Kaula.—They do not apply automatically unless they are made applicable.

Sir F. Gauntlett.—I think the answer to Mr. Kaula's point is that though there may not be a set of rules technically applicable to the Northern India Salt Department, it was assumed that they were working under P. W. D. rules.

Chairman.—As regards the question whether adequate rules exist in the Salt Department or not, we can take that up when the Salt Department is before us.

Paragraph 15 of the Resolution.

24. *Mr. A. Rangaswami Iyengar.*—This is a matter on which I should like to raise the general question as to what extent we can deal with receipts in the Public Accounts Committee. The Governor General has already agreed that it is open to us to refer to the accounts of receipts in so far as they arise from audit reports ; but I would raise the more general question as to whether it is not time for us to state that there should be a more systematic audit of receipts than has been in vogue in respect of many departments. I understand the matter is engaging the attention of the Government and I see the Public Accounts Committees in England have gone on systematically dealing with questions of receipts in cases in which there has been failure to recover revenue owing to bad management of receipts and so forth. The question is whether it is not open equally to us to deal with them and whether the Audit Department possesses the requisite machinery for auditing receipts.

Sir F. Gauntlett.—The actual position of affairs in regard to this high question is that the Secretary of State has twice suggested to the Government of India that the Auditor General should be instructed gradually to take over the audit of receipts. The question has never been finally taken up and considered so far as I know ; but from time to time the audit of receipts which is entrusted to the Auditor General by the Governor General in Council has been increased. In practice what happens at the present moment is whenever we find large embezzlements in the accounts of a specific institution, I am asked to undertake the audit of that institution—especially in Bengal where the question has been very bad indeed. In fact we have so far progressed in Bengal that the Accountant General

there has a separate establishment working under him, which is practically under the orders of the Local Government, to deal with the receipts of institutions there from time to time. If you ask whether I have the machinery, I say 'no' and I should not have the machinery to undertake anything like a real audit of receipts for another ten years. I think it is possible that I may have to find within the next four or five years some 30 more officers for work in connection with expenditure which administratively is in contemplation. I have asked the Government of India to have a conference to determine what administrative measures are likely to be adopted which will necessitate increases of my establishments because my men are all experts and I have to train them for two or three years before they can do the work. Any attempt, therefore, to undertake audit of receipts generally will have to be notified to me and I shall have to be given five years' notice.

25. *Chairman.*—Can you tell us roughly to what extent you audit the main receipts of the Government of India at present ?

Sir F. Gauntlett.—I practically audit commercial receipts—Railways, Posts and Telegraphs and Customs.

Chairman.—Do you regularly audit customs receipts ?

Sir F. Gauntlett.—I have a test audit department working throughout India ; that is of course only a test audit. I audit the receipts of a large number of Government institutions, but those are all under specific orders. A complete list of the work that was entrusted to me under rule 12 of the Auditor General's rules was prepared in 1924, and if you are interested in the matter, a copy might be supplied to you, but I do not think that the list is quite up-to-date.

26. *Mr. A. Rangaswamy Iyengar.*—You have been auditing receipts in a considerable number of departments in pursuance of the audit rules. I should like to know whether under the present system of audit of accounts in this country there is a system of auditing receipts as well as expenditure, and whether when such audit is undertaken it should not come before the Public Accounts Committee in the same way as expenditure is coming before it ? For instance, take income-tax. We should like to know whether all the tax that has been assessed has been properly collected. For that you must have a test audit in certain cases to find out whether the officers have got all the receipts. My suggestion is, that generally in regard to revenue your department must systematically undertake a test audit, at a rate of 10 per cent. of the total number of cases, to see whether the officers had done their duty properly, whether remissions had been too frequently granted and such other things, because those are things about which this Committee ought to be informed, and there should be a machinery for it.

Sir Frederic Gauntlett.—It is rather a long question, Sir. The first point is with regard to the existing machinery of audit. I think you can say that at present what you have is only an internal check. So far as land revenue is concerned, the internal check has been very well developed. As a matter of history, we did undertake an investigation in Bihar and Orissa just before retrenchment came into force. Unfortunately we thought we would have plenty of time to undertake a systematic survey. We started with land revenue but we got nothing out of it, because we found the internal system of check of land revenue generally efficient and by the time we finished with land revenue, retrenchment came into force and we had to take all the men away for other work.

The next point that was raised was a specific point with regard to income-tax. The question whether I should be asked to audit income-tax was considered by the Central Board of Revenue, and I think they suggested,—I am only speaking from memory—that the actual assessment is so intricate that it is impossible really to apply a test audit to the complete transactions of the Central Board of Revenue. I think the more important point they made was that no test audit would be of real value, unless you could get, as the income-tax authorities themselves get, access to the private papers of persons whom they are assessing, and there is no statutory machinery at present by which the Auditor General can get access to such papers. This question, I believe, has been very carefully considered in great detail in England. It is perfectly true that there is a test audit of income-tax in England. But I believe that if there is to be any attempt to investigate this question thoroughly we should undoubtedly have to go to England to find out what is being done there. But my impression gained from the epitome of that Public Accounts Committee and from other papers that have come before me is that really the Auditor General undertakes no more than to see that the instructions which are issued by the Central authority are complied with by the subordinate authority. I think those are the answers.

Mr. N. M. Joshi.—What we can do this year is to recommend to the Governor General that this subject deserves careful examination and we should request the Auditor General to give us a note on this subject as to how far it can be done.

Sir Frederic Gauntlett.—I am not sure that the note originally should come from me, but I am entirely under the orders of the Public Accounts Committee and if I am asked to prepare a note I shall be only too glad to do so. If you really wish to press this point that receipts ought to come under Government audit just like expenditure, it will necessitate either an alteration of the statutory Auditor General's rules or it will necessitate a specific order from the Governor General in Council that I am to undertake the audit of receipts. But no such order could be issued until the principle has been accepted and until I have the machinery ready.

27. *Chairman.*—It is obviously a complicated question as one would gather from Sir Frederic Gauntlett's remarks with regard to income-tax. Now, with regard to the action of the income-tax authorities, have any cases come before the Auditor General in which the income-tax authorities have written off as non-collectable sums which are due from assesses ?

Sir Frederic Gauntlett.—No, Sir. That again is part of the big question of the treatment of losses which has been under consideration for the last two or three years.

28. *Mr. A. Rangaswamy Iyengar.*—I don't suggest that you should be a sort of supervisory income-tax authority over the income-tax department. What I am pointing out is that you must conduct a test audit. For instance, the auditors in business concerns don't go into every item of receipts, but they merely conduct a test audit and see that the books are properly maintained. Now, what I want to ask you is this. Don't you think it would be well worth the cost if you conduct a test audit and the revenues will improve by reason of conducting a test audit ?

Sir Frederic Gauntlett.—If you ask me that as an Auditor General, I emphatically say 'yes': One has to face the position quite frankly that there is hardly a single deptt. that welcomes an audit, and if a department can keep the auditor out, it will do so. Without expressing any innuendoes or insinuations at all, that was the attitude of the income-tax authorities. They put forward admirable reasons which I accepted. But the position, I think, is that Government as a Government has to rise superior to individual departments of Government. Individual departments will always object to audit, but Government as a Government should take the view that audit is after all worth while. I think I can safely say that the experience that we have had during the last twenty years with our test audit does show that it has been of value. I think it is not unfair to say that one of the main reasons why the present Sea Customs Act is being radically amended is that audit has pointed out that it is so utterly out of date that it cannot be worked legally.

Then again the Chairman put to me a question whether I see any statements of losses from the Income-tax department and I said no. But test audit in the Customs constantly raises questions in which the Collectors have exercised discretionary powers and have waived recoveries. In many cases, test audit has had to say that this contravenes the general orders which have been issued by a superior authority and that the exercise of discretion has been against those orders.

Mr. Rangaswamy Iyengar.—I do feel that as the Finance Member has opened up so many new ways by which the finances could be more properly managed, we ought to start this.

Chairman.—There are really two difficulties in the way in regard to income-tax. The income-tax authorities will tell you freely that they are not getting anything like the whole of the income-tax due. They think that the net is not yet cast wide enough. But I think it is very doubtful whether the time is really ripe yet for putting any test audit into the income-tax department.

Then the other difficulty which was raised by the Auditor General was this. The natural result of the introduction of parliamentary institutions in this country has been a very great increase in the demands for staff of the Auditor General, and I don't think the Auditor General has or will have the staff to undertake such a large work as the examination of income-tax or other receipts generally for some little time to come.

29. *Mr. N. M. Joshi.*—But the question of losses is on a different footing ?

Chairman.—I did not speak of losses,—I referred to non-collection, the audit of money not received, and so forth.

Sir Frederic Gauntlett.—There are specific orders that in cases of frauds occurring the matter has to be reported to the account authorities.

30. *Mr. A. Rangaswamy Iyengar.*—I quite see that the Income-tax department is yet in its infancy. But what I want to know is whether the officers should not always be subject to the control of the audit authority in respect of what they do. At present they are given a large amount

of discretion; and we do feel, that in the income-tax department, without impinging by any means on the assessee, a good deal more could be properly collected if the department is kept in trim, not merely by supervision but also by a regular system of audit of receipts, because that will probably show the defects in the system which an expert Auditor will be able to point out to Commissioners of Income-tax.

Sir Frederic Gauntlett.—Might I suggest that a specific question be put to the representative of the Central Board of Revenue ?

Chairman.—I think we may definitely ask the representative of the Central Board of Revenue to give his views on the question of the possibility and desirability of an audit of income-tax receipts.

Sir Frederic Gauntlett.—If there is to be an extension, personally, I should prefer to make an experiment with regard to Forests, because in that case our experiment might be fruitful there.

Chairman.—So far as this Committee is concerned, it is only concerned with the audit of the Central forests.

Mr. A. Rangaswamy Iyengar.—If the Auditor General does get down to any method of dealing with Central forests, certainly it might be applied to provinces as well.

Chairman.—We will also ask the representative of the department concerned to be ready to answer the question of extension of audit of receipts from Forests.

Mr. Joshi.—Would it not be better if they asked the department concerned to give the Committee a written statement in advance ?

Mr. A. Rangaswamy Iyengar.—I think they will all bring a statement and read it.

Paragraph 18 of the Resolution.

31. *Mr. Brayne.*—The Finance Department propose to issue general rules after the new rules for the Posts and Telegraphs have been in force for some time.

Paragraph 19 of the Resolution.

32. *Mr. Brayne.*—A despatch was submitted to the Secretary of State in March or April last, and we have not yet heard from him.

Paragraph 20 of the Resolution.

33. *Sir Frederic Gauntlett.*—We have attempted this year to reduce the volume of the Report of the Central Revenues, and although the statistics are necessarily larger the letter press is very much smaller.

Chairman.—We will now take the statement showing the action taken or proposed to be taken on the points which have been noticed by the Public Accounts Committee in their Report on the accounts of 1924-25.

APPENDIX II.

Item 1 (b).

34. *Sir Frederic Gauntlett.*—The point is when the Secretary of State sanctions the classification rules, very large powers will be left to the authorities in India to frame rules relating to services under their control. It is entirely a question of fact, *i.e.* when powers are given to the authorities in the provinces they can determine whether they can increase or decrease the leave.

Item 1 (c).

35. *Sir Frederic Gauntlett.*—I am afraid that I am partly responsible for this, because as a great deal of information had to be obtained, the Auditor General undertook to bring together a complete statement of the position with regard to this inventory. I think the Government of India will agree that it is not really the duty of the Auditor General to undertake an inquiry like that. The result is that I have an enormous mass of papers which I could not look into. It is a very big question really. The question will really arise then as to the extent to which we can take our inventory, to keep stock of all the chairs, pens and paper throughout India, but it is really a difficult task. But if the Committee thinks that I should take it up, then I shall try to do it.

Item 1 (f).

36. *Sir Frederic Gauntlett.*—This came up before the *ad hoc* Army Committee, and the Quarter Master General was asked to expedite matters as much as he could. His intervention had to be obtained, because we wanted our new Pay and Accounts Officer in Peshawar to be housed in the building occupied by the Military Accounts Department. They also have a scheme for the amalgamation of offices and want to move their office from Peshawar to Rawalpindi. When they get to Rawalpindi they will have to be housed in the buildings which now belong to the Military Accounts Department. That will necessitate the turning out of the Divisional office at Rawalpindi, so that a new building will have to be built for the Divisional office. This has been accepted in principle. It is only a question of getting office accommodation, and the simplest and quickest method is for a small new office to be built at Rawalpindi. The question was hanging fire because of discussions between the Army Department and the rest of the Government of India whether a really big office should be built and who should bear the expenditure and so on.

Item 1 (h).

37. *Mr. Brayne.*—We have considered the question in connection with the procedure in England and it has been referred to the Auditor General.

Chairman.—I think it was at my suggestion that this Resolution was suggested, and it was decided to follow the procedure adopted in England if we could adopt it here.

Sir Frederic Gauntlett.—Those figures are exhibited separately in the Appropriation Accounts in England.

Item 1 (j).

38. *Sir Frederic Gauntlett.*—The officer on special duty has submitted his Report to the Central Board of Revenue and they are considering the matter.

Item 1 (k).

39. *Mr. Brayne.*—Orders sanctioning a fixed percentage of departmental charges have been issued in regard to Madras and United Provinces. As regards the other provinces, the question is still under consideration.

Sir Frederic Gauntlett.—There are two questions involved here. There is first the question where you use other provinces as agents. There is also the question in respect of work that is done directly by the Government of India. Some of the provinces have dealt with that difficulty by bringing all the estimates for establishment charges within one grant instead of the *pro rata* distribution. The accounts show the expenditure for works and the expenditure on establishments separately. Of course, in our own departmental accounts we distribute the departmental charges but, so far as the appropriation accounts are concerned, the establishment charges instead of being distributed *pro rata* under the corresponding charge head in half a dozen different heads and different grants, are kept within one grant so that you are able on the face of the record to compare the total expenditure on establishment with the total appropriation for establishment.

Mr. Rangaswami Iyengar.—But would it not make the account in respect of the particular work seem in the nature of a *pro forma* account because you put ~~it~~ a sort of percentage.

Sir F. Gauntlett.—No. I am not referring now to our departmental accounts maintained for new works. I am talking about the exhibition of the expenditure in the appropriation accounts. In these accounts, the establishment and works expenditure has always been recorded separately.

Item 2.

40. *Mr. Rangaswami Iyengar.*—May we know why it is said that the question will be taken up for consideration in connection with the next Statutory Commission.

Mr. Brayne.—Several cases have recently arisen between the Auditor General and the Secretary of State where his action has necessitated the revision in minor details of the statute and he has referred them all back and said "I should prefer to keep these over for the statutory commission".

Mr. Rangaswami Iyengar.—I cannot quite follow that. What I want to know is why there is this anomaly in the position. Does this refer to the status of the Auditor General or is it in reference to the accounts?

Sir F. Gauntlett.—I would refer you to Appendix XII of last year's report. It is set there in some detail and the last Public Accounts Committee, I think, accepted generally the views that were there expressed. The Government of India is considering it and says it will necessitate alteration of the statute, which I myself pointed out, and that in view of the attitude which the Secretary of State has consistently taken of late it was decided to keep it over for the Statutory Commission.

Item 3.

41. *Mr. N. M. Joshi.*—When are these war claims going to be settled ?

Chairman.—I said last year that a settlement would be reached shortly, and I don't think I have anything to add to that.

Mr. N. M. Joshi.—Is there any estimate ?

Mr. Rangaswami Iyengar.—The Home Auditor has something in his audit report.

Mr. N. M. Joshi.—Is there any estimate of how much we stand to gain out of the settlement ?

Chairman.—Did we ever expect to gain anything ? There is a claim of 40 millions against us.

Mr. Brayne.—The total claim was about 68 millions.

Mr. Rangaswami Iyengar.—It would appear that that would require action by Parliament.

Chairman.—In any case action is required by Parliament. Certain expenditure was incurred in Persia, etc., expenditure which the Indian Government of the time expressed its willingness to accept. It is an expenditure which requires a resolution in Parliament to make it a proper charge on Indian revenues. That Resolution has never hitherto been put before Parliament. It is impossible to determine what is the amount of expenditure in question because it has been in dispute. It is expected that a settlement will be reached shortly.

Item 7.

42. *Mr. Brayne.*—The new rate is 2½ per cent.—2½ altogether including insurance.

Mr. Joshi.—Do you take into consideration the cost of the department to the Government ? Do you make any calculations at this rate ? How do you find out whether the department is a paying department ?

Chairman.—We went into that last year and we recommended that 2 per cent. was not sufficient to cover the charges.

Mr. Joshi.—My point is that the real remedy is not to increase the rate but to provide them with more work.

Sir F. Gauntlett.—This is the Store Department of the India Office.

43. *Mr. Rangaswami Iyengar.*—I should like to know whether you put down the rate of 2 per cent. on an estimate of the probable cost of the service done or do you base it on the actual cost ?

Mr. Brayne.—It is based on the actual cost.

Mr. Rangaswami Iyengar.—Is it based on the percentage charged by professionals in England for similar services ?

Mr. Brayne.—I think it is based on the actual cost of the High Commissioner's establishment and of course the rent of the office, stores, etc. *i.e.*, the whole cost of the establishment.

Item 12.

44. *Sir F. Gauntlett.*—It got so serious that at one stage I had to threaten that I should have to withdraw my pre-audit because there was such a rush of work at the end of the year that I simply could not tackle it with any honesty.

Item 19.

45. *Sir F. Gauntlett.*—This is a general comment which arose out of the action of the administrative authority of the Posts and Telegraphs department.

Chairman.—I think that the summary of the Government of India's views there is accepted by the Posts and Telegraphs Department.

46. *Mr. Brayne.*—There is one item and that was the question of divergence of views between the Auditor General and the Government of India. It was recommended that *prima facie* there were arguments for additional facilities of communication with the Secretary of State direct and that it would appear that the matter was one which should be sympathetically examined by the Government of India. The Government of India have examined the question. There is nothing to show that the orders relating to his general independence were intended to give him direct access to the Secretary of State ; if you look at the Auditor General's rule you will find that when for example he sends his accounts to the Secretary of State or when he sends his reports to the Secretary of State, they are sent through the Government of India, the Auditor General having full power to comment in such way as he chooses on any point of detail or upon any general question which arises.

A similar question arose some time back when the Government of India recommended to the Secretary of State that to avoid delay copies of despatches from the Secretary of State to the Government of India should be sent direct by the India Office to the Auditor General. But the Secretary of State would not agree to any communication going direct to any authority in India other than the Government of India. And of course there is the general question of the difficulties which the Government of India felt would arise if there was an authority in India who was able to comment on the action taken by the Government directly to that Government's superior. The Government of India felt indeed that the Auditor General has already ample powers of comment in his annual report and if the Government of India or a Local Government fail to carry out a thing in the way the Auditor General thinks it should be carried out, the Auditor General could either comment on it in his report or bring it before the Public Accounts Committee.

47. *Mr. Rangaswami Iyengar.*—The Auditor General in this country is unfortunately for the present appointed by the Secretary of State in Council and he is certainly technically subject to the administrative control of the Secretary of State. He is not like the Auditor General in England for once he is appointed he is put in a position of independence of the executive government. He is not removable except by a vote of Parliament. Then, Sir, the whole question is whether the Auditor General in

this country is merely in the position of the head of a department in this country and should go through the ordinary routine of sending everything through the Government of India and receiving everything through the Government of India. If the object is to secure the independence and the efficiency of the functions which are his charge, I do think that he should have access to the Secretary of State who after all stands to some extent in the position of his direct superior and, however much the Government of India may want to know exactly what action the Auditor General has taken so that they may be in a position to state their case to the Secretary of State, I do not see why it should be made obligatory to the Auditor General to go through the Government of India or why the Secretary of State should consider it necessary to send everything through the Governor General. That is the point.

Chairman.—I think if you will compare the position in England it is parallel. The Auditor General's access to Parliament is through His Majesty's Government, through the Treasury. If you substitute the Secretary of State for Parliament here and the Government of India for the Treasury, the Auditor General's access to the Secretary of State and to the Assembly is through the Government of India. The Government of India cannot withhold his report from either the Secretary of State or from the Assembly any more than the Government at home can withhold a report from the House of Commons. But I think the analogy is fairly close.

48. *Mr. Rangaswami Iyengar.*—No, Sir. I will put it in this way. Suppose it is a case in which the Auditor General differs from the Government of India and the matter has to go before the Secretary of State or to the Assembly. Is it absolutely essential that he should place his case first of all before the Government of India and let them have their say before it goes to the Secretary of State ?

Chairman.—That is exactly the position in England. His Majesty's Government have their opportunity to say their say before it goes to Parliament.

49. *Mr. Rangaswami Iyengar.*—But the real difficulty here is that the legislature has to look to the Auditor General for independent audit, independent criticism of the Government accounts and if, as matter of fact, he is to be considered as part of the machinery of the executive government, his independence is to some extent affected.

Chairman.—I don't think the Auditor General would say that his independence or the independence of his audit is in any way restricted by the fact that he has to go through the Government of India to the Secretary of State.

Sir F. Gauntlett.—May I quote one concrete case, Sir, as you raise this point. I was just this morning looking at a case in which the Government of India sought to interpret one of the fundamental rules which reserves to the Secretary of State the right of passing specific orders. I said that the case came under that rule and that therefore the orders of the Secretary of State were necessary. The Governor General in Council is given the right of interpreting the fundamental rules. In the exercise of that right it stated that this case did not fall under Fundamental Rule 51 and that therefore the sanction of the Secretary of State was not necessary.

I then said that this case obviously pointed to a defect in the wording of the fundamental rules because one has to assume that the Governor General in Council is not supposed to be the final authority in determining whether its own sanction or the sanction of the Secretary of State is necessary. The Governor General in Council has refused to pass that comment of mine on to the Secretary of State. It has gone through because it is in my letter to the Secretary of State but it is only one of a hundred paragraphs. That is my whole point. It is true that through the medium of this report I can get access to the Secretary of State but that is inadequate unless the Secretary of State takes adequate action on every paragraph of my report.

Chairman.—I don't think that is any evidence that the independence of the Auditor General is affected by the present position.

Mr. N. M. Joshi.—Not as regards audit but the case mentioned by him shows that he has not got sufficient access to the Secretary of State.

Chairman.—It merely shows that there are two fundamental rules, one of which disagrees with another.

Sir F. Gauntlett.—But when I suggested that this should be pointed out to the Secretary of State the Government of India refused to do it.

49. *Mr. Rangaswami Iyengar.*—The point I was driving at is this. The audit authority in this country, as he is responsible to the Secretary of State in Council, should have the fullest facility for going to him upon every matter. You may say that the Government of India is a sort of Post Office for him. I have no quarrel with that but he must in each case have the opportunity of going to him upon every point.

Chairman.—He is in the position of doing that through his annual report. That is the same position as the Auditor General at home.

50. *Mr. B. Iyengar.*—Is it open to you to withhold a communication from him or to refuse to send up a case to the Secretary of State if he wants to ?

Mr. Brayne.—In the rules it is laid down that on any question in dispute the Auditor General can ask the Government of India to obtain the orders of the Secretary of State. If they don't, then he can bring it forward before the Public Accounts Committee.

Sir F. Gauntlett.—That is exactly the action I have taken but the fact remains that it has been brought to the notice of Secretary of State and he has made no comment on it.

Chairman.—I think the Secretary of State would say very definitely that he did not want to have things going through direct to him.

51. *Mr. Rangaswami Iyengar.*—Then I think, Sir, it becomes the duty of this committee to say that the Auditor General should have this power and let the Secretary of State state what he wants on that.

Mr. N. M. Joshi.—Let us say the Auditor General had no case before but now there is a concrete case of the Government of India refusing.

Chairman.—The case came up last year, a concrete case of the Government of India refusing to go to the Secretary of State on a question of the general interpretation of section 85 (3) of the Government of India

Act. As a matter of fact, we have since then actually put the specific case, not the general case, to the Secretary of State and he has ruled on it. We put the facts before him and he entirely agreed that it was not a case where a general ruling could be given.

Sir F. Gauntlett.—I did ask in the alternative that the Secretary of State should be asked to give reasons in the concrete case that went to him.

Chairman.—He has given his reasons which he said would not be of much use to the Auditor General.

52. *Sir F. Gauntlett.*—Might I put the alternative to the case of direct access, and that is, if there is a request for a communication to the Secretary of State by the Government and it is accepted that there should be a communication, it should be sent with reasonable promptitude and not 5 or 6 years afterwards ?

Chairman.—The whole point there was we declined to put the general case and it was, I think the Auditor General's insistence on the general question that was partially responsible for the delay. I admitted last year that there had been very unreasonable delay over that question, but it was mainly owing to a fundamental difference of opinion whether the general case or the specific case should be put to the Secretary of State.

Sir F. Gauntlett.—That accounted for six months out of the five years in that case, and in the other case the delay was six years.

Chairman.—No one would dispute that there ought to be reasonable promptitude in the matter.

53. *Mr. Rangaswami Iyengar.*—Might I put the position thus: would it not be proper for the Government of India itself to agree that in all important cases where the Auditor General considers it a fit case to be sent to the Secretary of State the Governor General would himself generally adopt the policy of forwarding it instead of holding that he would send only such cases as in his opinion were fit to be sent to the Secretary of State ?

Chairman.—I do not think the Governor General could very well enter into a convention that without question he would always.....

Mr. Rangaswami Iyengar.—Not without question but generally speaking.

Chairman.—Generally speaking, he does. The point is, generally speaking and without question.

54. *Sir F. Gauntlett.*—In the concrete case that I quoted, the Government of India set itself out to be its own authority to determine whether a reference should go to the Secretary of State.

Chairman.—Which he was entitled to do under the Fundamental Rule That was a case in which you eventually pointed out that under another Fundamental rule this involved an anomaly.

Sir F. Gauntlett.—Then I suggested that the fundamental principle must be that the Government of India ought not to be the final authority to determine whether it must go to the Secretary of State.

Chairman.—I think it certainly should—the Fundamental Rule says so.

Sir F. Gauntlett.—My point is where a Fundamental Rule specifically refers.....

Chairman.—All you are doing is that you are interpreting a Fundamental Rule. You found that there were two—one which said that the final determination of any question arising under these Rules is for the Governor General, and the other one was that the Secretary of State's sanction was required in certain events.

Sir F. Gauntlett.—Quite.

Chairman.—You pointed out that that led to an anomaly. I see no reason why the Governor General should not be the final determining authority whether or not on a question the sanction of the Secretary of State is required. All that you are concerned with there is to see that the Fundamental Rules were obeyed.

Sir F. Gauntlett.—The real point put by me was that this particular case pointed out what in my opinion was a defect in the Fundamental Rule whereby the Government of India in this particular case became the final authority to determine whether a reference should be made to the Secretary of State or not. In all other cases, under the Audit Resolutions the Auditor General is the final authority.

Chairman.—I see no reason why the Auditor General should always be the final authority.

Sir F. Gauntlett.—My point is that the Fundamental Rule should be altered in recognition of the fundamental position that no subordinate authority ought to be the final judge in determining whether it should obtain the sanction of a superior authority or not. To my mind this is a very important principle involved in it.

Chairman.—That is a special case and I am not quite sure that I can quite agree. The point that arises there is not a question of the independence of the Auditor General. It is really his powers *vis a vis* the Governor General, and his power clearly does not extend beyond determining the meaning of rules.

Sir F. Gauntlett.—I think there is rather more than that. What was stated just now is, I submit, a fundamental principle of audit which has been accepted with regard to the formulation of all other rules which determine when the sanction of the Secretary of State is necessary. My point is that this fundamental principle was overlooked when Fundamental Rule 8 was formulated, because it overlooked that particular aspect of the case. My suggestion was that in pursuance of the fundamental principle which I have enunciated, which I think to be correct, the Secretary of State ought to have been asked as to whether it was not desirable to amend Fundamental Rule 8, which when considered in relation to certain other Fundamental Rules seemed to violate this fundamental principle of audit. The Government of India refused to make that reference.

Chairman.—The Government of India in the exercise of their perfectly clear powers chose to decide it in a certain way. But that does not settle the question finally because you still have the power in your annual report to bring the question before the Secretary of State.

Sir F. Gauntlett.—My difficulty is that if the Secretary of State will not pay attention to particular paragraphs of my report I am absolutely helpless.

55. *Mr. Rangaswami Iyengar.*—The whole point is, is he or is he not entitled to obtain the orders or directions of the Secretary of State on vital matters ?

Sir F. Gauntlett.—It is perfectly true that the answer is that I am and do so in the annual letter that I send to the Secretary of State.

56. *Mr. Rangaswami Iyengar.*—I think that the Public Accounts Committee should say that it is not sufficient to enable the Auditor General to discharge his functions properly in this respect that he should catalogue these in the annual report and they should form part of a bulky document, but that where he considers the matter of special importance he must have the right to refer it direct and obtain specific orders on the specific case.

Chairman.—I am perfectly prepared to agree with what you stated just now, that as a general rule the Governor General should with reasonable promptitude forward to the Secretary of State or obtain the Secretary of State's decision on a matter where he was advised in the view of the Auditor General that the Secretary of State's decision was required. But, of course, that takes us no further. It is the occasional exceptions that make him bring this case at all.

Sir F. Gauntlett.—Quite.

57. *Mr. Rangaswami Iyengar.*—That is all that we can deal with as a Committee. But the point that arises so far as we are concerned is what are the grounds on which the Governor General would consider that a matter should not go before the Secretary of State.

Chairman.—It was a general case where the Governor General was asked by the Auditor General for a general interpretation of a particular section. The Governor General consulted their law officers who expressed the view that a general interpretation was not possible but that it must be interpreted in the light of each case as it arose. The Governor General therefore declined to put the general question.

Sir F. Gauntlett.—Might I add that I did ask in the alternative that the Secretary of State might be addressed for the reasons which led him to take the particular decision and that also was refused.

Chairman.—I do not think that it is correct to say that that was refused. The fact is that it got lost in the general question. We did insist on declining to put the general question.

Sir F. Gauntlett.—And you have refrained from putting the particular question.

Chairman at this stage read out extracts from the letter to the Secretary of State.

Sir F. Gauntlett.—This is another case with reference to which you did fulfil your promise that when another case arose you would put this question and ask for reasons. But in the discussion on the old case I did ask either to get a general interpretation or at least to get the specific reasons which had led the Secretary of State to take a particular view in the previous case

Chairman.—We seem to have asked your question by implication if not actually and we got our reply.

58. **Sir F. Gauntlett.**—I think that despatch raises one more point, and that is that when a Local Government has to go to the Government of India with reference to a question raised by an audit authority it is a definite rule with the Government of India that it shall obtain from the Local Government exactly what the audit officer has said. The Government of India has always consistently refused to follow the same rule when it refers to the Secretary of State. It always insists on its right to paraphrase what the audit officer has said.

Mr. N. M. Joshi.—I think the Public Accounts Committee could certainly express an opinion that it detracts from the independence of the Auditor General that he has not got direct access.

Chairman.—I do not think it does ; I disagree and I do not think the Auditor General maintains that.

Mr. Joshi.—He may not maintain that his independence as regards audit is curtailed in any way or is influenced in any way, but his position as regards the Government of India on certain matters is affected.

Chairman.—There, again, you raise a slightly different question—what you desire the position of the Auditor General as regards the Governor General should be. Obviously he must be in some relation to him. He is not an *imperium in imperio*.....

59. **Mr. Joshi.**—May I ask for information if there is any difference between the independence of the Auditor General in England and the Auditor General here.

Chairman.—I cannot say there is any. It seems to me that the Auditor General here is in the same position as the Auditor General at home. He has to go through the Government to get to the House of Commons. The difference here is that the Auditor General is reporting to two authorities—one is the Assembly and the other is the Secretary of State. So far as his relation to the Assembly is concerned, it is a matter that really interests this Committee and I am not clear that there is any complaint on that score at all. That being so, I am not quite sure myself that it is desirable that we should discuss the question of the relationship between the Auditor General, the Governor General and the Secretary of State, which does not in any way affect our view of the independence of the audit of the Auditor General so far as the Assembly is concerned. We have got to be a little careful that we do not get beyond our province in this matter.

Mr. Joshi.—I was thinking in view of the fact that the constitution is going to be revised that this Committee should make a recommendation that the Auditor General in India should be made completely independent.

Mr. Rangaswami Iyenger.—So far as this Committee is concerned, it not only deals with the accounts of expenditure that are voted but also accounts which are non-voted, and we are certainly entitled to offer our observations for what they are worth and there is nothing that can prevent us from offering observations or suggestions or criticisms. I am not particularly anxious to raise the issue as to whether the Government of India is entitled as a matter of fact to withhold communications sent by the Auditor General.

Chairman.—I do not know whether it will meet the Committee if we could get out of the difficulty somewhat on these lines. I think Mr. Brayne might put in a memorandum on this point saying that we note the conclusion arrived by the Governor General, that the opinion of the Committee is divided, that some of us are not entirely satisfied that the question of the relationship between the Secretary of State, the Government of India and the Auditor General is not directly concerned with the independence of audit and we confine ourselves to the expression of the view that generally speaking we think it desirable that the Governor General should with reasonable promptitude forward cases to the Secretary of State. That is the sort of solution that I would suggest.

Mr. Rangaswami Iyengar.—That could be done, but if in a particular case it is not done properly, then these exceptions will naturally come under examination. It would not solve the immediate case.

Chairman.—I do not think it solves it. No doubt, it raises an interesting controversy but it has very little to do with us. It has a bearing on our position, but we will come back to the subject when Mr. Brayne puts in a memorandum. We will simply adjourn the discussion now.

Sir F. Gauntlett.—Would it not be feasible to place the discussion before the Secretary of State to show in what matters difficulties have been found.

Mr. Chairman.—Mr. Joshi suggested that we should commend the subject to the special officer considering material for the Statutory Commission. We may say we note that the relations between the Auditor General and the Home Auditor are being taken up and in this connection we suggest that the question has been raised, which we do not pursue, of the relations of the Auditor General, the Secretary of State and the Governor General and that it should be considered.

Mr. Brayne.—It is one of the questions at present under consideration.

Sir F. Gauntlett.—I have already sent the point to the special officer. There is one other point which has to be brought out. If one waits until the annual letter goes out—it is sent out 15 months after the accounts to which they relate—and if a specific point of audit importance arises which cannot be brought to the Secretary of State's notice except through this, the efficiency of audit does suffer. You have a question left undecided for 15 or 16 months—that is nothing, of course, compared with the lifetime of a Government.

Chairman.—The best thing is to get the whole thing down on paper and resume discussion later.

The Committee then took up the consolidated letter of the Auditor General forwarding the Audit and Appropriation Reports on Central Revenues.

Paragraph 3 (c) of the Auditor General's letter.

60. *Mr. Brayne.*—This question was considered by the Financial representatives at the conference.

Mr. Joshi.—In the provincial Councils they not only sanction and limit a grant as we do in the Assembly, but they sanction a grant according to

certain heads ; they try to reduce in detail in a head. If you give the power of reappropriation to the High Commissioner, it really means that you take away the power of the Legislature.

Mr. A. Rangaswami Iyengar.—When such a reappropriation has taken place, it must come up before the provincial Legislative Council either by means of a supplementary or an excess grant.

Mr. Joshi.—I think you are curtailing the power of the Legislature itself.

Mr. Brayne.—I shall read from certain correspondence on the whole question. Certain tentative rules have been framed by the Finance Department. In the case of central expenditure the Secretary of State and the High Commissioner may in the case of voted expenditure incurred by them sanction reappropriations between allotments voted for that expenditure subject to the following conditions : (1) no reappropriation may be made from one grant voted by the Legislative Assembly to any other such grant, and (2) if money is allotted for non-voted items, that money may not be reappropriated to voted items and *vice versa*. (3) without the previous approval of the Finance Department of the Government of India no reappropriation may be made (a) to meet expenditure of a kind for which no provision has been included in the Budget or (b) increase expenditure on an item provision for which has subsequently been reduced by the Legislative Assembly or (c) which involves new recurring liability, and so forth. There are similar rules with regard to the Provincial Governments.

61. *Mr. Rangaswami Iyengar.*—The whole point is, where expenditure is sought to be incurred on a new service, whether we can effectively deal with it only by reappropriation without bringing it to the notice of the Legislative Assembly.

Sir Frederic Gauntlett.—This is always subject to the rule of business which says that no expenditure may be incurred on a new measure not contemplated in the Budget without the sanction of the Legislative Assembly. All these rules will be subject to that.

62. *Mr. Rangaswami Iyengar.*—We were sometime ago dealing with the question as to what is a new service, and we were discussing the point of a proper definition of ' a new service '.

Mr. Brayne.—We have asked for that from the Secretary of State.

Mr. Rangaswami Iyengar.—I think this despatch ought also to include ' expenditure on a new service '.

63. *Mr. Joshi.*—My point is quite different. It is that in the local Legislature they do not vote a lump sum for a grant. Now if you give power to the High Commissioner in the case of expenditure on behalf of Local Governments to make reappropriations from one major head to another, that may go against the wishes of the Legislature.

Mr. Brayne.—In the case of provincial expenditure it will be seen that no reappropriation may be made to meet expenditure of a kind for which no provision has been made or which will have the effect of increasing the expenditure on an item the provision for which has been reduced by the

Legislative Council or which involves new recurring outlay. The same rule is put down for provincial Governments.

Chairman.—The answer is that a despatch is on the way home. We will now turn to paragraph (d).

64. *Sir F. Gauntlett.*—This is really a specific case, it is a sixth year case.

Chairman.—We have got the Secretary of State's reply.

Paragraph 3 (d) of the Auditor General's letter.

65. *Mr. Rangaswami Iyengar.*—May we know what the Secretary of State's final decision is about electric installation.

Chairman.—The Government of India have power to fix a charge on the Head of a Province for electric installation. The point raised by the Auditor General was whether it might be regarded as a profit or emolument, and the Secretary of State says that the question was to be decided in each case as a matter of fact. He says, 'in general, I am of opinion that such matters should be regarded as falling within the ambit of the ordinary financial rules'.

Mr. Rangaswami Iyengar.—Did the Government of India or the Secretary of State take legal opinion upon the interpretation of the words?

Chairman.—We took legal opinion before we went to the Secretary of State.

Sir F. Gauntlett.—I think one at least of the cases referred to the Secretary of State was not under the ordinary financial rules. It had its own special rules.

Chairman.—That case has got to be examined; I was merely reading what the Secretary of State's reply was.

Mr. Rangaswami Iyengar.—If you are going to give Heads of Provinces advantages which are measurable in money, they ought to be construed as such.—so long as they are measurable in money.

Sir F. Gauntlett.—The position is that the decision of the Secretary of State has to be taken as absolutely final because the Act gives him power to sanction profits or advantages if he deems them to be profits.

Mr. Rangaswami Iyengar.—I can differ from the Secretary of State?

Paragraph 4 of the Auditor General's letter.

66. *Chairman.*—Rules have been drawn up and discussed in conference between the various Departments; I think at the moment the Home Department are awaiting replies to some inquiries.

Sir F. Gauntlett.—This again, Sir, is a point where there ought to be reasonable promptitude, where a demand is made to fulfil audit requirements. The technical position is that I am entitled to apply a complete audit to all this expenditure, until the Secretary of State imposes restrictions upon me. No such restrictions have yet been imposed.

Chairman.—I gather that the Home Department are awaiting certain information.

67. *Mr. Rangaswami Iyengar.*—I want to know whether accounts of the expenditure on secret service are shown separately and where we can find them out. We find no comment of the Auditor General on secret service expenditure and his statement that he is satisfied by the certificate of the officer who was in charge of the expenditure. I think the Auditor General in that report of his in regard to the improvement of the accounts of the Government of India made some remarks in this connection.

Sir F. Gauntlett.—Yes, and this is what has initiated this.

Mr. Rangaswami Iyengar.—And I believe the Public Accounts Committee endorsed it and the Government of India accepted it, and I want to know what has happened to this.

Chairman.—These points requiring settlement are still under discussion, the position at the moment being that the Home Department have asked for certain information from the India Office but have not yet received that.

Q.—Do we know what is the total secret service expenditure ?

Sir F. Gauntlett.—The answer is that the expenditure is not recorded separately in the appropriation accounts.

Mr. Kaula.—That is correct except in one or two small cases.

Mr. Rangaswami Iyengar.—But generally there is no such paragraph about secret service expenditure or your being satisfied by the certificate.

Sir F. Gauntlett.—I quite agree there ought to be, I think all this has been initiated. Only it works slowly.

The Committee then adjourned till 11 A.M. on Saturday, 6th August 1927.

Evidence taken at the second meeting of the Public Accounts Committee held on Saturday, the 6th August 1927, at 11 a.m.

PRESENT :

- | | | |
|---|---|--------------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman.</i> | } | <i>Members.</i> |
| (2) Mr. H. G. Cocke. | | |
| (3) Maulvi Abdul Matin Chaudhury. | | |
| (4) Mr. B. Das. | | |
| (5) Mr. A. Rangaswami Iyengar. | | |
| (6) Maulvi Sayid Murtuza Sahib Bahadur. | | |
| (7) Mr. N. M. Joshi. | | |
| (8) Mr. G. Sarvotham Rao. | | |
| (9) Sir Frederic Gauntlett, Auditor General. | } | Were also present. |
| (10) Mr. A. C. Badenoch, Accountant General, Posts and Telegraphs. | | |
| (11) Mr. T. Ryan, C.I.E., Financial Adviser, Posts and Telegraphs. | | |
| (12) Mr. M. R. Coburn, Director of Establishment, Posts and Telegraphs. | | |

Mr. H. A. Sams, Director General, Posts and Telegraphs, *Witness.*

68. *Chairman.*—Before we go to the Appropriation Report proper, we might usefully take up the points that arise on the Resolution of the 5th May affecting the Posts and Telegraphs Department. The first is paragraph 9 with reference to the introduction of commercialised accounts ; there are three points that arise on this paragraph, *viz.*, the question of the radio system, the question of credits due to the department for railway telegraphs and credit due to the telegraph and telephone portions of the account. Have you anything to say, Mr. Sams, on these ?

Mr. Sams.—There is one other point, namely, adjustments with Government Departments generally. We have taken up the question of what the Foreign and Political Department owe us and that is now under discussion with that Department. We do a certain amount of work for them in the Frontier and trans-Frontier. As regards the radio, a scheme for the separation of the accounts of the radio telegraphs proper is under the consideration of the Finance Department. The question of the credits due for railway telegraphs is under the consideration of the Financial Adviser. About inter-departmental adjustments, certain adjustments were made in the last budget and recently orders have been issued giving effect to those adjustments. That is how matters stand with reference to these questions.

69. *Mr. Rangaswami Iyengar.*—May I know what the net result of these adjustments is ?

Mr. Sams.—It has reduced the surplus profits of the post office considerably and decreased the loss on the telegraphs and telephones.

70. *Chairman.*—The answer about radio, telegraphs and so on is that the matter is under consideration ; we are therefore not in a position to come to a conclusion.

Mr. Ryan.—About radios, the scheme has actually been sent up and has just reached the Finance Department ; it has been approved by the Accountant General and by the Department of Industries and Labour. I have no doubt separation will be completed.

71. *Chairman.*—Perhaps we can leave that for next year. Then as regards the question of railway.....

Mr. Ryan.—That is a very complicated question which I am going into which involves a number of counter-claims. We have already had some discussion with railways on the subject, and we are pursuing the matter.

Chairman.—Is the delay due to obstructive tactics of any sort on the part of railways ?

Mr. Ryan.—It is entirely due to the fact that the Financial Adviser has more work than he can do.

Mr. Rangaswami Iyengar.—Do you think you would require some help in this matter in order to expedite it ?

Mr. Ryan.—No. The thing is now practically within sight. The case will be dealt with, as far as I am concerned, within some weeks.

72. *Mr. Rangaswami Iyengar.*—There are two items mentioned in the Home accounts in regard to postal and telegraph revenue account, but as it relates to charges leviable in respect of work done for the Foreign and Political Department, I do not know if you will be able to enlighten us. On one item, Eastern mail service, a sum of £5,500 is charged every year and there is another item, £1,342 due to the Indo-European Telegraph Department, which has not yet been recovered. It seems, though they thought that the Foreign Office would recover the money from the Turkish Government, that the money is now going to be recovered from the Indo-European Telegraph Department.

Mr. Ryan.—I am afraid I could not give any information off-hand. There are some political claims involved in connection with Indo-European Telegraphs, which have to be fought out through the Foreign Department. If the Committee wish it, I can give a supplementary note.

Chairman.—I fancy we shall have to ask the Foreign and Political Department.

73. *Mr. Rangaswami Iyengar.*—Generally speaking I would ask that we should get much more information about the working of the Indo-European Telegraph Department than we have.

Chairman.—I suggest that we take that up when we come to Indo-European Telegraph Department. We have not got as much information as we would like, but we have a great deal more than we had two or three years ago.

Paragraph 18 of the Resolution.

74. *Mr. Sams.*—The rules were drafted and are now under the consideration of the Finance Department. The main principle is that an officer should get his railway or steamer fare and should get an adequate daily allowance whether he is travelling or whether he is halting ; that is to say, we give up the system of three-fifths fare in favour of the daily allowance.

Mr. Joshi.—Your Department has got separate rules for travelling allowance ?

Mr. Sams.—These rules are going to be tried in this Department as an experiment and if it is successful, other Departments will consider the advisability of adopting them. They have been drawn up in consultation with the Finance Department.

75. *Mr. Rangaswami Iyengar.*—Am I to take it that the result of your revision of the travelling allowance rules would be to increase the total amount of travelling allowances ?

Mr. Sams.—It probably will, but we shall get better value for our money, more halting, better work, better supervision.

76. *Mr. Rangaswami Iyengar.*—Is the old system of passes on railways still continuing in the postal department ?

Mr. Sams.—Only in the case of the Engineering Department and the sorters of the railway mail service. People who do not work in the van, e.g., Superintendent of the Railway Mail Service and Inspectors, do not get passes.

Mr. Rangaswami Iyengar.—You have generally discontinued the system of passes ?

Mr. Sams.—The Railway Board made us discontinue the system.

77. *Mr. Cocke.*—Reading the evidence of last year, I got the impression that a good deal of criticism was directed against officers of the Department who travelled when they wanted to do so and were not very much tied down by the period when they should travel. Has anything been done to improve that ?

Mr. Sams.—I do not think it is a true statement ; I do not admit it at all. They have a free hand. They have got a certain amount of inspection to do and if they do not do it they are taken to task, but the allegation that they travel when they want or go to pleasant places and not to other places is generally speaking incorrect.

Chairman.—I would refer the Committee to page 38 of this year's Appropriation Report where it is said “ . . . it may perhaps be surmised that there was less of the deliberate avoidance of touring that was partially admitted by the Director General.” I do not think we need take it any further than that.

There are other points arising, not on the Resolution, but on the statement of action taken on previous reports.

Appendix II, item 18.

78. *Mr. Sams.*—The question has been very thoroughly gone into. We do not think there is any justification for increasing the security. In

356 cases out of 485 the present security covered the loss, that is to say, in 75 per cent. In the remaining cases Government had a hold on the pay and pension. In the last resort Government could dismiss an official who misappropriated. Considering that the net loss was Rs. 1 lakh a year, as against Rs. 300 crores of money handled, I think that shows that the standard of honesty in the post office is extraordinarily high. What we want is not to increase the security but to increase the supervision so as to take temptation out of the way.

Chairman.—The upshot of the discussion with the Government of India is that it is undesirable to take any steps to increase the security either generally or in particular cases, but that the existing security rules should be left as they stand.

Mr. Sams.—What we have done is to extend the contract system of running our treasuries by contractors and shroffs. We have done that in 21 of the biggest head offices and we hope to extend that system which throws the responsibility on to contractors.

Mr. Badenoch.—I was going merely to give the exact figures for 1925-26. My audit report is not circulated ; it is an executive report. There were 504 cases in the year 1925-26 involving a sum of Rs. 1,39,610.

Mr. Joshi.—The audit reports used to be circulated.

Chairman.—For our own convenience we decided that the audit report, a departmental document, was to be dealt with by the Department. It was not a document we had to deal with. Important cases to which the Auditor General desires to draw attention of the Public Accounts Committee are included in the single Audit and Appropriation Report. That is the arrangement we made.

79. *Mr. Rangaswami Iyengar.*—I find that in many cases of embezzlements you ask people not to make good the whole of it, but you impose a kind of fine, by way of compensation. The total recoveries are very short of the actual embezzlements. May I know what is the principle which you adopt ?

Mr. Sams.—We have never laid down any hard and fast rule. The officer who decides the case has to take all the circumstances of the case into account. There are various degrees of culpability and negligence. The officer goes on common sense and tries to fix an amount which he thinks is reasonable, considering the man's pay, his service and circumstances.

80. *Mr. Rangaswami Iyengar.*—Don't you think it would lead to inequality of treatment in many cases ?

Mr. Sams.—That can be moderated on appeal.

81. *Mr. Rangaswami Iyengar.*—Therefore it is necessary to have some sort of principle. Do you go by the capacity of the man to pay ? If a rich man happens to.....

Mr. Sams.—There are no rich men in the post office.

Mr. Badenoch.—You may have small omission, negligence which is not grave, but it may involve a very large sum. You cannot fix any percentage of the loss as a punishment.

Sir F. Gauntlett.—I presume there is difficulty about disciplinary action. You have not only to take the actual facts of the particular case, but the whole of the man's past history.

Chairman.—His service as a whole. It is a matter on which there is a great deal of case law and a set of general principles which we take into account. I do not think you can easily reduce them to anything in the nature of rules.

82. *Mr. Rangaswami Iyengar.*—May I take it then that in all these cases of recoveries it is more in the nature of punishment than any attempt to recoup the amount ?

Mr. Ryan.—No. It is done primarily with a view to recover the amount lost. We have to take the special circumstances of each case.

Mr. Joshi.—If it is a question of embezzlement, you are entitled to recoup the money. But if the loss is caused by what you consider to be negligence, I do not think you are entitled to recoup the loss. If we once accept that principle, then certainly the supplementary grant which we have to make at the end of the year will have to come all from the pockets of the big officers.

Chairman.—I do not think we can take it very much further than that. Money lost is an important factor, but it cannot be the only factor. The nature of the punishment depends on a great many other factors apart from that.

Mr. Joshi.—My view is that the recovery of the loss should not be emphasised at all. If a man is negligent, you have your remedies besides making him pay. But to make him pay is a wrong principle.

Chairman.—We have been talking mainly of embezzlements. We started this discussion on the question of security and security is against embezzlement ; it is not against negligence.

Mr. Sams.—Against both, loss to the Department.

Mr. Rangaswami Iyengar.—I have come across cases in which there has been inequality of treatment. In a case where a small sum should have been recovered a very heavy sum was recouped and *vice versa*. If it were a private man he would refuse and go to the court. You should not recover sums because you are in a position of superiority, while in point of law he may not be liable. I am only asking whether there are any principles by which you are guided in these matters.

Mr. Sams.—Any inequality like that can be, and is, adjusted on appeal. If a man thinks that he has been unjustly treated or that the order is harsh, he can, and always does, appeal. The order is very often moderated. I fancy it is extremely difficult to lay down actual principles in writing. the result of which, I think, would probably lead to more hardships than the present system.

83. *Mr. Rangaswami Iyengar.*—Do you take, for instance, legal advice or opinion as to the extent of liability of the man involved ?

Mr. Badenoch.—Sometimes legal liability has no relation at all to culpability.

84. *Mr. B. Das.*—Government have one system of recovery for all other Departments such as the Railways, and another for the Postal Department.

Cases sometimes go up to the Secretary of State, but the Secretary of State has no power to recover any money from the official concerned, while in the postal department, the officers always recover money which has been lost through negligence from the small postal staff. Government ought to equalise treatment to all Departments.

Chairman.—It is undesirable to attempt to have an absolutely rigid general rule applying all round. After all in cases of this sort, the efficiency of the Department, the rights of the public, the interests of the tax-payer, considerations of equity and justice are to be considered, but the actual method of applying those differ from case to case and from department to department.

85. *Mr. B. Das.*—The point is that in the Postal Department very strict rules are applied, whereas in other Departments no rules exist.

Chairman.—Does the Auditor General agree with that statement ?

Sir F. Gauntlett.—No. This question of disciplinary action is one which affects every Department of Government and there is generally a consensus of disciplinary action. In my letter this year, I have pointed out that in Bombay they are rather lenient with regard to Public Works and Forests. That comment may apply to many places ; but the general tendency is that there is an increasing strictness of disciplinary action throughout India. I do not think I should at all say that there is more disciplinary action in the Posts and Telegraphs Department than in any other Department. A number of cases arise because the number of individual transactions is so enormous.

86. *Chairman.*—I think we have discussed this subject far enough. What conclusion, Mr. Rangaswami Iyengar, do you desire the Committee to arrive at ?

Mr. Joshi.—If these recoveries are in the nature of a fine, then certainly certain principles as defined in the English Acts can be defined here also. If industrial undertakings are regulated by certain rules, then certainly Government servants' fines can also be regulated by certain rules.

Mr. Rangaswami Iyengar.—I should be content if Mr. Sams will undertake to examine and see whether any general rule can be applied.

Chairman.—I understand really that the view of the Committee is that they desire that the Government should examine more fully and place before the next Public Accounts Committee some more detailed statement as to the recoveries.

Mr. Sams.—You mean the Government of India as a whole.

Chairman.—The Government of India as a whole. You cannot possibly deal with the post offices only and exclude other Departments.

Paragraph 20 of the Resolution.

87. *Mr. Sams.*—By the end of the year we hope that the excess will entirely disappear. We have been restricting the recruitment now and the traffic has slightly gone up, so that by the end of this year we hope to wipe it out altogether. That is the anticipation.

88. *Mr. Rangaswami Iyengar.*—Can you tell us anything about the extension of the combined post offices ?

Mr. Sams.—That is gradually being done as opportunity offers. It is not much good hurrying with it so long as we have got a surplus.

89. *Mr. Joshi.*—This delay in the reduction of the number of telegraphists was due to the agreements which were entered into by your Department with certain schools. Is it not so ?

Mr. Sams.—We have about a half a dozen schools. It was at one time thought that we could get a better class of recruits if we got them from these schools and trained them during the course of their career. The agreements are still in force. We can terminate them only by giving a year's notice. That question is still under consideration.

Mr. Joshi.—So these agreements have prevented you from reducing the number of the telegraphists ?

Mr. Sams.—We had to get a certain number of them. I think the number came to about 70 from these schools and that rather retarded the wiping out of the surplus.

Mr. Rangaswami Iyengar.—Are you still having under consideration the question of putting an end to this practice of terminating the agreement by a year's notice ?

Mr. Sams.—That is still under consideration. I may say that against these 70 boys recruited from these schools we have wastage of about 180 so that obviously the surplus is gradually being wiped out.

90. *Mr. B. Das.*—Has any attempt been made to give postal clerks more training in signalling so that you can have more combined post offices ?

Mr. Sams.—They have already had very adequate training in telegraphy and directly we decide to convert a post office into a combined office we get the equipped staff.

91. *Chairman.*—Before we come to the Audit and Appropriation Report, there are one or two Appendices which we might consider. In Appendix V there is a question of large outstandings against post offices for payment to contractors.

Mr. Badenoch.—This comes up normally in connection with the report itself. It is only a further explanation of the report. But there is the question of how the commercial departments against whose finances stationery and printing is debited can check the debit rates.

92. *Sir Frederic Gauntlett.*—It was suggested in the course of the discussion that the Accountant General was primarily responsible for checking that the receipts that came into his department were correct. I have pointed out in the memorandum that I have an officer working directly under me who is solely concerned with the check of press accounts. If the principle is accepted that each Accountant General is responsible for seeing that the receipts and the debits are correct, it would mean that each Accountant-General would have to send in to the stationery and printing offices the individual clerks who can check the books. That will have to be done at the end of the year. There would be very great confusion. I have a staff always working in the press offices which is entirely working under me, and it would be a very much simpler plan to impose upon me the duty of seeing that the debits and credits passed on from the presses to the various Departments are correct.

Chairman.—Is there any objection to the proposal as compared with the one put forward before the Committee last year ?

Sir Frederic Gauntlett.—I have brought up this proposal in order to explain the practical difficulties which would arise from the acceptance of the principle that was then suggested ; and seeing that the Committee is inclined to favour that principle, this memorandum is presented to it for consideration.

Mr. Joshi.—Will the various Departments accept this arrangement ?

93. *Chairman.*—Does it mean extra expenditure ?

Sir Frederic Gauntlett.—It would mean much less expenditure than if Mr. Badenoch entertained a separate staff to check it and the Accountant General, Railways, had also a staff to check it. This work can be done by a small addition to the already existing staff.

Chairman.—The Committee is not concerned with the particular way in which the results were brought about but that there should be some effective means of preventing mistakes of double entry of this sort in the future. You say that your suggestion is the best to do it. But would it involve extra expenditure and, if so, would it be a large amount ?

Sir Frederic Gauntlett.—I presume not. There is a check of 10 per cent. What we should do is that we should check the statements of debits and credits of the commercial departments and exercise a general check over the non-commercial departments. It might mean a couple of extra clerks.

94. *Chairman.*—You have convinced us that this particular method is the best and that there is no possibility of the system being worked without extra expenditure so as to prevent the recurrence of such mistakes. Yours is a proposal to put an examiner of press accounts to prevent the possibility of mistakes arising. But it might be possible to do something inside the office of stationery and printing to prevent this sort of thing from happening.

Mr. Badenoch.—I have discussed this question at length with the Controller of Stationery and Printing and I have made certain suggestions to him so that it would be quite simple for any department to check against the job costs or the forms issued or something like that. But I have been assured by him that it means a revolution in his own accounting system and a very much increased expenditure in the presses and in the department itself. Personally, after having discussed the case very thoroughly with a number of people I think that Sir Frederic Gauntlett's suggestion is the cheapest one.

Sir Frederic Gauntlett.—It would require only a couple of clerks, but might I suggest that if one desires to continue this discussion in detail on the lines you are now embarking on, the Controller is the person to be present.

Chairman.—I would suggest to the Committee that what we are concerned with is that we want to prevent these mistakes recurring and it is not really worth our while wasting time on the actual method by which it is done.

Sir Frederic Gauntlett.—I think it is only fair to say that this subject has been discussed between the Controller and Mr. Badenoch and then between Mr. Badenoch and myself certainly for a dozen hours. We have

tried to thresh it out as far as we possibly could without pressing upon the Controller revolutionary changes.

95. *Mr. Rangaswami Iyengar.*—Do you think that it is a matter of such importance that the Committee itself should say that the necessary expenditure may be incurred or would you prefer to leave it to be settled between yourself and the Finance Department ?

Sir Frederic Gauntlett.—I think it is entirely a question for settlement between myself and the Finance Department.

Chairman.—We should be content if steps are taken to minimise the mistakes of the nature that have already crept in. Now, we come to the Audit and Appropriation Report.

96. *Mr. Rangaswami Iyengar.*—In paragraph 2 I see the statement made : “ It has been decided that the most suitable place for the exhibition of the financial results of the working of these departments is the Annual Report of the Director General, Posts and Telegraphs, and the Administration Report of the Indo-European Telegraph Department.” Why should it be so ? I think the report of the Accountant General is the proper place where the financial results of the department should be set out.

Mr. Badenoch.—The reasons were that the Director General’s Administration Report purports to give the complete review, financial and administrative, of the Posts and Telegraphs Department and it was considered that the review would not be complete without the exhibition of the financial results. In the Director General’s report there is no elaborate discussion of the results ; there is only the exhibition of them. I have made this remark really as a feeler as to whether the Public Accounts Committee did desire a more elaborate discussion of the financial results in the Appropriation Report.

Mr. Joshi.—I think the Public Accounts Committee is really the only place where the financial results could be discussed because the Director General’s report is not discussed in any committee.

97. *Chairman.*—What do you mean by exhibiting the financial results more fully ?

Mr. Badenoch.—I mean by it the balance sheet and the various statements working up to the profit and loss account. After all, the only thing I give here is a brief summary of the capital, a brief statement of the profit and loss account and a very brief discussion of it and an examination—also very brief—of the receipts and expenditure ; but the whole thing is not elaborate.

Chairman.—It seems to serve the purpose of the Public Accounts Committee. I am not quite sure what you mean by a more detailed exhibition of the financial results ?

Sir Frederic Gauntlett.—The real question is, as Mr. Badenoch has pointed out, that there is already a presentation in the Administration Report. He has thought fit in the exercise of his discretion to include a summary in this report and he asks the Public Accounts Committee whether it desires that such a summary should be presented. I am sure the opinion is emphatically in its favour.

Chairman.—It seems to me to be just about right.

Mr. Joshi.—I am quite satisfied with what is given here.

Mr. Badenoch.—I made that remark merely to get the sanction for the system which I should adopt.

Mr. Rangaswami Iyengar.—If you think that the particulars are inadequate, you are certainly entitled to elaborate them.

Chairman.—The Members of the Committee are not interested in the elaborate details of the administration ; they are interested in seeing the general financial results of the post office and that is what you have done.

Paragraph 5 of the Report.

98. *Mr. Cocke.*—I think this is a paragraph which might possibly be amplified in the future so as to give us a little more idea as to where this capital outlay has come from during the year.

Mr. Badenoch.—It is possible.

Chairman.—We have got the details later.

99. *Mr. Joshi.*—I would like to get some clear idea as to what items are charged to capital outlay and what are charged to revenue.

Mr. Sams.—The capital charged to revenue is the mail vans and postal buildings.

100. *Mr. Joshi.*—Why should mail vans be charged to revenue ? They are not small articles ?

Chairman.—From the point of view of the postal revenue, the whole is capital. From the point of view of the revenues of the Government of India, some part of it is borrowed and some taken from the revenue. That is the distinction.

Mr. Rangaswami Iyengar.—It is a permanent asset just like the rolling stock of the railways.

Chairman.—This is an old standing division. It is not a new thing.

Mr. Badenoch.—I think these were charged to revenue before.

Chairman.—From the point of view of post office we have introduced a distinction. We have simply continued the practice that was in existence at the time, of borrowing for the purpose of telegraph and telephone buildings and not borrowing for the purposes of postal buildings and other things.

Mr. Badenoch.—I think the reason for charging postal buildings and the railway vans to capital met from revenue is that previously as far as I recollect there was no capital account for the post office at all ; the whole post office was charged to revenue.

Chairman.—I was dealing at the moment mainly with the simple question of the railway mail vans. I have argued it more than once in the Assembly. The important point to remember is that if you want to keep a real control over the expenditure that is incurred during the year, you should keep it inside the budget.

101. *Mr. Rangaswami Iyengar.*—What I desire to know is that if the Government of India provides these funds from its revenue, would it not create a confusion in dealing with the capital and revenue account of the Government of India ?

Chairman.—It would be perfectly simple, so far as the Government of India are concerned, if they had not to borrow the money at all. I believe that you will find that a large number of Indian States spend their capital expenditure or a great deal of it out of revenue. It is quite a common practice. When you have got such an enormous capital programme such as is involved in railways, it is quite natural that you should go in for borrowing. The question how much you should borrow for a particular thing or not borrow at all is a question of general finance.

102. *Mr. Rangaswami Iyengar.*—What I am saying is that if you are going to carry it out you should carry it out logically even in the case of general revenues. I think there is a good deal yet to be done in the general accounts to separate what is really the capital expenditure from the revenue expenditure so that we may have a proper view of the position of our finances.

Chairman.—The answer is quite simple. It is perfectly possible to go in for capital expenditure either by means of borrowing or out of revenues. The fact that you treat something from the point of view of the commercial department as capital expenditure does not in any way involve the logical consequence that you must borrow for it rather than find it out of revenue. That is entirely a question of general finance. The question of borrowing does not arise so much on the Postal account as it does on the general account.

Sir Frederic Gauntlett.—The answer to Mr. Rangaswami Iyengar's question is that this question of gradually increasing the differentiation between capital and revenue within the general account is a question which is being answered every day, for steps are being taken in that direction every day, though much more in the case of the Provinces than in the Central Government.

Chairman.—The point originally raised was that because a thing is capital you must necessarily borrow for it.

Mr. Rangaswami Iyengar.—I am not suggesting that.

Mr. Joshi.—It is more equitable to borrow.

Chairman.—Not necessarily. At any rate, so far as this particular account is concerned, the question does not arise.

Sir Frederic Gauntlett.—I would only suggest that if the money is being found from revenue and not from loan funds it adds a very elaborate and almost unnecessary phase to the accounts if it is shown as capital expenditure met from revenue when in fact it is all so met.

Paragraph 7—Profit and Loss Account.

103. *Mr. Joshi.*—The Postal Branch have a saving of 48 lakhs now, and on the whole there is 13 lakhs of surplus, why don't you reduce the postal rates ?

Mr. Rangaswami Iyengar.—So far as this 48 lakhs is concerned, it is subject to certain deductions.

Chairman.—What is your estimated surplus on the Postal account only for the current year ?

Mr. Sams.—8 lakhs.

Chairman.—The real figure then comes to about 30 lakhs and you have used that 30 lakhs to a certain extent to increase the emoluments of postal and telegraph servants everywhere, Mr. Joshi.

Mr. Joshi.—That is only a small sum.

Chairman.—No, it is something like 20 lakhs.

Mr. Joshi.—Besides the 48 lakhs there is another 16 lakhs in pensionary charges.

Chairman.—We will take that separately.

Mr. Sams.—This figure does not include inter-departmental charges. The profit on the Post Office is really much less than is shown.

Sir Frederic Gauntlett.—It will be more easy to assess the result when all these adjustments have been finally determined.

Chairman.—Though Mr. Joshi's question is a very interesting one it is not a public accounts question.

Mr. Joshi.—I raise it from the point of view of economy.

104. **Chairman.**—Mr. Sams, I see it stated that the Departmental Officers can best explain the loss on telephones ?

Mr. Sams.—Well, the telephone system is more or less in its infancy. It is a question of putting down plant and lines in order to reap a benefit later on. We have opened many new systems and we hope that we shall reap the benefit shortly.

105. **Mr. Rangaswami Iyengar.**—You have noticed, Mr. Sams, the fact that there has been a good deal of laxity in the collection of telephone charges.

Mr. Sams.—That is explained in detail later on.

106. **Mr. Joshi.**—You refer to the question of policy. What is this policy, is it military policy, commercial policy or what ?

Mr. Badenoch.—I refer to the opening of two particular trunk lines—the Delhi-Bombay and the Delhi-Calcutta lines—which have been opened. They are not expected to pay. They were opened merely for what you may call pioneer or experimental purposes.

Mr. Sams.—May I explain that the actual wires were already there for telegraph purposes. We were able owing to the knowledge of our engineers to utilise those lines for telephones by the simple expedient of putting in repeaters and the cost came to about Rs. 25,000. So that we were really getting trunk telephone communication between Delhi and Calcutta and Delhi and Bombay for a comparatively small outlay.

107. **Chairman.**—Do you endorse Mr. Badenoch's statement that those lines can never pay ?

Mr. Sams.—I would not like to say that, Sir. At present I do not think they are working as they probably will do in the near future ; but considering the small amount we have spent on them, I think it is a perfectly legitimate thing to do to try to open these lines for the benefit of the public ; and also I must admit there is a certain amount of advertisement in it.

108. *Chairman.*—Do you anywhere publish the commercial results of particular lines such as the Delhi-Bombay or the Delhi-Calcutta trunk line ?

Mr. Badenoch.—No.

Chairman.—Would it be possible to do so ?

Mr. Badenoch.—I think we can if it is required.

Chairman.—I do not necessarily mean those two particular lines, but I mean something that would be illuminating in regard to what the real purpose of telephone policy is.

108-A. *Mr. Rangaswami Iyengar.*—I took Mr. Sams to say that the cost of setting up these trunk lines between Delhi and Calcutta and Delhi and Bombay was Rs. 25,000 each ; and the sole question is whether you derive enough profit over the extra capital or not.

Mr. Sams.—I would not like that taken as an absolutely correct statement but I know it is a fairly small sum.

109. *Mr. B. Das.*—I would just remind Mr. Sams that a year or two ago I asked in the Assembly some questions as to how much the telephone system in the smaller towns in India and how much the trunk system are costing. In the small towns it is only for the District Magistrate and the Police Officer that the telephone system is installed. Why charge it to the Postal Department when the Postal Department itself is run at a loss ? I do not refer to Calcutta and Bombay but small towns in the interior.

Mr. Sams.—We only put down exchanges in towns where there is a reasonable prospect of the telephone habit increasing. It generally begins with the District Magistrate, the Superintendent of Police and other Government Officers, and sometimes not even they want them. I have had myself to write personally to the District Magistrate and ask him to help us in getting his people to take telephones.

Chairman.—Your policy really is to develop the telephone habit ?

Mr. Sams.—Yes ; obviously we do not wish to put down telephones where there is no possibility of their ever paying.

110. *Mr. Cocke.*—Do these Departments, like the Police, that use the telephone pay ?

Mr. Sams.—Yes.

Sir F. Gauntlett.—I only wish to make one statement in reply to Mr. Rangaswami Iyengar's question. The Rs. 25,000 is not the sole cost of these trunk lines. The Telephone Department is charged with rental paid for the use of the lines in addition to the new cost.

111. *Chairman.*—Is it possible within a few days to give us a statement of profit and loss showing the profit or loss on individual trunk systems ?

Mr. Badenoch.—Not in a few days : it is a very elaborate piece of work.

Sir F. Gauntlett.—It could probably be done in time for the next cold weather session when questions might be asked.

112. *Mr. Joshi.*—I would like to ask one more question. Is it not a wrong policy for the Postal Department to hand over telephone system

which are paying to private companies and to retain the losing lines ? In Bombay, for example, you have handed it over to a private company where it pays.

Mr. Ryan.—That is not quite the case. For instance, in Calcutta where we have a very remunerative exchange, the private company has been very anxious to get that, and we have offered to sell it for a commercial figure which is about three times its capital cost.

113. *Mr. Joshi.*—Have you not recently renewed the Bombay telephone contract ?

Mr. Ryan.—Yes, that is entirely a company system. There was a small Government system made over a little before my time but certainly we have not followed that principle in the case of Calcutta.

114. *Chairman.*—What we are really on now is the question of the Government's telephone policy. Has any statement been made in your Administration Report or anywhere else generally setting out what is the Government's telephone policy ?

Mr. Sams.—I do not recollect any definite statement.

Mr. Badenoch.—I may point out that the receipts from telephone trunks are going up by leaps and bounds every year ; but as to particular trunks like the Delhi-Calcutta trunk and the Delhi-Bombay trunk, I am doubtful whether they will ever be able to charge a commercial rate. As regards the general trunk policy, there is no doubt at all that it is a profitable policy and there is great development on these trunks ; the receipts are growing rapidly.

115. *Chairman.*—Without going into any elaborate details such as have been suggested just now, would it be possible for you, Mr. Sams, to put up a statement of Government's telephone policy ?

Mr. Sams.—Yes.

116. *Mr. Cocke.*—With reference to paragraph 8, this profit and loss account is still very largely in a transition stage. There are three points mentioned in this paragraph, bringing down a profit of 48 lakhs to 37 lakhs. As regards Stamps you will notice in the profit and loss account that full credit for stamps sold has not been made owing to the fact that a very large stock of stamps was taken over 3 years ago. That is a point which will be set right in future accounts but it does occur to me that it might be set right in this account by means of a suspense account, so that we might be charged with the cost of stamps used.

Mr. Badenoch.—I raised the point that Stamp balances should be taken over to Suspense ; but the Finance Department did not agree.

Chairman.—Our point was to avoid further complications.

Mr. Badenoch.—I do not think there would be any complications ; I think it is quite simple.

Mr. Cocke.—Might we have that in the next statement then ?

Chairman.—The position is that this will ultimately, I suppose, after a year or two, be worked off and the commercial account will then show the exact position.

Mr. Badenoch.—The Department will probably have some reserve from year to year. We can not estimate down to even the last lakh the amount

of stamps used in the year. It would be much simpler to have the whole in the Suspense account.

Sir F. Gauntlett.—When the preliminary investigation was made I raised this question of bringing into the account the liabilities at the beginning and the end of the year, and it was recommended that except for stamps the figures would be comparatively too small as to make it worthwhile. Messrs. Price Waterhouse and Co. did think there should be a Suspense account in the case of Stamps.

Mr. Rangaswami Iyengar.—These stamps and any stock which will be taken on are consumed over a number of years ?

Sir F. Gauntlett.—It is true of course that if there is a reasonably level flow of stamps into the account it is not necessary, but the incomings and outgoings will vary so much from year to year that in practice it is preferable to show this figure separately, if possible, from the accounting point of view.

Mr. Rangaswami Iyengar.—So far as this particular account is concerned, it is much more than can be consumed in a year.

Mr. Badenoch.—That is an exceptional case and we cannot build a general case on it.

Chairman.—I think we may say that the Committee recommend that Government should reconsider the question of introducing a Suspense account for stamps.

Mr. Ryan.—The supply of stamps in India should make this question simpler.

Mr. Badenoch.—There is this consideration also, that we were asked last year to print more stamps than were actually required for that year, partly to keep the Press going.

Chairman.—It would be easiest to recommend that the Government should reconsider this question.

117. *Mr. Joshi.*—May I raise one more general question as regards profits ? At present profits are used to reduce capital or to reduce interest on capital. Would it not be better if the profits were allowed to accumulate into a Reserve, so that the rates might be reduced after some years ?

Mr. Sams.—We shall have to wait a great number of years to produce enough interest from this Fund.

Mr. Joshi.—We have this year 48 lakhs from the Post Office. Next year may prove to be as good a year and we may get say after 3 years 150 lakhs. Then certainly we can make an experiment in the reduction of rates.

Chairman.—You mean a Reserve Fund corresponding to the Railway Reserve Fund.

Mr. Joshi.—Yes.

Sir F. Gauntlett.—That is now being used to wipe off an annual payment of interest.

Chairman.—It may be a comparatively slow process but it has the same effect. One question is whether the Post Office can be taken

separately, but even leaving that question aside, you are not going to get an accumulation in the region of a crore for a good many years, and even then you cannot thereupon make a reduction ; you are not really justified in making a reduction unless you foresee that at the end the Post Office will be making no loss on the new rates. It is really only the interest on the capital that is available for a permanent current reduction of rates.

Mr. Joshi.—If you do not put the surplus into general revenues you might have a large enough surplus for a reduction in the rates.

Chairman.—It will be a very long time before you have a very large surplus.

Mr. Sams.—It would be very difficult to have an experimental rate.

Chairman.—You cannot reduce rates if you are going to make the Post and Telegraphs a concern that pays its way ; you cannot reduce rates unless you have a reasonable prospect of the new rates themselves paying their way in a very reasonably short time. A guarantee fund is only useful for covering the first year's additional loss.

Mr. Sams.—We shall probably lose a crore in a year, so the savings of 4 years would be absorbed in a single year.

Mr. Cocke.—You are going to call on that crore to spend say 20 lakhs a year. That would mean 5 years.

Mr. Joshi referred to the case of the Railways.

Chairman.—The Railways are aiming at the accumulation of a really large reserve. I do not think it would be desirable that the Post Office should aim at the accumulation of a large reserve of 5 or 10 crores.

Mr. Joshi.—What will it do with its reserve ?

Chairman.—It is immediately applied in cutting down its capital and increasing the net profit, if there is one, on existing rates, making the hope of a reduction of rates, if there is one, nearer.

Mr. Badenoch.—We do not actually reduce the capital account but we get a rebate on the profits we make.

Mr. Joshi.—Until somebody else makes any suggestion for the reduction of rates, I think my proposal is the only way.

Chairman.—And my suggestion to you is that it is not a way unless there is a reasonable prospect of the reduced rates paying their way.

Mr. Joshi.—How can that reasonable prospect be ascertained if your minimum is going to be a crore ?

Chairman.—I agree with you and the conclusion is that you cannot reduce the rates.

Mr. Joshi.—This question of a Reserve Fund I think should be considered.

118. *Mr. Rangaswami Iyengar.*—This year, for instance, we have got in respect of this 48 lakhs something in the nature of non-recurring profit accrued on account of faulty accounting and some adventitious windfalls. Supposing you get some such profits in the course of your postal administration due to savings that you make or receipts that you

get, not in the normal course but something extraordinary, should you not put it into a separate Fund for various purposes ?

Mr. Badenoch.—We are opening a head in the Capital accounts for extraordinary receipts which we are utilising in exactly the same way, that is, to obtain a rebate of interest.

Chairman.—Practically you are writing down your capital account, only it does not take that form in accounting because you don't want to destroy your block account from the point of view of depreciation. The effect is that you save interest on the amount in your Reserve Fund equivalent to the amount that you pay on the capital.

Mr. Rangaswami Iyengar.—But Mr. Joshi's point I think ought to be emphasised. You do reduce the total amount of expenditure and liability for the postal revenue by going on year after year in this way ; but what we say is the first claim upon any saving or profit that accrues to the Postal administration should be that of a reduction in postal rates, whereas the steps you are now taking masks that. On the other hand, if you have a separate Fund, it will show how much you have made in the Post Office and whether as a matter of fact you can reduce the rates.

Chairman.—The fact that the Post Office expenditure is reduced leads to an increase in the surplus that is shown in the estimate and ultimately in the accounts of that year. The question how you should use such a surplus is exactly the same whether it is a Reserve Fund or whether it appears in that form. If we use it to increase postal facilities, to increase the emoluments of some of your low paid officers, or to reduce your rates, it is exactly the same question whether it is in the form of a Reserve Fund or whether it is in the form of interest.

Mr. Badenoch.—We keep a *pro forma* account which I can perfectly well give. As a matter of fact I have to do it.

119. *Mr. Cocke.*—We ought to have a balance sheet, ought we not ?

Mr. Badenoch.—We have a balance sheet.

120. *Sir F. Gauntlett.*—I think there is a point of general importance, and that is, if this idea is pressed to its logical conclusion it would mean an almost complete separation of telegraphs and telephones and those would have to be regarded as unproductive commercial departments and they would have to start their own sinking funds.

Chairman.—I was speaking all the time of the combined surplus.

Sir F. Gauntlett.—I think Mr. Joshi was speaking of the postal surplus only.

Mr. Das.—May I point out that the telephone and radio telegraph are more for the use of the civil administration and the military than others ?

Chairman.—It is not quite true. I was inquiring about telephones because we have not had any statement about the telephone policy ; as regards radio-telegraph we have.

Mr. Sams.—A scheme has been put forward to show the accounts separately. As regards radio-telegraphs, we have to get some credits from other departments for the services rendered by the radio-telegraph department.

Chairman.—I think it is possible that after a certain number of years the telephone system will be a paying system and you may then be sorry that you have given away the possibility of using telephone receipts in reduction of rates (laughter).

Paragraph 9 of the Report.

121. *Mr. Joshi.*—The charges for Direction under Telegraphs is proportionately more than in the case of the Post Office, though the telegraph revenue is much less. Will you kindly explain ?

Mr. Sams.—There are about the same number of officers—perhaps the Post Office has slightly more officers ; but they do not get the same high pay.

Chairman.—Why should the charge for Direction be the same when the telegraph revenue is only about one-third of the postal revenue ?

Mr. Sams.—On the telegraph side you have the telegraph traffic, engineering and the wireless ; you have three branches of highly paid officers.

Mr. Joshi.—Does it not show some room for economy there ?

Mr. Badenoch.—I suggest, Sir, that telegraphs always has to carry a highly paid engineering staff. In every country it is a losing concern, very largely because of its heavy over-head charges. We have got a heavier expert staff in proportion to the number. Another point is that the telegraph receipts just now are abnormally low owing to a slump in telegrams.

122. *Chairman.*—You regard that as an abnormal feature ?

Mr. Badenoch.—There is a distinct reduction in telegraph revenue within the last two or three years.

Chairman.—Would not that be continuous ?

Mr. Badenoch.—I think it is temporary ; it is on the up-grade already ; this year it is showing a slight improvement.

123. *Chairman.*—With reference to the last sentence in paragraph 9 (i), is there any special reason for increase under money orders and British postal orders ?

Mr. Sams.—I think there is no special reason except the ordinary general expansion of business.

124. *Mr. Joshi.*—Is it not a fact that compared to the ordinary postal rates your money order rates are smaller and therefore you are reaping better revenue ?

Mr. Sams.—On the contrary, we raised the money order minimum from Rs. 5 to Rs. 10.

125. *Chairman.*—When you speak of post office revenue, you include money order receipts, I suppose ?

Mr. Sams.—Yes, rather.

126. *Chairman.*—Is it a lucrative portion ?

Mr. Sams.—Yes, very.

127.—*Chairman.*—It is the money orders really that are lucrative ?

Mr. Sams.—No ; the letter rate pays its way. Parcels probably do not ; it is very difficult to say ; but money orders do pay and insurance also does.

128. *Mr. B. Das.*—May I inquire if Government allow anything to the Savings Bank of the Post Office ?

Chairman.—Yes.

129. *Sir F. Gauntlett.*—I would like to call attention to the bottom of page 5 where it says “ The total profits on exchange amounted to a sum of Rs. 16 lakhs. At present these profits on exchange are in the nature of a windfall to the Telegraph Branch and must be taken into account when considering its financial condition.” That means that in future the deficit in that Branch will be increased ?

Mr. Sams.—Of course we have had to reduce it from the 1st July this year.

130. *Chairman.*—How much does that amount to ?

Mr. Badenoch.—It is calculated at 11 lakhs this year.

Chairman.—Are they real profits ?

Mr. Badenoch.—I tried to isolate them ; they are all real profits. We collected at 1s. 4d. and when we settled with outside administrations we did it at 1s. 6d.

Sir F. Gauntlett.—I think really the Post Office administration is to be congratulated ; for some two or three years it has been able to get Rs. 16 lakhs out of other governments.

131. *Chairman.*—What is the fall in telegraph traffic due to ?

Mr. Sams.—Due really to trade depression more than anything else ; a trade depression affects the telegraphs much more than it does the post office because while firms still continue to send out circulars, etc., the telegraph traffic falls ; it is more sensitive to trade depression.

Mr. Badenoch.—Also to troubles in China ; we lose all our transit charges for telegrams passing from China through India.

132. *Mr. Cocke.*—The telephone revenue seems to have had a small increase in these two years ; I suppose it has gone up since ?

Mr. Badenoch.—Yes ; the forecast for 1927-28 is good too.

Chairman.—It actually shows a profit on the telephones ?

Mr. Ryan.—No ; a small loss.

Paragraph 10 of the Report.

133. *Mr. Joshi.*—Are these ‘wasting assets’ different from other assets ?

Mr. Badenoch.—No ; it is a term used for our assets.

134. *Mr. Joshi.*—You charge 31 lakhs to the working expenses on that account ?

Mr. Badenoch.—This is the contribution from working expenses into the depreciation fund.

135. *Chairman.*—Regarding pensionary liability in (ii), have you anything to add ?

Mr. Ryan.—That of course is an assumed figure, Sir. There is some doubt whether it has been assumed high enough, but we have initiated an actuarial investigation to see what the real figure ought to be. But I am afraid it will be some considerable time before any results are produced ; we have not made very much headway with it yet.

136. *Chairman.*—Your view is that it is on the low side ?

Mr. Ryan.—It has been suggested so, but it is very difficult to argue with any confidence.

Mr. Cocke.—Is the actuarial calculation made by the Government of India Actuary ?

Mr. Ryan.—The Government actuary has indicated the particular kinds of information that he requires in order to make a calculation. We are now endeavouring to collect the information he wants. I cannot say that we have got very far with it up to date, but we are pushing on as fast as we can, though I must say I am very doubtful whether it can be done in time for the next budget.

Sir F. Gauntlett.—The difficulty is in translating the needs of the Actuary into words that a clerk on Rs. 50 or 60 can understand.

Mr. Ryan.—We have a particularly good man working on this job.

Sir F. Gauntlett.—It is a matter of exceeding importance.

Paragraph 11 of the Report.

137. *Mr. Joshi.*—Why were the bills not recovered ? What was the difficulty.

Mr. Sams.—For one thing, until recently the recovery of the bills was done by the divisional engineer. He had not got the proper staff all the time to look after the business at the rate at which it was expanding. Recently a telephone accounting office was opened at Delhi which undertook the whole of this business. It was also arranged in order to facilitate matters that the telephone bills could be paid into the post office ; this system has now been extended and similar offices have been opened at Calcutta.

138. *Mr. Joshi.*—Are these bills monthly or quarterly ?

Mr. Sams.—Quarterly, I think.

Mr. Badenoch.—It depends on the choice of the particular subscriber ; sometimes they pay annually ; sometimes quarterly.

139. *Chairman.*—He pays a fixed contribution in advance as a subscriber ?

Mr. Badenoch.—He has got to pay a fixed quarterly amount in advance. But in regard to trunk calls, there was no deposit taken before ; but Government have now decided that a deposit should be taken in regard to trunk calls. Formerly people took trunk calls and never paid.

140. *Mr. Rangaswami Iyengar.*—On this question of general over-estimating have you been making lump reductions in the budget estimates regularly ?

Mr Ryan.—Not regularly ; that system was introduced, I think, two years ago on rather a small scale, but it has been gradually extended. In the budget for this year, very considerable lump reductions have been made—over Rs. 25 lakhs under revenue and Rs. 7 lakhs under Capital.

141. *Mr. Rangaswami Iyengar.*—What is your explanation that in spite of this you have been over-estimating your requirements ?

Mr. Sams.—My explanation is this that the engineers are optimistic about getting works done and pessimistic about not having enough money to spend ; they over-estimate both. They find that owing to circumstances over which they sometimes have control and sometimes not, they are not able to work out to the full grant ; some are unduly anxious and do not spend enough money in the earlier part of the year—until the first nine months of the year are over—and then they hold out in case something crops up and they find that it does not.

142. *Mr. A. Rangaswami Iyengar.*—We have been noticing this for the past three years and commenting upon it ; we want to know what steps you have taken to scrutinise the estimates and see that this kind of thing does not occur.

Mr. Sams.—One very important step is the formation of a budget branch in my office under Mr. Coburn, where they carefully scrutinise estimates sent in by the circle officers and reduce them in the light of experience.

Mr. Rangaswami Iyengar.—Still the over-estimating goes on ?

Mr. Sams.—It has improved very much ; you will find a great improvement this year in this respect ; it has come down from about 50 per cent. to about 12 per cent.

142-A. *Mr. Cocke.*—What is the explanation about this difference between Rs. 53 lakhs and Rs. 66 lakhs ?

Mr. Sams.—Rs. 66 lakhs was calculated on the gross outlay as shown in the Finance and Revenue Accounts. Later on in the 1st edition of the budget, the Accountant-General reduced the figure from 66 to 53 lakhs based on the valuation of the assets certified to be existing on the 31st March 1924 less depreciation on the whole outlay up to this date. But as the valuation report had not then been submitted, it was decided by the Finance Department to let the original figure stand:

Chairman.—The trouble was, I suppose, that there was really extraordinarily little to go on ?

Mr. Sams.—Very little, indeed.

Chairman.—Am I right in saying that there was an earlier history still, and that 66 lakhs was accepted after all sorts of other figures had been suggested ?

Mr. Ryan.—There was a great deal of discussion at the time and the Finance Department considered whether they would be justified in taking the Accountant-General's estimate based on the revaluation or rather on the valuation which is based entirely on what exists ; they decided that they would not change the figure until they knew where they were.

Chairman.—The ultimate difference was 7 lakhs—53 was not the final figure. The Audit report says it was partly owing to the failure of the Department to work up to its programme of works ?

Mr. Badenoch.—There was a very big capital programme in that year ; and 53 included the interest on that programme.

Paragraphs 12 to 15 of the Report.

143. **Sir F. Gauntlett.**—These paragraphs are concerned with the form of accounts ; and I think all that need be said about it is suggested in paragraph 9 of my letter. I think it will be sufficient if the Public Accounts Committee endorse the view that the fundamental basis for all the different accounts that have to be prepared and the demands, should be the scheme of organization and control in the Posts and Telegraphs Department.

Chairman.—After reading this through I am not really quite clear what the Accountant-General was driving at. What is the form of the demand for grant in the budget of the current year ? Will that be in a form which you, Mr. Badenoch, could audit ? Could you present your appropriation report following the form of the current year's budget ?

Mr. Badenoch.—Yes, provided Finance Department agree to a complete alteration in the primary units which has been accepted hitherto.

Chairman.—Is that a change which you desire ?

Mr. Badenoch.—Certainly ; that has now been provided for. Finance Department have accepted the proposal for revision. But previously, in 1925-26 there was absolutely no correspondence between the primary units and the budget or the accounts.

144. **Chairman.**—That was almost inevitable in the circumstances in which commercial accounts were introduced ?

Mr. Badenoch.—Almost inevitable. As a matter of fact I think that that particular fault has always existed in the Posts and Telegraphs Department. With the particular primary units—pay of officers, pay of establishment, etc., it was very difficult for the Director General to see the progress of expenditure from the accounts submitted to him without his office completely recasting those accounts in the form of primary units.

145. **Chairman.**—Mr. Ryan, are you in agreement with the Auditor General on this point ?

Mr. Ryan.—Absolutely, Sir.

146. **Chairman.**—Have you consulted the ordinary branch of the Finance Department ?

Mr. Ryan.—Of course this all turns on what Mr. Badenoch says about the recasting of the primary units—the ordinary branch has agreed

to the changes made. I think we have gone a very long way to meet Mr. Badenoch.

Sir F. Gauntlett.—I think the real point is that the primary units have to be brought within the scheme of organisation and control.

Paragraph 16 of the Report.

147. *Mr. Badenoch.*—I have tried to explain it at length in the Report. I may say that in the manufacture of any article you have to get the raw material, the labour, the direct cost that can be directly allocated to the particular article. In addition to these things we have got to calculate the cost of the office, the cost of advertising, the cost of management and other overhead charges. If you are going to sell your produce in the market at cost price, you will obviously lose money. You ought to have a system whereby you distribute all the overhead charges on the particular article manufactured and in a proper system by the addition of what you call the oncost percentage the price of your article will cover the whole of your oncost. In the case of stores in workshops, we are not selling our articles at all. We try as far as possible to load on the oncost to the manufactured articles. The aggregate of the percentages of oncost loaded on to any article manufactured may not work out to the total of the overhead charges. With experience the unabsorbed oncost should get smaller and smaller.

Paragraph 18 of the Report.

Sir F. Gauntlett.—This is only explanatory of the difficulties of introducing a new system in its first year.

Paragraph 19 of the Report.

148. *Mr. Badenoch.*—I put this in because actually the policy in the department is directly contrary to what has been laid down in the Public Accounts Committee's Report of last year, but I have tried to show that it is almost inevitable when you are introducing an entirely new system.

Paragraphs 20, 21 and 22 of the Report.

149. *Mr. Sams.*—We took the opportunity at a recent conference of postal and engineering officers to harangue these officers on the point, and I think Mr. Ryan and I have between us managed to frighten them.

Mr. Ryan.—I think they frightened me. I don't think that we can bring about any reform by merely haranguing officers. We prescribed certain monthly forms and reports to be submitted by each head of circle, and these have not been coming in quite satisfactorily. We will have to keep them worrying about these.

150. *Mr. Cocke.*—Have you any inspecting officer who puts them right ?

Mr. Ryan.—It is simply a question of these officers paying attention to questions of expenditure as compared with the grants. But with the budget branch that has been recently formed in the Director General's

office, I think it will be possible to bring much more scrutiny to bear on them. We have also quite recently harangued them.

Chairman.—You don't think haranguing is sufficient punishment? Do you think really that things can be set right by mere haranguing?

Mr. Ryan.—We will try, but I am not very hopeful.

Mr. Joshi.—Their attention may be drawn to the remarks of the Accountant General.

151. *Chairman.*—There is another point in the same paragraph. Have you introduced a modification? You provide fixed charges on the basis of the average?

Mr. Ryan.—Yes.

Paragraph 23 of the Report.

152. *Mr. Sams.*—I agree with the Accountant General, Posts and Telegraphs, that the procedure should be followed.

Paragraph 26 of the Report.

153. *Sir F. Gauntlett.*—I have a general comment to make on paragraphs 26 to 35. There were 12 cases recorded, and six of these were carried out by responsible officials like postmasters and sub-postmasters, while in four cases their negligence contributed indirectly.

Mr. Sams.—There are cases of slackers who do let us down but I don't think you can say it as a general thing. Usually most of them in charge have had some experience and they are very conscientious too.

154. *Mr. Cocke.*—What is the total number of postmasters?

Mr. Sams.—The total number of head postmasters is 250, and most of them have deputies under them. If you mean at head offices, I could not say off hand. The number of head post offices is over 200; we have something like 5,000 sub-post offices. At most of the head offices there are deputies. If there are 220 head offices, there are 220 deputy postmasters. The number of sub-postmasters is very great, something in the neighbourhood of 5,000.

155. *Mr. Joshi.*—Have you got a big guarantee fund?

Mr. Sams.—It has been abolished altogether.

156. *Mr. Cocke.*—May I ask what is the system of contract that you are going to introduce?

Mr. Sams.—The treasury work instead of being done by a postal official is usually given to a contractor to whom we pay a subsidy for running the treasury work. He employs his own men. He is something like a Khazanjee in a Bank. I know it used to be done by the Bank of Bengal.

Mr. Joshi.—Do you take any security?

Mr. Sams.—It is rather a big amount.

May I point out to Sir Frederic Gauntlett that sub-postmasters who are on a time-scale varying from Rs. 35 to Rs. 250 to Rs. 350.

157. *Chairman*.—Have you anything to say on the subject of inspection, Mr. Sams ?

Mr. Sams.—According to the policy that we adopt, there should be two inspections. The first is a thorough one in accordance with the long list of inspection questions which have to be answered, and the second one is as far as possible, in the nature of surprise visits to see that the orders issued as a result of the first inspection are being carried out. It is not an easy thing to pay surprise visits.

Mr. Badenoch.—My inspection staff found that postcards were sent round to sub-postoffices to say that the audit staff would arrive on such and such a day.

Paragraph 27 of the Report.

158. *Mr. Sams*.—The importance of the safe custody of receipt books of money orders, stamps and keys has always been rubbed into the postal officials, especially as regards keys, certainly once a year by drawing their special attention to this. But even so we find postmasters who give up their keys to menials to open the safe.

Paragraph 29 of the Report.

159. *Chairman*.—Has the adjustment of the balance been settled ?

Mr. Badenoch.—Yes. The guarantee fund actually existed in 1925-26, and the balance was written off to the Guarantee fund.

Paragraph 30 of the Report.

160. *Mr. Joshi*.—The Auditor General suggests that there should be rewards offered.

Mr. Sams.—In this particular case reward was given, and recently I have asked heads of circles to try and encourage people by recommending rewards.

161. *Mr. Joshi*.—This leads me to ask you whether it will not be profitable if you ask some of the postmasters to give you suggestions as to how embezzlements could be prevented ? Because in industrial undertakings sometimes the managers of the concerns ask their workmen to make suggestions not only to prevent embezzlement but in several other matters. Could you not do something of that kind ?

Mr. Sams.—They do make suggestions very frequently, and they are encouraged to make suggestions.

Mr. Badenoch.—As a matter of experience, I find that the method of frauds in the postal and telegraph department is very stereotyped ; in most cases the men follow well defined lines.

The Committee adjourned till 2-45 P.M.

Evidence taken at the third meeting of the Public Accounts Committee held on Saturday, the 6th August 1927 at 3 p.m.

PRESENT :

- | | | |
|---|---|---------------------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman.</i> | } | <i>Members.</i> |
| (2) H. G. Cocke, | | |
| (3) Maulvi Abdul Matin Chaudhury, | | |
| (4) Mr. B. Das, | | |
| (5) Mr. A. Rangaswami Iyengar, | | |
| (6) Maulvi Sayid Murtuza Sahib Bahadur, | | |
| (7) Mr. N. M. Joshi, | | |
| (8) Mr. G. Sarvotham Rao, | | |
| (10) Mr. A. C. Badenoch, Accountant General, Posts and Telegraphs, | } | <i>Were also present.</i> |
| (11) Mr. T. Ryan, C.I.E., Financial Adviser, Posts and Telegraphs, | | |
| (12) Mr. M. R. Coburn, Director of Establishment, Posts and Telegraphs. | | |
| (9) Sir Frederic Gauntlett, Auditor General, | | |
| Mr. H. A. Sams, Director General, Posts and Telegraphs, Witness. | | |

SAVINGS BANK FRAUDS.

Page 24, Paragraph 31 (a).

162. *Chairman.*—Does a depositor get a receipt for every deposit, however small ?

Mr. Badenoch.—He gets an acknowledgment. He gets an entry in his pass book and an acknowledgment not from the sub-office but from the head office : that is supposed to be a check.

Paragraph 32.

163. *Mr. Sams.*—We have instructed Heads of circles in this connection.

Paragraph 34.

164. *Sir F. Gauntlett.*—I think, Sir, this is inherently the most important case brought to notice in this Appropriation Report.

Mr. Badenoch.—It brought to light a rather big defect in the system. Customs duty on parcels is collected by the Post Office. The Customs Department only hand over the parcels to the Post Office on the Post Office paying the Customs duty. I found that there were 66 lakhs of customs duty paid over by the Post Office and there was no real audit as to whether the Post Office got the 66 lakhs back again from the recipients of the parcels. I have taken the matter up and submitted a scheme to the Director General. He has agreed to it and I am opening a new department of audit—an Accountant and 10 clerks—to see that actually the money that we have paid over to the Customs Department is recovered. But there may have been in the past pretty big gaps. We don't know.

165. *Chairman.*—The Post Office knew whether it had collected the money or not ?

Mr. Badenoch.—In the Post Office there was no check whatever as to whether for every payment we made to the Customs Department we got something from the recipient of the parcel.

166. *Mr. Rangaswami Iyengar.*—But the Post Office can at least say whether in each case where a parcel was delivered the customs duty was collected ?

Mr. Sams.—We simply pay a lump sum to the Customs and then recoup ourselves from the collections.

Mr. Rangaswami Iyengar.—The Post Office must have a list of articles which they have delivered and you must have entered therein the fact whether you had recovered the amount or not. And where it has not been recovered, it should certainly be possible to find out if there has been a large gap.

Mr. Badenoch.—The system was such that there was a great delay in finding out.

167. *Mr. Rangaswami Iyengar.*—Do you mean to say the inspecting officers could not have inspected the registers and found it ?

Mr. Sams.—Certainly they could, but you would have to wait some time.

168. *Mr. Rangaswami Iyengar.*—But surely there must be a gap in the register. If he had not paid there must be a kind of note to show that it is outstanding.

Chairman.—Was there any outstanding account in this particular post office ?

Mr. Sams.—Yes, the circle examiner, who is an official of the Postmaster General's Office, gets these assessment memos. and he is supposed to watch the receipts from the post office. He has a list of the articles assessed to duty. He watches himself the return of the memos. from the Post Office and if he does not get them, he calls for them, so that he can see from that if there are any blanks.

169. *Chairman.*—And if there is a blank presumably there would have to be a formal write-off. However, the point is that you have now framed a new system which is being introduced.

Sir F. Gauntlett.—I think, Sir, an explanation is possible, that is, that there was an officer called the circle examiner who was responsible for watching that these receipts were eventually realised. He did raise objections but one might assume he did it rather as a matter of routine because before the objections were thrust home against the man a large sum had gone.

Mr. Sams.—What really happened in this case was that this particular man actually got the objections. The others did not get them. He simply tore them up.

170. *Mr. Cocke.*—Haven't you got a total account ?

Mr. Badenoch.—There never has been. The payments to the Customs Department were never reconciled with the payments to the Post Office. That is what I am introducing.

171. *Chairman.*—Will that prevent the sort of fraud that took place here ?

Mr. Badenoch.—It is practically certain, Sir. Because if my office find that there has been no recovery, it will ask for the reason why. It will bring to notice all failures to recover.

Sir F. Gauntlett.—I would only point out, Sir, that this was done but there was so much delay that the man was able to get Rs. 17,000 before it was gone into.

Chairman.—However, action has been taken and it will be satisfactorily dealt with in future.

Paragraph 36.

172. *Mr. Sams.*—The Railway authorities have agreed. They have accepted Rs. 19,836.

Mr. Badenoch.—I don't think a case like this will occur again because we have just prepared an elaborate scheme for the registration of the assets of the department.

173. *Chairman.*—You have an inventory taken in all post offices ?

Mr. Badenoch.—It is being done on the telegraph side. I don't think there is any definite decision about the postal side. The reason why it is done on the telegraph side is because this is our capital. On the postal side they are all revenue articles which do not come into the capital account at all.

Paragraph 37.

174. *Mr. Rangaswami Iyengar.*—We have got the same question up here again about recovery. Would you tell us why you recovered a month's salary and left the balance to be recovered ? What was the basis of calculation ?

Mr. Sams.—Well, it is very difficult to say now. The Postmaster General ordered the recovery after taking everything into consideration.

Mr. Rangaswami Iyengar.—A month's pay from each of the officials concerned.

Chairman.—He took the disciplinary action that he thought desirable and it happened to total up to just about half the balance.

Mr. Rangaswami Iyengar.—Or was it the other way about ? He took half and found it came to a month's salary.

Mr. Sams.—He may have done that.

Mr. Rangaswami Iyengar.—That is the sort of case on which something more definite ought to be thought out.

Chairman.—The Audit Department have expressed themselves satisfied as regards the action taken in this case.

Sir F. Gauntlett.—What I mean by that statement is that I have made a general rule that I will not comment on disciplinary action unless it seems obviously inadequate. I don't raise the question if I think a thousand might have been recovered instead of 800, because that is merely my personal opinion against somebody else's.

Mr. Rangaswami Iyengar.—I think we did record that this matter requires further examination.

Sir F. Gauntlett.—I would only point out, Sir, that even the stoppage of increment is inherently a fine.

Chairman.—Oh, certainly.

Sir F. Gauntlett.—And you cannot get away from the fact that most forms of punishment must take a pecuniary form.

Mr. Sams.—In a recent case that I know of a certain Postmaster's promotion was stopped and the ultimate loss to him was about ten times the loss to Government. It was a very much severer punishment. He would have been much more willing to pay the loss than have this very severe action taken against him.

175. *Mr. Rangaswami Iyengar.*—Exactly, you must make a sharp distinction as to what is a punitive measure and what is the recovery of losses.

Mr. Sams.—It is very difficult to make that distinction. If a man by his negligence loses a certain amount, the loss is there and we want to recover a reasonable amount and at the same time let it act as a deterrent to the man.

Mr. Rangaswami Iyengar.—Of course in practice you have got to combine the two.

Sir F. Gauntlett.—There is this aspect also to be considered that by his gross negligence he may show that he is unfit for higher promotion, so that it is not actually a pecuniary fine. It is merely a judgment upon his general capacity for the work he may be called upon to do.

Mr. Rangaswami Iyengar.—The stoppage of promotion may be a kind of insurance against future losses.

Chairman.—It is not necessarily the most deterrent. This question will come up again. We will add our comment on this. You want to make the punishment fit the crime.

Paragraph 39.

176. *Mr. N. M. Joshi.*—There is this question of buildings.

Mr. Sams.—It seems rather startling at first but I don't think it is quite as black as the Accountant General has painted it. The facts are these. We had a post office at the headquarters of an Indian State. We paid a nominal rent of one rupee a year. Then it became necessary to have a better building and it was ascertained that a rented building would cost Rs. 125. The Director General then decided that instead of having a rented building, he would get the State to build one roughly on a rental of Rs. 150. He made out a rough plan on these lines but subsequently additions were made to the plan which could perhaps be put down at another Rs. 50, bringing it up to Rs. 200. It was also decided

that it would be better to have a good-looking building in a conspicuous site near His Highness's palace. That I think would account roughly for the other Rs. 100. The Rs. 300 which the State originally decided to charge was based on the very low percentage of $3\frac{1}{2}$ rental on the capital cost. Subsequently the State discovered that in British India the rental was based on $8\frac{1}{2}$, that is 6 per cent. on the capital cost, and I think $2\frac{1}{2}$ per cent. for maintenance. On that basis we should have paid Rs. 536 a month for this building. The State however agreed to take Rs. 400 a month. These are the facts of the case.

177. *Chairman.*—Was it a more luxurious building than was necessary ?

Mr. Sams.—In the sense of embellishments ?

Chairman.—Well, in the widest sense.

Mr. Sams.—As regards embellishments, probably we could have had the ordinary plan, four walls and a roof, but we were anxious to have a nice-looking building. The amount of accommodation was probably 50 per cent. more than the actual requirements at the time. Our experience has always been that we generally under-estimate the expansion and we find that in a few years the building is too small for us. In this case, I should say that 50 per cent. was a liberal amount for expansion but not out of the way.

178. *Sir F. Gauntlett.*—There is a general point here, Sir which has been raised two or three times recently at home. And that is the desirability of having public buildings in the most expensive streets in the various towns in which they are situated. I think there has been a marked tendency on the part for instance of the Labour Exchanges to get off high streets into bye streets. I don't see that that is possible in the case of a Post Office.

Chairman.—It is a question which is always arising in every country as regards the Post Office. You have got the question of the æsthetic liability of the Government to set a reasonable standard of art in its architecture.

Mr. Sams.—The general line we take, Sir, in these cases is that in the capital of a province or the capital of a State we like to have a handsome building of which we can be proud. In smaller places we are content to have something less. That is the line we take. For instance, in Bombay we have probably got the finest building in the place. Similarly in Nagpur. In Rangoon we want the finest building. And in Lucknow we are going to have it.

179. *Mr. N. M. Joshi.*—Was the original building quite unfit for the work ?

Mr. Sams.—It must have been. I haven't gone into that but that was obviously the case. It was far too small.

Mr. Rangaswami Iyengar.—It raises the general question as to to what extent we may allow the Post Office or for that matter any other department to anticipate prospective expansions or to anticipate prospective profits and we are in the meanwhile facing losses, because we have commercialised the department.

Mr. Sams.—You have only to look at the postal statistics to see that the work does steadily go up. Therefore, when we build an office which is going to last for a hundred years or even 75 years, we must arrange for expansion, otherwise we would find ourselves in difficulties. As a matter of fact, we do.

Mr. N. M. Joshi.—But here you were not going to have your own building.

Mr. Sams.—Because in an Indian State we never do. We always either rent it from a private person or the State builds it for us.

Sir F. Gauntlett.—Isn't it a very moot point, Sir, whether it is cheaper to build a building which may accommodate the post office for a period of 40 or 50 years than to put up a building which will only meet the needs for the present and build a new building ten years hence ?

180. *Chairman.*—I think Mr. Sams has overstated his case. As a matter of fact, it is nearly always wise to get a larger site and leave room for expansion. I think you are perfectly justified in making room for provision for expansion in the case of a new building say for a period of ten years. That is a reasonable provision. You wouldn't put up a building that is supposed to meet your expansion for 40 years unless you have got some means of renting off a portion of it. If you cannot do that you leave out a wing of the building.

Mr. Sams.—That is exactly what has happened. Take the case of the General Post Office in Calcutta. Originally it housed the Director General, the Postmaster General and the Post Office. First the Director General went into other accommodation, then the Postmaster General went. We filled up the big building by putting in other officers who were gradually pushed out.

181. *Chairman.*—Are you satisfied that you have not got a tendency to be oversanguine in your building and looking too far ahead ?

Mr. Sams.—No, Sir, our experience is usually the reverse. We are under-sanguine. We under-estimate our requirements and we find in fewer years than we anticipated, that we have to add to the building. That has been our experience in the past.

182. *Mr. N. M. Joshi.*—Is it not possible to devise some plan of building which will be such that you can go on adding to it every five years ?

Mr. Sams.—Yes, we can sometimes ; not only can, but do build with a view to being able to extend.

183. *Mr. N. M. Joshi.*—Have you got some model form of building for post office requirements ?

Mr. Sams.—We have a standard form for the smaller buildings, not for the big ones. Because we are very much tied down by the shape of the site. It varies so much from place to place.

Chairman.—You have, I suppose, some general rule as to the amount of cubic space that you allow for a given quantity of work ?

Mr. Sams.—We have a standard but the standard is being revised : we are not satisfied that it is quite correct, and the idea now is that a Postmaster wanting a building should work out his existing requirements and then say how much he thinks we ought to allow for expansion, which in a go-ahead place like Rangoon would probably be 75 per cent. or something like that, but in a quieter place probably 10 or 25 per cent.

184. *Mr. N. M. Joshi.*—Is there not a tendency in the department as a whole to have finer buildings and better buildings ; because you may remember some time last year there was the case of a building in Bombay, and we found that they had taken a place for higher rent when rents were going down in Bombay because they wanted a better house ?

Mr. Rangaswamy Iyengar.—There is probably a tendency on your part to take a bigger building than you need have ?

Mr. Sams.—I do not think so. We know what the staff is and we have to have a building big enough for that staff, big enough for a certain amount of accommodation.

185. *Mr. Rangaswamy Iyengar.*—What I really want you to face is this. We are now dealing with the question of capital expenditure as well as revenue from the point of view of the commercial basis of it. If we are going to treat the post office administration as a matter of business, the actual capital invested must have some relation to the return that you get out of it.

Mr. Sams.—That is so. But as I have said just now, in certain specified places, like the capital of a province, or the capital of a State, I think we are justified in having a building which is aesthetically good to look at. But as I say, in unimportant places we do not mind so much, we base our buildings simply on utilitarian methods.

Mr. Rangaswamy Iyengar.—What I am saying is this, that even from the point of view of aesthetics it has a business basis.

Mr. Sams.—Big firms in Calcutta, Bombay and elsewhere certainly do not neglect the aesthetics point of view.

Chairman.—They have an advertisement value, but is there any commercial value ?

Mr. Ryan.—Might I mention that in the case of every building project of any magnitude we always consult the Consulting Architect of Government and this question is invariably looked into now-a-days at any rate with a view to seeing that they are not doing themselves too well.

186. *Chairman.*—I suppose it is true that the introduction of commercial system of accounts has put an additional incentive on the post office to see that its outlay on buildings is likely to be reasonably remunerative ?

Paragraph 40.

187. *Sir F. Gauntlett.*—This shows very big savings on the original grant that is, 30 per cent. under non-voted and 9 per cent. under voted.

Mr. Rangaswamy Iyengar.—This question also arises under the central revenues. So far as the post office is concerned, can you put it to this reason that whereas in the case of non-voted expenditure you are sure that you will get supplementary grants in the usual way, so far as supplementary grants

under the voted are concerned you have to go to the Assembly and it would be safer to put a larger figure at the very start ?

Mr. Sams.—No.

Sir F. Gauntlett.—Is not that the other way round ? The savings on the non-voted was 30 per cent. more than it need have been.

Mr. Rangaswamy Iyengar.—Then I am mistaken.

Paragraph 41.

188. *Chairman.*—These are points to which the last year's Committee paid a great deal of attention and the fruits of the observations of that Committee will be found in next year's report.

Mr. Cocke.—Some of these points were dealt with by the Committee before last also.

Sir F. Gauntlett.—The only general conclusion is that the cuts on public works and establishments have not yet reached the maximum point possible.

Mr. Badenoch.—There were no cuts in 1925-26 at all. There was a cut in 1926-27.

Paragraph 45.

189. *Chairman.*—Here we come to a case of overestimate. There is a point in page 42 at the end of paragraph 45. (Reads).

Mr. Badenoch.—The construction programme of the Posts and Telegraphs is conditioned very much by the demands of railways. Every year the Telegraph branch has to construct lengths of line in connection with Railway development. Very often, previously, rough projects may have been only in existence when the budget was framed and it was the custom to provide in the budget for construction of lengths of telegraph line in connection with projects which eventually might be dropped altogether. It has been decided that there should be provision in the budget only in connection with projects which have reached a fairly advanced stage, or in connection with which there is certainty of completion. But very often, some of the projects which were contemplated at the time of the budget but not provided for do not fructify during the course of the year and the Railway Department comes to the Telegraph Department and says, we want you to construct these telegraph lines. There is no provision for them in the budget.

Mr. Sams.—We would welcome a system of budget by which we could get funds automatically instead of having to arrange for them by more or less guess work, and then having a lapse.

190. *Mr. Rangaswamy Iyengar.*—Would you accept the present policy which has been pursued in respect of railway capital expenditure ? All these railways send up their schemes and their cost and they are all totalled up and the Railway Board definitely cut down a very large slice of it. Suppose they want 30 crores the Railway Board put down 23 or 25 crores.

Mr. Ryan.—That is what we have done for 1927-28.

Mr. Rangaswamy Iyengar.—If in the course of the year you are able to bring a project for which additional money is required you will be able to find the funds. On that basis the cut will be fairly drastic. But in the meanwhile if you find that the speeding up of your projects or

some new development makes capital expenditure necessary, you can come and ask for a grant. That would be far more satisfactory.

Mr. Badenoch.—It is essential that the Telegraph Department should comply with the Railway Department's demands, otherwise it will hamper the operation of Railways.

Sir F. Gauntlett.—Is it not rather indicative of the need of co-operation between the railways and the posts and telegraphs? The railways are now working very big systematic construction programmes, and as was pointed out, telegraph extension is a necessary corollary of the railway construction. Therefore, whenever there is a railway construction going on there ought to be a systematic attempt to get the telegraphs constructed for it.

Mr. Sams.—We do as a matter of fact base our projects on the information we get from the railways. But the information we get is not always reliable. We may find ourselves with a big lapse.

191. *Chairman.*—You have a budget department, and would it not be possible for your budget department in consultation with the Financial Commissioner of Railways to arrive each year at a very much more accurate estimate than now?

Mr. Sams.—We are trying to do that, but we want to get some method or arrangement by which we shall be able to know much more definitely than at present what the railways want us to do in the ensuing year.

192. *Chairman.*—Can you not frame the budget estimate in close consultation with the Railway Department?

Mr. Sams.—I think we are working fairly well up. We have got our programme pretty well fixed.

Mr. Badenoch.—I do not think that the Railway Department have very much consideration for the posts and telegraphs department. They say, we want a certain line, though they have not made up their minds whether they will actually construct the particular length.

193. *Chairman.*—Have you got figures for this year before us showing the amount that you provided for railway work and the amount that you actually spent?

Mr. Sams.—I have not got them here.

Chairman.—I think it would be as well if we had these figures and then we will ask the Financial Commissioner for Railways to account for the large difference.

Mr. Ryan.—I think he won't be able to account for the difference, because there has been the practice in this department of providing in addition to what the railways ask for, for a reserve....

194. *Chairman.*—Do you think that we can, by drawing the attention of the Railway Commissioner, secure some closer consideration by the Railway department of your needs?

Mr. Ryan.—If we do so with the backing of the Public Accounts Committee we may hope for more sympathy from them.

Mr. Sams.—I would certainly like to get down to some system so that we can get a closer proportion between expenditure and estimate.

Sir F. Gauntlett.—I have not made any comment because I have felt that co-ordination is the real solution. It may be necessary to provide for unforeseen emergencies by a small reserve, but it is co-ordination first and foremost.

Mr. Badenoch.—My point really was that you could not provide for a very big capital outlay in the budget. If there was some sort of convention guaranteeing provision to the posts and telegraphs department in connection with railway construction.....

Chairman.—Some of these devices get us so far away from what budgeting ought to be that you ought to be careful that you do not over-stress the danger of over-budgeting. If you come forward with a budget for 20 lakhs for construction of railway lines and you actually spend 50 lakhs during the whole of the year, that would throw out the whole of the budget position. The first thing to do is to get as near an estimate as you can. It is impossible on a revenue expenditure to say that you will provide 20 crores, and if you are able to spend you will give another five crores—you cannot have a budget on that basis. I wonder if we could have before us the amount asked for by the Railways this particular year. 1925-26, the amount provided and the amount actually spent, if you like with comments, and also what you are doing in 1926-27 and 1927-28, so that we can then take up the question with the Railway Commissioner.

Page 50.

195. *Mr. Joshi.*—It would have been better if these comments had been given below these statements.

Mr. Badenoch.—It is very difficult. I tried to do it, but it would have very much delayed the report.

Sir F. Gauntlett.—I think this question has been considered by nearly every province, but Madras is the only province that has been able to do it. The press there has apparently been able to tackle the problem but not elsewhere. Mr. Kaula will be able to tell you. He went into this question in detail and he will be able to tell you all about it.

Page 52.

196. *Chairman.*—Is this a special complaint ?

Mr. Ryan.—It has been settled now.

Sir F. Gauntlett.—That is a general difficulty with nearly every account. It is very difficult for the officers at home with the utmost good will to follow strictly our system of classification because they are not in close touch with us.

Page 58.

197. *Sir F. Gauntlett.*—I have a general comment on that. (Reads.)

Mr. Sams.—The lapse is almost due to over-budgeting of sterling overseas pay the provision for which was made by the Finance Department.

Sir F. Gauntlett.—That appears in nearly all the reports.

Mr. V. K. Aravamudha Aiyangar.—We had to make the estimates at very short notice. We had no time to check them but we simply consolidated them.

Sir F. Gauntlett.—It does appear everywhere, but next year it ought to be different.

Mr. Sams.—Item 2 has been rectified in subsequent estimates.

Page 64.

198. *Mr. Cocke.*—What about that figure of Rs. 2,98,000 on the stores ?

Mr. Sams.—The increased expenditure is due generally to the failure to work up to the issue programme.

Mr. Badenoch.—The on-cost charges were calculated on a certain issue programme and that issue programme we failed to work up to.

Sir F. Gauntlett.—So long as the estimates for works programmes are not worked up to and there is a serious difference it throws out the figures all over the accounts.

Page 66.

Mr. Badenoch.—The second paragraph at the top—the comment is not justified. It should be cut out. The deduct entry was not ignored.

199. *Chairman.*—At the bottom of that page. Have you anything to say with regard to maintenance ?

Mr. Sams.—At present the engineers find it difficult and there is a complaint and that is being looked into. If they use their staff for projects, they have not enough staff to devote to maintenance.

Chairman.—It is a question not of money but of staff ?

Mr. Sams.—So they say, but that point is being looked into.

200. *Chairman.*—What about the explanation that the money is distributed at the end of the year ? Is that unavoidable ?

Mr. Sams.—If they do not get it in good time it is not much good to them.

Chairman.—I quite understand it. But why was it not distributed till the end of the year ?

Mr. Sams.—It may be that we did not hear of it in time.

Sir F. Gauntlett.—Nearly one lakh was added to the provision on re-appropriation ?

Mr. Badenoch.—I think the engineers themselves are mostly responsible.

Sir F. Gauntlett.—That general question about establishment is a very important question because I think the history of the 150 crores on railways shows conclusively that you cannot spend the money unless you have establishments to spend it.

Mr. Sams.—We are going very carefully into the question of staff for the engineering branch and I hope we shall come to some satisfactory conclusion, so as to be able to devote the staff both to construction and to maintenance.

201. *Sir F. Gauntlett.*—Latter half of note (4)—the controlling officer forgot to allow for adjustment. That is the old question again, indicating the necessity for controlling officers watching their liabilities.

Chairman.—And the general question of making adjustments quarterly instead of yearly. Is that being done in the post office ?

Mr. Badenoch.—In the case of stationery and printing it is being done, but the great difficulty is in the case of adjustments in connection with buildings. I think 75 per cent. of the adjustments come through either at the very end of the year or after the financial year.

202. *Chairman.*—Why should that be so ?

Mr. Badenoch.—The Public Works Department work during the second half of the year more than in the first half.

Sir F. Gauntlett.—Where adjustments can be made early they are being made monthly or quarterly, for instance in the case of stationery and printing.

203. *Chairman.*—Is the vast proportion of your adjustments being made either monthly or quarterly ?

Mr. Badenoch.—I should say so, a large proportion.

Sir F. Gauntlett.—This particular case is an illustration. If it is a fixed sum of Rs. 60,000, it can easily be allocated, 15,000 per quarter.

Mr. Sams.—Provision has been made for this 60,000.

204. *Chairman.*—Page 67. Have you any general statement to make, Mr. Sams ?

Mr. Badenoch.—About English stores, this is a very bad mistake in my office. Stores were brought on to the ledgers but account adjustment was not made. Owing to the fudging of a trial balance the officer could not see that mistake had been made. It is a case for disciplinary action.

205. *Mr. Sams.*—As regards (b), a Standing Committee has been constituted with powers in the matter of deciding the mode of disposal. Stores of the value of Rs. 4 lakhs and odd have so far been dealt with by the Committee.

Chairman.—What is being done with the stores ?

Mr. Sams.—Sold to different people in India.

Chairman.—What kind of stores are these ?

Mr. Sams.—Wires, bolts, obsolete instruments.

206. *Mr. Cockè.*—Have you got much more stores like that to be dealt with ?

Mr. Sams.—The Standing Committee keeps on dealing with stores for which we have no use.

Mr. Rangaswami Iyengar.—How much more have you to deal with in this way ?

Mr. Sams.—I cannot say what the balance is.

Mr. Rangaswami Iyengar.—I think we did have a huge balance of unserviceable stores.

Mr. Badenoch.—There is considerable balance of stores due to over-buying of instruments which are obsolete now. My audit office is going through the whole ledger and they bring to the notice of departmental authorities cases in which stores are not being used for over a year.

207. Chairman.—Are these surplus stores being added to by new purchases now or have steps been taken to prevent over-buying ?

Mr. Sams.—The whole system of purchase has been reorganised.

Mr. Cocke.—When did this over-buying take place ?

Mr. Badenoch.—1920-22.

Mr. Cocke.—Has anybody made any investigation in connection with this matter ?

Mr. Sams.—I cannot say. I shall let you know.

208. Mr. Rangaswami Iyengar.—What do you mean by unserviceable stores written off ? Is that the net loss on the disposal of the stores ?

Mr. Sams.—Yes.

Mr. Rangaswami Iyengar.—Can you give me any idea as to what is the percentage of recovery ?

Mr. Sams.—It is all scrap.

209. Chairman.—Could you put in a fairly complete memorandum on the subject of surplus stores ?

Mr. Sams.—Yes.

Sir F. Gauntlett.—Does the question arise as to the check which is now exercised when demands come in for further buying ?

Mr. Ryan.—It is a question that ought to arise. I think there is at present too much power in the engineering branch to indent for stores from England without always having a perfectly clear idea of what they would be used for. There is no complete check over it at present.

Mr. Rangaswami Iyengar.—Do you think, Sir, that there is any committee that is competent to look into the question ?

Mr. Ryan.—If they are not competent to decide on surplus, I do not know whether we will get one that is.

Mr. Rangaswami Iyengar.—I am asking whether you can set up some machinery of checking ?

Mr. Sams.—I think really the Financial Adviser ought to pass these indents and specially look into the items. I think it would be a very good thing to have some check and to ask the officers who indent to state specifically what each kind of store is for.

Mr. Ryan.—The present Chief Engineer does watch the stores expenditure very closely.

Chairman.—We had better recommend the subject to the attention of the department.

Mr. Badenoch.—We do bring to the notice of the department any cases in which stores have not been issued for a year.

Chairman.—That is after the event. I am now on the question of what the department itself can do to make sure that it is not ordering unwisely.

Mr. Sams.—Indents of special officers for special things should be challenged much more freely. If they had to say what each expensive item was for, they would be more careful.

Sir F. Gauntlett.—The other point is what stores already exist which might be used for that purpose. There are many points to be taken into consideration in checking new indents.

Mr. Rangaswami Iyengar.—The question should be examined as to what extent things that are ordered out from home can be actually obtained here.

Chairman.—What we want is that the department should consider very carefully whether existing arrangements for indenting cannot be improved. We will make a recommendation on this point and leave it there.

Page 68.

210. *Mr. B. Das.*—About the High Commissioner classifying the home charges, I think the High Commissioner is under the Government of India. One of the Accountants General or an account official of India might be lent to the High Commissioner who ought to have an officer from India.

Chairman.—I think it has been stated that these difficulties have been met.

Page 81.

211. *Sir F. Gauntlett.*—There is a comment at page 81, head 5. The actual expenditure was just two-thirds of the appropriation.

Mr. Sams.—The estimate for repairs to buildings were furnished by the Local Government who used to carry out the work. The matter has been taken up with Local Governments with a view to prevent recurrence. In 1926-27 a large proportion of the work was carried out under the departmental supervision of the engineering branch. There is lesser chance of a thing like that recurring.

Chairman.—Your own officers will in future give you estimates ?

Mr. Sams.—Yes.

Page 84.

212. *Sir F. Gauntlett.*—There is another very big over-estimating on repairs. 57 per cent. was saved, nearly Rs. 2½ lakhs.

Mr. Sams.—That is partly attributable to the abandonment of the work of the Diamond Island radio station. Owing to a misunderstanding and also to the uncertainty that existed at the time regarding allocation of expenditure, double provision seems to have been made once under this head and once again under 561 (b) for renewals and replacements. It is also alleged by the Divisional Engineers concerned that stores to the value of about Rs. 1,34,000 were actually issued to works and accounts showed an adjustment of only Rs. 99,600. The matter is still under investigation.

213. *Chairman.*—The abandonment could not be foreseen at the time of the budget ?

Mr. Sams.—Absolutely not.

Mr. Rangaswami Iyengar.—When did this intimation from the Burma Government come to you ?

Mr. Sams.—I cannot say. It was received after the budget had been prepared.

214. *Mr. Joshi.*—Is there no automatic method by which the Finance Department can find out this double budgetting ?

Mr. Sams.—In this case the mistake was purely due to the novelty of the system.

Mr. Badenoch.—I do not think very much blame could be put on budgetting officers. The whole idea of charging certain portions of expenditure to renewals and replacements which previously had been charged to Revenue quite upset the calculations of the budgetting officers. I do not think they can be blamed because the rules were issued when the budget was being presented.

Page 93.

215. *Sir F. Gauntlett.*—What I say is that no grant can ever be formally reduced by surrender.

Page 96.

216. *Chairman.*—The Auditor General has a comment here. It is the general question of over-estimating.

Mr. Sams.—Excluding stores suspense and the supplementary grant of 11,26,000 the percentage for 1925-26 was 46.8 ; and for 1926-27 excluding stores suspense it was only 12, which shows that we have made an improvement.

Chairman.—Next year's account will show an improvement ?

Mr. Sams.—Yes.

Page 101.

217. *Mr. Joshi.*—The Accountant General is very glad that a larger proportion of stores was purchased in India. I should like to know whether the remaining quantity of stores (for 9 lakhs) could not be either purchased or manufactured here. Is the department making any effort in that direction ?

Mr. Sams.—We get everything we can in India. One great advantage of that is that we have not got to keep such large stocks as we used to keep previously. We are now getting in India insulators, copper wire, battery jars, mild steel sheets and pig iron. Until quite lately, we used to get most of these from England, because then there was no wire manufactured in India at all.

Mr. Joshi.—As regards the other stores, can you not attempt to manufacture them here ?

Mr. Sams.—We try to get as much as possible here. We make a lot of our own instruments in the workshops at Alipore such as all kinds of telephone receivers and a good deal of the telephone sets.

Page 105.

218. *Sir F. Gauntlett.*—The point of my comment is that there are classes of expenditure which if they were incurred in the Indian Telegraph Department could be regarded as Capital outlay and not charged to Revenue, while in the Indo-European Telegraph Department it is capital outlay charged to Revenue.

Mr. Ryan.—I am afraid that is really a question that the Finance Department will have to answer. It is a fact that there is that difference of practice but it is really more a matter of general finance.

Chairman.—It is simply a continuance of old practice.

219. *Mr. Rangaswami Iyengar.*—The accounts of the Indo-European Telegraph Department do not come into commercialisation ?

Chairman.—They are separately commercialised. It does not affect the profit and loss account of the Posts and Telegraphs Department at all. The Indo-European Telegraph system of course has a method of accounts of its own. It is generally undesirable to disturb it.

Paragraph 69.

220. *Chairman.*—The loss is due to the charging of interest on the Capital.

Sir F. Gauntlett.—There is also a comment which shows that abnormal transactions during the year prejudicially affected.....

221. *Syyid Murtuza Sahib Bahadur.*—Has settlement been brought about between the Persian Government and this Government regarding the clearing of arrears amounting to Rs. 1,87,000.

Mr. Badenoch.—I do not know that they have been settled. We held back this rental in order to pay ourselves the capital outlay that we undertook on behalf of Persia. It is rather a screw to enforce settlement.

Sir F. Gauntlett.—It was taken out of Revenue into deposit so as to be available when the demand is to be settled.

Chairman.—The answer is that no settlement has been arrived at.

Page 109.

221. *Mr. Joshi.*—The office has got a Director in Chief in London ?

Mr. Sams.—Yes.

Mr. Joshi.—Is there any reason why it should be in London ?

Mr. Sams.—That is a question that has been freely discussed and it is being examined now in the Department of Industries and Labour whether it is possible to devise a system for having the control in India. There is a great deal of difficulty involved, it is a complicated business. But the question is at present being gone into.

222. *Chairman.*—Any comments on paragraph 75. The Committee will presumably have to recommend to the Assembly the excess grant voted. So we must look into it.

Mr. Badenoch.—The supplementary grant was under-estimated and the reason is given in the second sub-paragraph on page 114.

Sir Frederic Gauntlett.—It is really due to the introduction of the new system which has been enforced during the year.

Chairman.—The Committee will, I think, follow it. It is a big adjustment and does not involve any question of principle.

Mr. Badenoch.—It is due partly to the fact that they could not work up to the stores programme.

223. *Chairman.*—Has any member got any questions to put on Appendix I ?

Mr. Joshi.—With regard to the disposal of Profit or Loss on page 149 of the report, my difficulty is that the incentive offered there is not quite a strong one for economy. I would therefore like to ask the department whether they have got any other incentive for economy while they are making profits year after year. I know they are working to improve the lot of the employees and that is one strong incentive. Besides this, is there any strong incentive for the department to make economies and keep their organisation quite efficient and economical such as the extension of postal facilities or reduction of rates ?

Mr. Sams.—We have not got the incentive to economy that a commercial firm has of paying dividends ; but I think we are more or less conscientious officers. We try as far as we can to make the money go as far as it will in order to give as many facilities as we can with the money at our disposal and to keep down the expenditure. We have the Financial Adviser on the one hand looking after us, the Accountant General on the other and we have you gentlemen here before whom we have to appear and answer to your criticisms on our unnecessary or extravagant expenditure.

Mr. Joshi.—I do not deny that the officers are not conscientious but it is human nature that when the money is available, you spend it a little more freely.

Chairman.—How does it differ from any other department ?

Mr. Cocke.—The alternative is to hand it over to a Limited Company.

Mr. Joshi.—I do not wish that it should be done but at the same time some facilities in the way of low rates or extending the facilities far and wide should be afforded.

Mr. Sams.—Our estimate of profit at present is only 8 lakhs and you cannot do much with it. For instance, we cannot undertake the whole-sale reduction of rates. What we are doing at present is to extend postal and telegraph facilities.

Mr. Rangaswami Iyengar.—I do not think any public department can be properly concerned to have an incentive to economy.

Chairman.—It has got a whip to economy in the Finance Department.

APPENDIX II.

224. *Mr. Joshi.*—With regard to paragraph 4 (2), the disciplinary action appears to be inadequate.

Mr. Sams.—I must admit that technically the Divisional Engineer was responsible for the irregularities but at the same time he is also responsible for his engineering duties. In this particular case this officer was actually holding charge of two divisions at the time.

Mr. Badenoch.—The defalcation briefly was that a clerk in the office of the Divisional Engineer, Rawalpindi, misappropriated the receipts on account of telephone rents and telephone trunk call fees. He gave proper

receipts to the parties and in some cases the Divisional Engineer himself signed the receipts, but the receipts were not taken to the cash account. The reason why the disciplinary action was insufficient is that you enforce on the officer responsible the responsibility for the accuracy of his cash book and also for bringing to account money which he has duly acknowledged. In several cases where the Divisional Engineer had actually signed the receipts there was no credit at all in the cash book.

Mr. Sams.—The action taken was that the Director General expressed his displeasure.

225. *Mr. Rangaswami Iyengar.*—Don't you think it is a case for the recovery of the amount ?

Mr. Sams.—The Divisional Engineer had an accountant and it was the duty of the accountant to see that the thing was going right. The Divisional Engineer is in charge of two divisions and the whole of his time is taken up by his engineering work.

Sir Frederic Gauntlett.—I may point out that the accountant is not responsible for cash.

Mr. Cocke.—Is it usual for officers of this type to check their books with the receipts they sign ?

Mr. Badenoch.—If they do not, we pull them up.

Mr. Cocke.—In a commercial firm the accounts are left to internal check.

Mr. Rangaswami Iyengar.—The question is not so much of punishment: is he not liable for the money ?

Mr. Sams.—The Director General held that he was not liable for the money: he thought that the accountant should have seen to it. It was the duty of the accountant to check the cash book.

Mr. Badenoch.—The accountant is responsible for the accounts: the Divisional Engineer is responsible for the cash.

Mr. Rangaswami Iyengar.—Is it the case that the Engineer himself is in charge of cash ?

Mr. Badenoch.—Divisional Engineers are always in charge of it.

Sir Frederic Gauntlett.—The accountant cannot be accountable for cash and if there is that general impression that ought to be removed.

Mr. Badenoch.—I admit that the system of making the Divisional Engineer responsible for all receipts was wrong. It did impose heavy financial responsibility on him and the work had outgrown the capacity of the Divisional Engineer to supervise.

Chairman.—The point is that a duty was imposed upon him which it was physically impossible for him to carry out completely.

Mr. Badenoch.—I do not admit that that absolves him of the responsibility of seeing that the money that he receives is brought into the cash book.

Chairman.—Mr. Sams has admitted that the responsibility was there and he has censured the officer for what he has done. The question is whether the censure is enough or whether something more ought to have been done. I think it is important that we should in some way draw the attention to the unacceptability of the argument that the accountant was

in any way responsible. That point has also been recognised by Mr. Sams. I am personally inclined to think that a mere censure was not an insufficient punishment, if we can clearly realise the position that the accountant was not responsible for the cash.

Mr. Sams.—I think the Engineer might have relied on the accountant to see that the accounts were properly maintained.

Sir Frederic Gauntlett.—I can only say that the accountant cannot possibly see whether the receipts have passed into the cash book or not. If the money does not go into the cash book, the accountant does not know whether the money has come in. It is a fundamental misconception of the position of the accountant.

Chairman.—We will draw attention to this matter in our report.

The Committee then adjourned till 11 A.M. on Monday, the 8th August 1927.

Evidence taken at the 4th meeting of the Public Accounts Committee held on Monday, the 8th August 1927, at 11 a.m.

PRESENT :

- | | | |
|--|---|---------------------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman.</i> | } | <i>Members.</i> |
| (2) Mr. H. G. Cocke. | | |
| (3) Maulvi Abdul Matin Chaudhury. | | |
| (4) Mr. B. Das. | | |
| (5) Mr. A. Rangaswami Iyengar. | | |
| (6) Maulvi Sayid Murtuza Sahib Bahadur. | | |
| (7) Mr. N. M. Joshi. | | |
| (8) Mr. G. Sarvotham Rao. | | |
| (9) Mr. K. C. Neogy. | | |
| (10) Sir Frederic Gauntlett, Auditor General. | } | <i>Were also present.</i> |
| (11) Mr. G. Kaula, Accountant General, Central Revenues. | | |
| (12) Mr. C. W. C. Carson, Controller of Civil Accounts. | | |
| (13) Mr. T. K. Rajagopalan, Officer on Special Duty. | | |
| (14) Mr. D. C. Campbell, Director of Commercial Audit. | | |

A. H. Lloyd, Member, Central Board of Revenue, *Witness.*

226. *Chairman.*—Before we come to the Audit and Appropriation accounts there are one or two points for the Central Board of Revenue arising out of the Finance Department Resolution. Paragraph 14 of the Finance Department Resolution relates to the question of framing a new set of rules for giving adequate but carefully defined powers to the officer who is in charge of a major work in a remote part. That of course is a general question to some extent. It also has particular reference to the Northern India Salt Department. The Committee decided, I think, that we should ask the Central Board of Revenue whether they had any views to express on that point.

Mr. Lloyd.—We have considered carefully this recommendation with reference to the working of the Northern India Salt Department and to our experience since that Department came within our control. We are satisfied with the ordinary rules and we have decided that we do not want to ask for any special rules which would relax the ordinary rules on the ground that Khewra and Sambhar or any other place is remote. We think just as strict control should be kept over capital works in such cases as over any other capital works. The ordinary rules are primarily those in the Civil Account Code and secondly the Public Works Code. On a few points the Public Works Code has needed modification to make it

applicable to our condition, and those modifications have within the course of last year been discussed and settled in consultation with the Audit Officer. I would with your permission suggest that the Audit Officer who is present should indicate the points in regard to which slight modifications in the Public Works Code have been considered necessary.

Mr. Mukherjee.—As regards the Salt Department there are two kinds of expenditure—manufacturing charges and capital construction works. As regards the first the ordinary rules of the Civil Accounts Code have been found suitable and they have been applied all along and no practical difficulty has been experienced so far. As regards capital construction works, there was a certain amount of misunderstanding in the past, and it was not quite certain whether the Public Works rules were accepted by the Department. Last year the question was discussed with the Central Board of Revenue and it accepted the general rules of the Public Works Department as governing the expenditure on construction works in the Department. The modification which has been referred to is practically very small—in fact, there is hardly any modification at all, except that certain difficulties were experienced owing to the fact that the general manager of the salt sources had not any power for giving sanction to original works. We have since delegated certain powers of sanction and with that delegation the position seems, to me at least, to be quite all right.

227. *Chairman.*—We shall be coming to the specific cases later on. As regards the general question, are there any questions ?

Mr. Rangaswami Iyengar.—You said that both the Civil Account Code and the Public Works Account Code will be quite sufficient. What I want to know is whether in regard to these works it is possible to prepare an account of what may be called profit and loss. I find that the Central Board of Revenue and the audit people have both referred to the fact that there may be schemes which have not paid a proper return or have resulted in loss. Do you think the Civil Account Code will permit a statement to be prepared to show profit and loss ?

Sir F. Gauntlett.—Whenever a Department is put on a commercial basis the actual audit work is ordinarily split up between two authorities. Mr. Mukherjee, under Mr. Kaula's guidance, is responsible for what I may call all the non-commercial accounts. The commercial accounts are directly under the control of Mr. Campbell who is here present. He is responsible for all the check on the commercial accounts which flow from the ordinary accounts.

228. *Mr. Rangaswami Iyengar.*—What I want to know is : Is the Civil Account Code quite sufficient for the officers to get on with in dealing with the business that has got to be done ?

Sir F. Gauntlett.—No, and that is why Mr. Campbell checks the work. That is why Mr. Campbell, through his officers, has spent many months in installing a system of commercial account and in training an accountant to keep those accounts. If you wish to know any more details, Mr. Campbell will give them to you. The trained accountants work directly with Mr. Fergusson's office at Delhi.

Mr. Rangaswami Iyengar.—What I want to know really is whether the Civil Account Code as such could be applied to commercial accounts, is that the Code which covers commercial accounts ?

Sir F. Gauntlett.—No and that is why Mr. Campbell is here so as to supplement the rules which are laid down in the ordinary Account Code. Perhaps I might explain how the work is actually conducted. There is a considerable amount of expenditure which is incurred in these Departments. That expenditure is accounted for and is audited according to the rules in the ordinary code. For all that branch of work, Mr. Mukherjee under Mr. Kaula is directly responsible ; but when it comes to bringing to light the actual commercial results, that is done by accountants trained under Mr. Campbell.

Chairman.—For purposes of expenditure control, the Civil Account Code works, but you have to supplement that by this commercial audit for the purpose of bringing out profit and loss ?

Sir F. Gauntlett.—Yes.

229. *Mr. Neogy.*—May I know if two sets of accounts are kept side by side simultaneously ?

Sir F. Gauntlett.—Mr. Kaula through Mr. Mukherjee maintains the actual accounts of the expenditure and the receipts. In addition to that there are accounts maintained by Mr. Fergusson as the Commissioner in charge of all the operations, which bring out the commercial results, and those commercial accounts are audited by Mr. Campbell. They were initiated and installed under Mr. Campbell's control and now they are audited by him. We do not have two separate sets of accounts actually in the audit and accounts offices. We have the ordinary Government account and in addition to that the head of the Department maintains a set of commercial accounts which are audited by Mr. Campbell.

230. *Mr. Rangaswami Iyengar.*—I am not able to get the hang of it yet. From the point of view of civil expenditure the Civil Account Code prescribes the powers of officers, but what I want to know is this : There are certain items of expenditure which is quite competent to the officer to incur under the Civil Account Code ; but if it is a commercial proposition he ought not to incur that expenditure if it is shown that the expenditure will result in loss. Therefore is there any check on that, and how do you find that out ?

Sir F. Gauntlett.—Any restriction on expenditure will be imposed by Mr. Lloyd as the head of the Central Board of Revenue.

Mr. Lloyd.—The ordinary powers under which we control the Budget and the grant of sanctions and of re-appropriations are enough to meet Mr. Rangaswami Iyengar's point.

Chairman.—Your point is that this kind of expenditure which Mr. Rangaswami Iyengar has in mind would be sanctioned or refused by the Central Board of Revenue with reference to the state of the commercial account, with reference to whether from a commercial point of view it is likely to be profitable or otherwise.

Mr. Lloyd.—I can safely say that that would be the attitude of the Central Board of Revenue.

231. *Mr. Rangaswami Iyengar.*—Therefore so far as the commercial aspect is concerned the man on the spot will have no discretion but to go to the Central Board of Revenue. For instance, he has got to buy some stores at a certain price or he may have to employ certain labour at a certain wage. Supposing he finds that the wages are too high and it

would not pay to employ that labour—if that is to say, from the commercial point of view it would be a bad proposition, it would be perfectly legitimate for him, from the Civil Account point of view, to incur the expenditure ? What happens in such cases.

Mr. Lloyd.—I see Mr. Iyengar's difficulty but such cases have not arisen in my experience.

Sir F. Gauntlett.—There are two aspects of the case. The Civil Account Code does not deal with sanctions, so that passes me out of the matter and Mr. Lloyd has to answer the point raised. I think Mr. Lloyd's answer is that he would always, when he is asked to sanction a thing, see whether it is going to pay.

232. *Mr. Rangaswami Iyengar.*—Therefore I put it whether in all cases where the commercial value of a proposition is involved the Central Board of Revenue examine it and sanction it.

Mr. Lloyd.—I do not think I can undertake to say that the Central Board of Revenue will examine every petty details of expenditure.

Chairman.—It goes a stage further back. In that stage it is the clear duty of the Commissioner to consider the question of commercial results and if it is a big expenditure he has to go up for sanction.

Mr. Lloyd.—Of course in regard to small amounts, which are within the power of the officer on the spot, it is not necessary for the Central Board to control that ; they have no commercial importance. But in the case of large expenditure, the Central Board of Revenue would certainly examine it very closely.

233. *Mr. Rangaswami Iyengar.*—Therefore I take it that so far as the officer's powers are concerned, they do not go to the extent of enabling him to incur expenditure which will have commercial results.

Mr. Lloyd.—I think all expenditure have commercial results.

Chairman.—He has no discretion for undertaking large expenditure where it is a question of policy but only comparatively small expenditure for continuing works which are already authorised, or for carrying on the ordinary manufacturing operations ?

Mr. Lloyd.—That is the case, Sir. We keep our eye on the ordinary manufacturing operations. If I might illustrate, during the current year the outturn of salt at the Sambhar Lake has been so great that we have not very much left, I think there is nothing left, in the budget at Sambhar for manufacture. We have therefore asked the Commissioner, if possible, to postpone the beginning of operations until after the beginning of the next financial year. At the same time the mere accident of the rainfall or climatic conditions may compel the Commissioner to start work before the end of March 1928 and we cannot prevent his doing that if he is compelled to ; but we do interfere to this extent that we say unless he is compelled he must not do it.

234. *Mr. Rangaswami Iyengar.*—I agree ; I see the difficulty. You have laid down the proposition that the Civil Account Code is quite sufficient and Sir Frederic has said that so far as the actual expenditure is concerned, Mr. Mukherjee audits the expenditure but after the expenditure is incurred our friend Mr. Campbell refashions the account on a

commercial basis and reports from time to time exactly what is the commercial value of these operations. What I want to know is whether no restriction is imposed on the discretion of the officer, whether you are not on the watch always to see that he does not step beyond a certain limit. It is out of that that all these difficulties have arisen.

Sir F. Gauntlett.—Would not the answer be to give Mr. Iyengar a copy of the powers delegated to the officer concerned? I think he will see that the result is almost negligible.

Mr. Lloyd.—I think that is a fair statement of the position.

Chairman.—Mr. Iyengar said the trouble has arisen because of the absence of this sort of check. We have got to separate the present condition from the past. The past position was admittedly that there was no commercial account at all until quite recently and the whole question of control has since been overhauled.

235. *Mr. Rangaswami Iyengar.*—Is the officer on the spot from time to time supplied with the results of the commercial audit. Is the commercial audit going on concurrently with the operations and is he able to know exactly what is the commercial value of the expenditure he is incurring?

Mr. Campbell.—It is only an annual audit.

236. *Mr. Rangaswami Iyengar.*—And therefore till the end of the year he will not know whether the expenditure he is incurring is profitable or not?

Mr. Campbell.—We collect the statements of the local audit officers, the staff of Mr. Mukherjee, and also the statements from the Salt Division, and draw up proper commercial accounts.

Sir F. Gauntlett.—I think it should also be stated that any attempt to show commercial results during the course of the year means such an elaborate system that the Finance Department would certainly not pay the money needed for the extra staff.

237. *Mr. Joshi.*—I want to ask whether the powers delegated to officers at Sambhar Khewra are delegated under all circumstances or only for cases of emergency?

Mr. Lloyd.—The powers to which Mr. Mukherjee referred are delegated in all circumstances.

Mr. Mukherjee.—The limit is only Rs. 500.

238. *Mr. Joshi.*—May I ask one more question? You are talking of commercial accounts of this Department. Is there much competition in salt produced at Sambhar and Khewra with salt produced elsewhere?

Mr. Lloyd.—Practically speaking, the answer to that is that there is little competition except in one or two markets which are equally accessible from other sources. Of course the governing condition which plays very vitally upon salt is comparison with the initial cost. It therefore limits to very small zones the areas in which it is possible for Northern India salt to compete with salt from Bombay on the one hand or imported salt on the other.

239. *Mr. Joshi.*—It really means that in fixing the price of salt you have to see that the cost of production is met?

Mr. Lloyd.—That is all we aim at doing.

240. *Mr. Cocks.*—May I ask why it is, if Mr. Mukherjee is not really responsible for the commercial accounts and Mr. Campbell is, that Mr. Mukherjee's signature appears over them and Mr. Campbell's does not? And may I also suggest that it would help very considerably this Committee if we knew a little more what this commercial audit consists of? From Mr. Campbell's remarks it would seem to be a question of putting together figures and nothing else. For instance, the question of stock at the end of the year, if that were reported on in these commercial accounts, it would be of the greatest assistance.

Mr. Campbell.—The report is submitted annually. It is quite a lengthy report drawing attention to such matters as accumulation of stocks, but from the commercial audit point of view we cannot be responsible for the actual stocks. We accept the certificates of stock-taking from the Divisional Officers.

241. *Mr. Cocks.*—As regards vouching for expenditure and so on, that is all done by the other Departments?

Mr. Lloyd.—Yes.

242. *Mr. Neogy.*—It would appear that the Director of Commercial Accounts is a compiler of accounts and that the business conscience is really supplied by Mr. Mukherjee's staff. The report of the Director of Commercial Audit enables the Central Board of Revenue only to exercise a sort of post-mortem control and the real day to day control can only be exercised on the report which Mr. Mukherjee's men submit.

Mr. Campbell.—That is exactly the position.

Sir F. Gauntlett.—Except to this extent, Sir, that I think that the Committee is showing an indication to assume that the only control exercised is audit control.

Chairman.—That was the very point I was going to make. I think Mr. Neogy said that Mr. Mukherjee's men supply the business conscience. I hope they do not supply the conscience, but they possibly jog the business conscience of the business manager—that would be a little bit more correct; but of course the business responsibility is with the manager and not with the auditor.

243. *Mr. Neogy.*—And the Board of Revenue is in the position of a Board of Directors to review the Department from the commercial point of view?

Mr. Lloyd.—Yes.

244. *Mr. B. Das.*—From last year's report it appears there was no commercial account existing in the Salt Department and the report says the Central Board of Revenue intend to take steps to commercialise accounts; and from the Accountant General's report this year I find that even now proper commercialising has not taken place.

Chairman.—When was the commercial account introduced?

Mr. Campbell.—The 1st of April 1924.

Chairman.—These troubles about Sambhar refer to a date previous to that.

Mr. Das.—May I ask Mr. Lloyd whether the commercialising of accounts is complete by this time ?

Mr. Lloyd.—I think it is entirely complete

Sir F. Gauntlett.—You would agree with the suggestion that the commercialisation is now complete, Mr. Campbell ?

Mr. Campbell.—Yes, Sir, it is now complete. The books are still in arrears of course but the system is complete.

The next question taken up was the question of the audit of income-tax and other receipts under the control of the Central Board of Revenue.

245. *Mr. Lloyd* (in answer to Chairman).—The subject is one which has been discussed amongst many others by a special staff kindly placed at the disposal of the Finance Department by the Auditor General whose report was placed in our hands on Saturday afternoon last and it would be very undesirable for me to attempt at this very short notice to express any final opinion on that.

246. *Mr. Rangaswami Iyengar.*—Shall we take it that the matter will be put before us when you have dealt with it ?

Mr. Lloyd.—It will be put before the Government of India.

Chairman.—This Committee might usefully ask for a report next year. I doubt whether we can have it out this year under these circumstances.

247. *Mr. Rangaswami Iyengar.*—I do not want to hustle the Government in this matter at all but I do think it is necessary for us to state in our report that we consider this question important.

248. *Mr. Lloyd.*—As regards check of customs receipts it is very closely connected with Mr. Rajagopalan's enquiry. After discussion with the Auditor General we put forward the outlines of a system for improving the check on the work of appraisers before the collectors of customs, and called for their proposals. Their proposals naturally took some time to compile and have required a considerable amount of detailed examination. We are still at the stage of not having reached the point when we can put the proposals before the Government of India ; but so far as my office is concerned the work is finished.

249. *Chairman.*—In the meanwhile has there been an improvement in the check ?

Mr. Lloyd.—In the meanwhile we have been carrying on as before, because no improvement is possible on the lines indicated without incurring considerable expenditure for which we have to make out a very good case. Apart from that, the subject has also been dealt with at considerable length in this report which we have just received from the special staff and we shall now require to co-ordinate the views from the executive side and from the special staff and make our final proposals to the Government of India.

Chairman.—We shall have to leave this over for the present too. We turn now to the Audit and Appropriation Report, page 25, Customs, paragraph 29. I don't know if the Committee want to take the general observations first of the report and then come back.

Mr. Cocke.—If we take the report it will cover many of the general observations.

250. *Chairman.*—Yes, perhaps that is best. It is page 98 of the Audit and Appropriation Report. What is the chief explanation of the saving of 3 lakhs on the voted expenditure ?

Mr. Lloyd.—Do you mean on pay of establishments ?

Chairman.—I mean the grant as a whole ; on page 101 there is a saving of 3 lakhs.

Mr. Lloyd.—It will be seen from page 98 that there was a saving of 3 lakhs on the pay of establishment. That is the old trouble which we had in the previous year and which we are attempting to meet by careful measures when the budget is prepared to make all due allowance for the savings resulting from various causes which always do occur.

Chairman.—Then I think perhaps we had best take it by going through it sub-head by sub-head.

Page 98 of the Report.

251. *Mr. Cocke.*—Regarding this question of additional appraisers, which you said is likely to be held up for two or three years, is it possible for you to do something pending these final decisions to get some more check, seeing you have such a large amount available under pay of establishments ?

Mr. Lloyd.—I for one am not satisfied that we have a case for incurring expenditure without having obtained the approval of the Standing Finance Committee and having the funds voted. As regards the saving under A.-2 we hope to eliminate it with more careful budgeting.

252. *Mr. Cocke.*—Would it have been within your powers to have done something in the direction I indicate ?

Mr. Lloyd.—I think it would have been within the powers of the Government of India, but I do not think the Government of India would have been willing to do it.

Chairman.—That would presumably depend on the sort of case you put up for them : could you have put up a proposal for a temporary establishment for the purpose of additional check, which would in your opinion have been of value ?

Mr. Lloyd.—In my opinion it is no use touching this thing unless we organise the Appraising Department in the manner we have in contemplation and I do not think it is possible to do that unless it can be done with a certain amount of permanency.

253. *Sir F. Gauntlett.*—Can you at a moment's notice get temporary staff for check ?

Mr. Lloyd.—We could not.

245. *Mr. Rangaswami Iyengar.*—I find that all these savings are due to the fact that you have been able to employ cheaper men—does it not show that you have been over-budgeting your estimates all along and what steps have you taken to bring it more under control ?

Mr. Lloyd.—It does show that till last year,—and I think this is common to most departments—there has been a tendency to frame estimates upon the actual personnel without making allowance for the sort of savings which inevitably occur in every department every year. It is only possible by guess work to cut down these estimates so as to produce a figure which will approximate to the actual final expenditure, and that sort of guess work we are doing for the last two or three years. We are putting down more lump cuts ; this budget was drafted in October 1924, and you will find that we have made very much larger lump cuts in the budget we prepared last year.

255. *Mr. Neogy.*—With reference to the observation that Mr. Lloyd made just now that more guess work is needed to keep down the expenditure, is it really so much of guess work ? I find vacancies are caused by transfers, promotions and retirements. So far as transfers are concerned one cannot be quite certain ; but as regards promotions and retirements, is it merely guess work ? Cannot the department with some amount of accuracy foresee the number of vacancies likely to be caused by promotions and retirements in the cadres ?

Mr. Lloyd.—We can foresee the operation of the age limit under the Civil Service Regulations or the Fundamental Rules but we cannot foresee the operations of providence or the number of casualties.

Chairman.—We discussed this a good deal on Friday and Saturday and I think we then came to the conclusion that there was a great deal more to be done in the way of finding what is the average expenditure as against the sanctioned staff year after year and basing what Mr. Lloyd has called guess work on some estimates based on the law of averages. I think Mr. Lloyd's guess work is rather an understatement.

256. *Mr. Neogy.*—I hope it does not connote a distrust of the Assembly.

Mr. Lloyd.—I think the Central Board of Revenue can boast that it has a clean record in that respect. We have not taken advantage of savings to introduce new expenditure.

Explanation A-3 (page 98).

257. *Sir F. Gauntlett.*—There is one general point that arises on A.-3. I have in paragraph 50 of my comment named about 20 cases—in which the provision for expenditure has been made under other heads. It is a general comment which simply has to be borne in mind in framing budgets, that the entry in the budget ought to be under the same head in which the expenditure will eventually be recorded.

Mr. Rajagopalan.—May I explain as regards A.-3 and A.-11 ? In the course of the year the original budget provision was split up into two, but the orders did not specify exactly the primary units for the purpose of according sanction to re-appropriation, with the result that the authorities thought that no re-appropriation was necessary. That has been set at rest from 1926-27.

Sir F. Gauntlett.—I only mention it at this stage generally because the same thing occurs in about a dozen places.

258. *Mr. Joshi.*—May I ask, as regards A.-3, whether there are no receipts for over-time and holiday allowances ?

Mr. Lloyd.—Yes, there are receipts. This is a gross figure—not the net figure.

Mr. Joshi.—Can you give me an idea of what you received ?

Mr. Lloyd.—We received slightly more than the amount we disbursed. There is a small excess on the receipt side because some of the fees which we charge are for services rendered by officers in their working hours and therefore Government is entitled to that money.

Sir F. Gauntlett.—You will remember that this question of gross and net grants has been under discussion for the last three or four years ; the same problem occurs throughout and as I said on Friday or Saturday, we propose to introduce the final rules from 1st April 1928. Till then this question may arise and it is quite impossible to lay down an arbitrary rule in the matter.

259. *Mr. Kaula.*—If the Committee desire, the corresponding receipts could be shown in the appropriation reports in the foot-notes.

Chairman.—I think it would be useful.

260. *Mr. Joshi.*—In A.-9 I would like to ask whether this expenditure on the electric tabulating and sorting machine could not have been postponed ?

Mr. Lloyd.—If we had postponed that we should also have postponed a considerable saving in establishment because the adoption of this machine has enabled us to reduce the clerical staff ; and of course we had the sanction of the Standing Finance Committee for incurring this expenditure.

Chairman.—The answer is that it was not economical to postpone it and the Standing Finance Committee was consulted and agreed to it.

261. *Sir F. Gauntlett.*—Mr. Kaula, may we take it throughout these notes that if you do not mention the fact, all excesses are covered ?

Mr. Kaula.—Yes.

Sir F. Gauntlett.—If they are not covered, we comment on the fact ; if they are, we do not. The question whether it is a new service is a point of general importance.

262. *Mr. Joshi.*—If you spend Rs. 50,000 upon a new machine and if you have not been using it, is it not a new service ?

Chairman.—Is this its first introduction in Customs ?

Mr. Lloyd.—Yes.

Sir F. Gauntlett.—There is this to be said about it—the machine merely takes the place of the clerks already there.

Mr. Joshi.—My main point is that this is a service for which you could have waited till the budget.

Chairman.—The Standing Finance Committee were satisfied that there were sufficient reasons for not doing so ; I think that is a sufficient answer.

Mr. Lloyd.—And may I add, Sir, that the Standing Finance Committee are always very careful to question the propriety of any expenditure during the year ?

Chairman.—I think there is no question that the Government of India have under their powers authority to effect this re-appropriation under

the convention with the sanction of the Standing Finance Committee—which is a convenient form of combining a certain amount of Assembly responsibility with the Government's powers.

Explanation A.-11 (page 99).

263. *Mr. Neogy.*—So far as the charges aggregating Rs. 50,000 in Bengal are concerned, the foot-note says there was no formal re-appropriation ?

Mr. Lloyd.—The omission to obtain formal re-appropriation in respect of this sum was due to the confusion of which Mr. Rajagopalan has just spoken, between the head A.-3 and the head A.-11, which previously had not been separated. The amount had been provided under A.-3 ; there was simply a failure to transfer it to A.-11.

264. *Mr. Joshi.*—I see here some institutions which cannot have any connection with the department at all : for instance the Maternity Welfare Centre at Keamari : I do not think any children of the employees take advantage of it ?

Mr. Lloyd.—Undoubtedly they do. That is why they get a grant-in-aid. There is a sort of little colony at Keamari of customs men.

265. *Mr. Joshi.*—I am quite sure the District Charitable Society, Bengal, does not have anything to do with the department—it is meant for vagabonds and people like that.

Mr. Lloyd.—I am entirely of that opinion ; but we used to give more in the past and the Central Board of Revenue told the Charitable Society that we were going to discontinue this contribution altogether. The Society said all their plans were very badly dislocated by this information and they asked us to give them a little ; we cut down the contribution very largely and this year we gave them nothing.

266. *Mr. Neogy.*—What about (g) ?

Mr. Lloyd.—That, I think, is the sort of fund which Mr. Joshi considers we should support.

Mr. Neogy.—Is there no corresponding fund in the other provinces ?

Mr. Lloyd.—The figures in item 11 are incomplete because we have not got the Burma figures here. The penalties and fines from which this expenditure is met in the Bombay Presidency were credited to Government and in Madras there were no such fees ; I think to a great extent that explains the apparently greater generosity to Calcutta. But you will see under Bombay one of the items is Charitable Institutions, and speaking from memory, that includes a contribution to a service fund of a somewhat similar nature. Naturally the funds in the different presidencies cannot be of the same nature—they must vary slightly. Under (d) you will find Customs Benefit Fund which is of a somewhat similar nature. I do not think we can impose cast-iron regulations all over India to say how exactly the money contributed by Government is to be best used for the benefit of officers in each port.

267. *Mr. Neogy.*—How is the amount under (h) arrived at ?

Mr. Lloyd.—This is a small payment that we make to the Charitable Dispensary at Chittagong.

Mr. Rangaswami Iyengar.—It is stated “ Provision for the above charges, excepting Rs. 3,000 in Madras, existed under sub-head A.-3.” I want to know whether these items were specifically mentioned in the budget estimates and whether they are merely re-appropriations of certain amounts that had been sanctioned for expenditure in the year ?

Mr. Lloyd.—In 1925-26 I think there was a foot-note but I do not think it showed the charitable institutions and funds in detail.

Chairman.—That will be excessive information in the estimates.

Mr. Rangaswami Iyengar.—I am not merely asking for the information : has it been shown in the estimates that there have been grants-in-aid to the extent of Rs. 78,000 under head A.-3 ?

Mr. Lloyd.—It has certainly been shown during the last two or three years.

Chairman.—I may add that in the Demand for Grant for the current year this sub-head A.-11 is shown separately under each province, so that we are now giving very full information in the budget.

268. *Mr. Rangaswami Iyengar.*—Would it not be better to show, in regard to expenditure of this kind, that the money really comes out of a fund which does not represent the taxpayer's money at all, and that it comes out of penalties, etc. ? Would it not be better to maintain a separate *pro forma* account ?

Mr. Lloyd.—I think that is really a corollary to what Mr. Kaula just undertook.

Chairman.—As the money comes into the hands of the Government the authority of the Assembly is required for spending it ; so it has to appear on one side as receipts and on the other as expenditure.

Sir F. Gauntlett.—I think another answer is that for many years this money was collected and spent without proper check and it led to many irregularities and so it had to come back to Government.

269. *Maulvi Abdul Matin Chaudhury.*—May I know if there is any institution for the benefit of Indians included in item (e) ?

Mr. Lloyd.—Yes ; the Seamen's Welfare Committee does not confine its attention to non-Indian seamen alone. I think I am correct in saying that some of the institutions work for Indian seamen ; but this committee is in the hands of the Marine Department of the Bengal Government and we have divested ourselves of a close interest in the details of the administration.

Maulvi Abdul Matin Chaudhury.—Can you name any institution which works for Indian seamen ?

Mr. Lloyd.—I cannot because as I said just now we have divested ourselves of close interest in the matter and left it to the Bengal Government.

Chairman.—I think the answer is in the affirmative. I had something to do with these funds.

Explanation B. (page 100).

270. *Chairman.*—That was a refund, was it not ?

Mr. Lloyd.—It is not technically a refund because it was not so much money that we recovered from them as money which we ought to have allowed them to recover.

271. *Mr. B. Das* referred to "C. Land Customs Charges" and said he had seen something in the papers recently about land frontiers and ports in Indian States. The Chairman explained the situation.

272. *Chairman*.—We will now come back to page 25, paragraph 29. Have you anything to say, Mr. Lloyd, about the general question ?

Mr. Lloyd.—Generally speaking, we entirely agree with the Accountant General, Central Revenues, that the Sea Customs Act requires amendment, and the fact that it has not been amended for nearly 50 years has made the examination of the requirements a very difficult and complicated matter. We have, however, at last got all our proposals into shape, and the present position is that an amending Bill is being drafted.

Mr. Cocks.—When is it likely to be ready ?

Mr. Lloyd.—It all depends upon the programme of the Legislative Department.

Chairman.—I have not thought it worth while to sanction extra staff to expedite this matter. In fact I have refused extra staff to the Legislative Department for the special purpose of expediting the Sea Customs Act on the ground that it matters little whether the Bill is introduced in the September sessions or in January next.

273. *Mr. B. Das*.—May I know if this Act imposes any penalty on a person who diverts sugar that is intended for British India into an Indian State port ?

Mr. Lloyd.—The Act imposes no penalties upon any one for committing what is not an offence. It is not an offence to divert sugar to an Indian State port.

Chairman.—The Act does give power to prohibit transshipment.

274. *Mr. Cocks*.—May I ask if the delay that will ensue by putting off this legislation till January next would mean any loss of revenue to Government during the next six months ?

Mr. Lloyd.—The answer to that question, Sir, is in the negative. I don't think the Government will be losing anything very appreciably. What is primarily wanted is to regularise the existing practice by which we have relaxed the provisions of the Act as it stands in order to make it workable. It would be impossible to enforce rigidly the law as it stands without making it both very difficult and certainly unnecessarily onerous to the tax-payer.

275. *Mr. Joshi*.—May I ask what is the effect of the orders which the Government seem to have issued ? Was it to increase or reduce the revenue ?

Mr. Lloyd.—The effect is neither, Sir. But possibly in some cases it would have been found quite impossible for the merchant to comply strictly with the letter of the law without incurring a liability, and to that extent these conventions and arrangements involved a loss of revenue, but it is a loss which the Government of India are anxious not to recover.

Chairman.—The effect of these orders is to forego certain technical rights of the Government of India to collect revenue, the collection of which will inflict injury on trade.

276. *Mr. Rangaswami Iyengar.*—Do you mean to say that the present amendment of the Sea Customs Act is not going to be any kind of overhauling of the whole scheme ?

Mr. Lloyd.—It is to be an amending Act.

Mr. Rangaswami Iyengar.—Therefore, I take it, that no proposals are under contemplation which involve a revision of the whole Act.

Mr. Lloyd.—We have a few other proposals.

Q.—Have you not considered the general question of revising the Sea Customs Act altogether having regard to the present position of the Customs duties in the Budget ?

Mr. Lloyd.—The Government of India have decided to be content with an amending Act. They have given up the idea of a complete revision at present.

Chairman.—We merely propose to amend the clauses which have proved to be inconvenient.

Mr. Neogy.—Is it not likely to be done in connection with the recommendations of the Taxation Inquiry Committee ?

Mr. Lloyd.—I don't think there is anything in the Taxation Inquiry Committee which has much bearing upon our proposals.

Mr. Joshi.—May I ask if the Government of India have power to issue orders ?

Mr. Lloyd.—That is a weakness which has largely contributed to our anxiety to amend the Act. Our action is not likely to be challenged because a certain amount of equity and good conscience must be imported into the administration of the Act. Moreover, we are always very careful to do nothing which in our view oversteps the provision of the law in our own favour.

Sir F. Gauntlett.—One answer to Mr. Joshi's question is that even though it is admitted that it is only a relaxation in favour of the merchant, I believe there are legislative doubts as to the legality of even such a relaxation.

Mr. Joshi.—It is for the tax-payer to complain about.

Paragraph 30 of the Report.

277. *Mr. Joshi.*—I want to know the explanation of item (ii) in this paragraph.

Mr. Lloyd.—The Collector said that he misinterpreted our instructions although we ourselves thought that they were sufficiently clear. The Accountant General, Central Revenues, thinks those instructions were unambiguous. There is no doubt whatever that he acted in good faith, and we put the whole case before the Standing Finance Committee in order to get retrospective approval, and the Finance Committee gave their approval.

Mr. Joshi.—Were the orders framed in such a way as to be misunderstood by the Collector ? His action might have been deliberate ?

Mr. Lloyd.—His action was not deliberate : he merely misunderstood our orders. We told him that if the orders seemed ambiguous the proper course for him was to refer the matter for further orders. To that extent he went wrong.

Mr. Kaula.—The orders were quite clear. That is the opinion held by the Accountant General, Bombay, too.

Mr. Joshi.—My opinion is that the Collector did set aside the order of the Government feeling that he might not be allowed to do what he did.

278. *Mr. Rangaswami Iyengar.*—May I know if the Collector stated anything as to the necessity of having 6 appraisers in place of 3 ?

Mr. Lloyd.—His proposals were accepted by the Finance Committee.

Chairman.—The Collector probably misinterpreted the rules, in the light of what he had asked for.

279. *Mr. B. Das.*—Do you consider that your present staff of appraisers is sufficiently qualified, and do you get proper men to do the appraising work ?

Mr. Lloyd.—Broadly speaking, the answer is in the affirmative. We don't admit that the staff is overpaid. But since 1923 there have been a few adjustments, but there has been no increase in the level of salaries.

Mr. B. Das.—You think that your present staff is quite capable and of sufficient merit and it is of such status that there will be no recurrence of such mistakes as those which occurred in Calcutta, and that there will be no chances of their being tempted to take bribes ?

Mr. Lloyd.—It is very difficult to say unless you take a service as the one to which I have the honour to belong and it is paid on the same scale as our service is paid, that one can be certainly above temptation.

Mr. Rangaswami Iyengar.—It is a very great compliment to your service.

280. *Mr. B. Das.*—Will it not be possible for you to appoint Assistant Collectors to check Appraiser's work ?

Mr. Lloyd.—That is a point which we are taking into consideration.

Taxes on Income—page 102.

281. *Mr. Rangaswami Iyengar.*—It seems to me that the whole of this budget has been prepared on the basis of the existing staff and no attempt has been made to find out whether it will not be possible to make reductions.

Chairman.—There was a lump sum reduction this year.

Mr. Lloyd.—I am afraid we cannot take credit for that. We find that in two provinces the estimates were framed not upon a consideration of the actual staff employed at the time but on the average cost of establishments as shown by the ordinary methods of calculation, and this was a very young department. Broadly speaking, the average cost was naturally considerably in excess of the cost based upon the actual service of the men, and those same provinces put in the item of savings to balance their mistakes. I think on the whole it will be found that our results in later years will be better.

Sir F. Gauntlett.—I think we might suggest that that method of estimating is quite incorrect.

Mr. Cocke.—I should have thought that in a young growing department the average cost would be less than that.

Mr. Lloyd.—No. Might I explain? If you sanction a post on Rs. 100 to Rs. 500 by annual increments, the average cost is roughly Rs. 350.

Sub-head A-3.

282. *Mr. Neogy.*—I saw a reference to the fact that there was a tendency to undertake less touring on account of the fact that the travelling allowances were not considered sufficiently attractive.

Mr. Lloyd.—I have no reason to believe so. It has not come to my knowledge that any such suggestion has been made in the Income-tax Department.

Mr. Neogy.—Do you think that the efficiency of the department does not suffer on account of less inspection?

Mr. Lloyd.—From the information that we have, that is not our experience.

283. *Mr. Rangaswami Iyengar.*—There is a very appreciable saving under A-5—Contingencies especially in Bombay?

Mr. Lloyd.—There is an explanation for it in the footnote, but it is very difficult to say how much economy could have been anticipated.

Explanation A-6 (2).

284. *Mr. Joshi.*—Could you not foresee it?

Mr. Lloyd.—It is a curious thing that happened. It was not a question of over budgeting. The position is due to the fact that for the first time the Accountant General adjusted the charges for the year 1925-26 in the accounts of the year 1925-26 whereas in previous years he had adjusted the charges in the accounts of the year succeeding that in which the work was done.

Chairman.—Was that position taken after the budget had been prepared?

Mr. Lloyd.—To the best of my ability it was more or less accidental. It was adjusted after the budget had been prepared.

284-A. *Sir F. Gauntlett.*—Are there payments still to be made to Bombay now?

Mr. Lloyd.—Speaking from memory, we have discontinued them.

Chairman.—The fact is that there are now no payments to Bombay under this head.

285. *Mr. Neogy.*—I do not understand what is meant by commission to planters in explanation A-7?

Mr. Lloyd.—We don't pay any commission. Commission is one of the elements of the income which were taxable.

Page 28—paragraph 31.

286. *Mr. Cocke.*—Is this the only case of importance to be brought to our notice under income-tax?

Mr. Lloyd.—The Government of India condoned the irregularities in the sense of waiving the recoveries, but they did express disapproval of the action.

Mr. Neogy.—How much does this excess amount to ? What is the difference between the two scales ?

Mr. Kaula.—The difference is about Rs. 170.

Page 105.

287. *Chairman.*—There is a saving of something like 33 per cent. which is explained in A-1 (2) as due to the transfer of clerks to other branches. Is that a real saving ?

Mr. Neogy.—Will not the transfer of clerks prejudice the work of the department ?

Sir F. Gauntlett.—If it has any meaning at all it probably means that a clerk drawing high pay was transferred to another department and a clerk on lower pay was brought on to that branch.

Mr. Mukherji.—Clerks are borne on one scale and they are frequently transferred from one office to another and from one branch to another.

288. *Mr. Lloyd.*—I should like to take explanations A.-2 (4) and A.-3 (4) together. Both deal with excesses and they are intimately connected because obviously weighment and manufacture must go together. If a larger quantity is manufactured a larger quantity has to be weighed. I must first admit that the Northern Indian Salt Revenue Department has had a tendency to over-budget very seriously the manufacture and despatch expenses, the particular reason being that there has been a tendency at certain sources to take the maximum output obtainable regardless of whether our market requirements made it desirable that we should have so large an output. We have tackled that question very seriously and we are trying to introduce arrangements under which the output should be limited to the amounts which we consider sufficient to meet the probable demand with a reasonable reserve. The old practice of working out the maximum output meant that the department was inclined to budget for a possible maximum output. Of course, it is not possible when the budget is prepared to foresee what output from a source such as the Sambhar lake there will be next year. So much depends on the rainfall and so forth. The maximum output that is possible is usually considerably more than the actual output of the year. And that I believe to be really the explanation of what we do admit was serious over-budgeting in these matters of supplies and services in manufacture and weighment. We are doing our very utmost to rectify this irregularity, as it might really be called, which we have inherited. I have looked at the accounts for 1926-27 and I find we have succeeded in these two heads together, with one or two minor heads, in reducing the excess from one of 8 lakhs of rupees to one of under 3 lakhs of rupees. So far as the figures for 1927-28 are concerned, the year which is now in progress, we are inclined to think that we shall probably find we have actually under-estimated expenditure on manufacture and despatch and may have to come up for supplementary grants. After my experience of the past year, I should prefer to have to face the possibility of having to ask for a small supplementary grant.

Chairman.—I should like to draw attention to some rather significant figures for this year. The actual expenditure for 1925-26 is 90 lakhs 84 thousand, budget estimate for 1926-27 99 lakhs, revised estimate for 1926-27 86 lakhs. So we are going to have a saving of nearly 13 lakhs to ask Mr. Lloyd about next year. But the really significant figure is this. Budget estimate for 1927-28 is 87 lakhs. It looks merely on statistical evidence that in the current year's budget we have put right this irregularity.

289. *Mr. Neogy.*—Do I understand Mr. Lloyd to say that for all practical purposes the quantity manufactured will in future be laid down by the Central Board of Revenue ?

Mr. Lloyd.—Not absolutely literally to the last maund, but we are keeping a very close watch over output and stocks and we are giving the sources direction as to the extent to which the crop should be obtained in each year. But of course we cannot absolutely lay down a specific quantity because of the vagaries of the climate which may make it impossible for that quantity even to be reached. Or it may be necessary, owing to weather conditions, to start earlier in the season than we should like to.

Mr. Neogy.—But the difference seems to be that whereas so far it has been the subordinate department, the local officers in the Salt Department who determined the quantity of output, in future it will be more the Central Board of Revenue who will determine it.

Mr. Lloyd.—Yes, we are taking that responsibility.

290. *Mr. Cocke.*—I take it, Sir, that the statement on page 115 has a very direct bearing on the point that is raised now. We find there that very excessive stocks were held at the end of the year in comparison with the opinion. 58 lakhs opening balance, closing balance 92 lakhs of maunds. It would appear that very much more salt is taken over than is necessary.

Mr. Lloyd.—Well, I told the committee last year we have been seriously exercised over this question of stocks and an officer on special duty who has been working with us has devoted a very great deal of attention to it. I can assure the committee we are doing our utmost to put the matter on a sound footing.

291. *Mr. Neogy.*—So far as the year under review is concerned, isn't it the position that the restricted output is due not so much to the control exercised from the Board of Revenue as from failure on the part of those very officers who made their estimates to realise their estimate about the output ?

Mr. Lloyd.—I think, Sir, as I said before, it is really owing to the tendency of the officers to provide too large a sum in the budget on the off-chance that climatic conditions might make them desire to spend that amount.

Mr. Neogy.—It was their failure that was responsible for the non-realisation of the output ?

Mr. Lloyd.—At that time they were getting all the salt they could. The point is not so much that they failed to spend the money as that they estimated too highly.

292. *Mr. Joshi.*—In a case like this what does the Finance Department do ? Isn't it their responsibility to some extent to watch the budget ?

Mr. Lloyd.—The Central Board of Revenue is part of the Finance Department.

Chairman.—My answer to that is that what the Finance Department have done is that in the current year's budget with the help of the Central Board of Revenue they have arrived at a net figure which I hope is very much nearer the true facts.

Mr. Joshi.—That is afterwards. But when making the budget of 1925-26 could not the budget officer have pointed out that it was over-budgeted ?

Chairman.—You must remember that these facts have come to light to some extent since the budget for 1925-26 was prepared. We have been at the question of over-budgeting all the time and we have been, we hope, getting nearer the truth year by year.

293. *Mr. Neogy.*—But was the past practice to allow whatever the local officers wanted ?

Mr. Lloyd.—I think for all practical purposes that is so.

294. *Mr. Rangaswami Iyengar.*—Isn't it also the Finance Department's duty to examine the operations of the department and the expenditure with reference to the stocks ?

Chairman.—It is a duty that is performed by the Central Board of Revenue on behalf of the Finance Department surely. But if the point is that this is a serious case of over-budgeting in which all the departments concerned, of whom the Finance Department is one of the most important, were at fault, I agree entirely.

Mr. Rangaswami Iyengar.—I only want to put it that when the Finance Department scrutinise the proposals it should also scrutinise the stock on hand before it accepts the figures of the Central Board of Revenue.

Mr. Lloyd.—That would only be effective if such a scrutiny was coupled, as it now is coupled, with instructions to the subordinate officers how much they should manufacture. In the past unfortunately there has not been the same restriction upon output as we have very urgently insisted upon since we took control of the department.

295. *Sir F. Gauntlett.*—I would like to say something on a small question. You will see how very largely manufacture and excavation charges loom in A.-2 (4) and despatch charges in A.-3 (4). Wouldn't the committee like these figures shown separately seeing how big they are ? I think this is one of the cases where separate exhibition of very important figures might be desirable.

Chairman.—Mr. Kaula will take a note of that.

Explanations B.-3 and B.-6. Page 108.

296. *Mr. Neogy.*—Saving under item B.-3 is said to be due to small expenditure on travelling allowance and excess under N.-6 to larger expenditure on the tour charges. How do they reconcile ?

Mr. Mukherji.—Travelling allowances are amounts paid personally to Government servants and tour charges are incidental charges incurred by Government in the course of the tour.

Explanation D.-2. Page 109.

297. *Mr. Joshi.*—Didn't you foresee this ?

Mr. Lloyd.—If we had foreseen it we should not have put it in the budget.

Mr. Rangaswami Iyengar.—What happened then to make you not foresee it ? Apparently these sums were put down because you intended to purchase and they were subsequently abandoned.

298. *Chairman.*—Was it a question of a decision not to purchase or simply of postponement ?

Mr. Mukherji.—It was a case of non-purchase, Sir. When the budget provision was made the idea was to purchase but afterwards I raised this question and inquired whether it would be a profitable business to purchase these things rather than to hire them from the B. B. and C. I. Railway. And it was decided not to purchase them.

299. *Mr. Joshi.*—If the Audit officer could at a later stage make a suggestion, why could he not make a suggestion earlier ? At what stage were the suggestions made ?

Mr. Mukherji.—As soon as I found the provision in the budget, Sir.

300. *Mr. Neogy.*—Isn't it a better plan to consider such matters before the budget is prepared ?

Mr. Mukherji.—It was when the item was inquired into that I raised the question.

Mr. Lloyd.—I think the Audit Officer has been consulted on the budget for 1926-27 and 1927-28 but I don't know whether the practice will be maintained.

301. *Mr. Joshi.*—Would it not be better if in such cases you go through these circumstances earlier ?

Chairman.—You cannot of course at the time of the budget consider every detail. The provision of the budget does not mean that you will necessarily spend. You try not to include things in the budget unless you are likely to spend them. What happened in this case was that a scheme of purchase was changed to one of hire. I don't think that Mr. Mukherji's position is such that he is necessarily consulted as to the preparation of the budget.

Mr. Lloyd.—No, Sir. In this particular case, here is an item of expenditure which had been approved by the Standing Finance Committee and which has been provided for in the budget. Then afterwards Mr. Mukherji in the course of certain other inquiries found considerations which led him to suggest that we should reconsider that decision. I don't think you can assume that that is likely to happen in every case.

Chairman.—It is after all a case in which we have presumably wisely changed from purchase to hire with advantage to the tax-payer. I don't think there is very much in this that can be brought to blame anybody concerned.

Mr. Kaula.—It only illustrates the advantage of higher audit.

D. 4.—General question of over-estimating.

302. *Mr. Lloyd.*—I should like to assure the Public Accounts Committee that we have taken the matter very seriously in hand and that a certain item which has appeared for some years past in the demands for grants we have now definitely declined to allow in the demands.

303. *Mr. Joshi.*—It is stated in explanation D.-4 that some work was commenced without the sanction of the detailed estimates. Is that the ordinary practice in the department ?

Mr. Lloyd.—No, Sir. At least not now. The work was commenced on the sanction that was given to and the project estimate prepared by the Commissioner of Salt. There was a misunderstanding. The Salt Department thought the Chief Controller of Stores would put the estimate and it was no part of the Chief Controller's duty to do that. The consequence is expenditure was incurred on the project estimate without detailed estimates having been prepared. We have now made a definite rule that no expenditure shall be incurred until the detailed estimates have been sanctioned by the proper authority.

Page 110, 1 (a) 2.—Development of Salt Mines at Khewra.

304. *Mr. Rangaswami Iyengar.*—Wasn't it possible to anticipate this ?

Mr. Lloyd.—This is the item I spoke just now which we have declined to allow to appear in the demands for grants.

Mr. Rangaswami Iyengar.—You mean to say that this item has been regularly appearing in your demands and never been used.

Mr. Lloyd.—Yes, in 1926-27 we allowed it to appear once more on the strict understanding that we should not agree to reappropriation from it ; this year we made it absolutely reappropriation proof by declining to put it in.

305. *Chairman.*—*Explanation 4.*—Purchase of sidings—Does this mean that the sidings were actually purchased and taken delivery of in 1925-26 but could not be paid for till 1926-27 ?

Sir F. Gauntlett.—I imagine, Sir, that the Bombay Baroda Railway could not work out the amount that had to be paid and therefore did not raise the exact debit.

Mr. Mukherji.—They said they were waiting for sanction of the home authorities to the sale of the sidings and that is why they could not raise the debit. The sidings were there all along, and have been used.

306. *Mr. Neogy.*—*Explanation 7.* Purchase of the Gudha Society's Light Railway (Sambhar)—When was the Society allowed to construct this line and when was it purchased ? Isn't the Society presided over by a retired officer of Government ?

Mr. Lloyd.—He is now on foreign service with them.

307. *Mr. Neogy.*—Couldn't Government do it themselves instead of allowing somebody else to do it ? Who made the valuation ?

Mr. Mukherji.—There is a particular Kyar at Sambhar at which extraction is done by contract as in the case of other Kyars. And this contractor suggested that it would be better both for the contractor and the department if the contractor was allowed to lay down a light railway which

would enable a saving of labour and other things. And permission was accordingly accorded to the contractor to lay down the line. And there was no question of Government taking the line or purchasing it from the contractor. This decision was afterwards arrived at, I think the next year. The valuation was made by an officer deputed by the Railway Board and according to his valuation the amount was Rs. 82,695 which was sanctioned for the project.

Chairman.—It was a question of revision, of making a new contract for the near year and it was found on the whole to be more economical.

308. *Sir Frederic Gauntlett.*—Was valuation larger than the original cost price ?

Mr. Mukherjee.—The cost price as reported by the Director was a little less than this amount.

Chairman.—It was very close to the figure as far as I remember. This went before the Standing Finance Committee.

309. *Mr. Neogy.*—Why was not the provision made in the budget ? Where was the hurry about it ? Is it not considered to be a new service by the Auditor General ?

Sir Frederic Gauntlett.—That particular question was not raised before me.

Chairman.—It was not a new service.

Mr. Neogy.—So far as the purchase of the land is concerned, it might be interpreted as a new service.

Sir Frederic Gauntlett.—I do not like to give anything like a decision on the question because it has never come before me at all. There is the view that the contractor was extracting salt with the use of this railway and there was for that extraction, I presume, a contract for a lump rate. So, that is not a new service.

Chairman.—That was a new contract on revised terms. This is obviously one of those cases which come near the border line. The purchase of that sort of thing is quite a common occurrence at Sambhar.

Mr. Lloyd.—It is rather the laying down of lines.

The Committee then adjourned for lunch till 3 P.M.

Evidence taken at the 5th meeting of the Public Accounts Committee held on Monday, the 8th August 1927, at 3 p.m.

PRESENT :

- (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., *Chairman.*
- (2) Mr. H. G. Cocke.
- (3) Maulvi Abdul Matin Chaudhury.
- (4) Mr. B. Das.
- (5) Mr. A. Rangaswami Iyengar.
- (6) Maulvi Sayid Murtuza Sahib Bahadur.
- (7) Mr. N. M. Joshi.
- (8) Mr. G. Sarvotham Rao.
- (9) Mr. K. C. Neogy.
- (10) Sir Frederic Gauntlett, Auditor General.
- (11) Mr. G. Kaula, Accountant General, Central Revenues.
- (12) Mr. C. W. C. Carson, Controller of Civil Accounts.
- (13) Mr. T. K. Rajagopalan, Officer on Special Duty.
- (14) Mr. D. C. Campbell, Director of Commercial Audit.
- Mr. A. H. Lloyd, Member, Central Board of Revenue.
- Mr. V. S. Sundaram, Secretary, Central Board of Revenue.

Members.

Were also present.

Witnesses.

Profit and Loss Account, page 112.

310. *Mr. Cocke.*—I notice that the closing stock on page 113 works out at Rs. 7,11,000 but on page 115 it works out at 22 lakhs. I understand the difference is due to the fact that the 22 lakhs represent the selling rates ?

Mr. Kaula.—That is so.

Mr. Campbell.—The cost at Sambhar works out at about less than an anna and the selling rate is about 4 annas. This is exclusive of the duty.

311. *Mr. Cocke.*—How is the wastage of 8,538 in relation to the large stock of 99 lakhs of maunds arrived at ? Is it not very much bigger than that ?

Sir F. Gauntlett.—It is qualified by the phrase 'written off by competent authority'.

Mr. Lloyd.—It is the amount detected or rather calculated. In former years there were no very satisfactory arrangements for attempting to secure a verification of stock. We now arrange wherever possible that a definite programme of clearance should be worked out so that various heaps would within a reasonable time be cleared so that in future the stocks would be verified by the actual process of their removal except in the one case of the central stock at Sambhar. Here we considered the possibility of surveying and measurement, but we found it impracticable and consequently in order to relieve our minds of suspicion, we took special measures for control by responsible supervising officers of the transfer of the salt to that stock.

312. *Chairman.*—Perhaps Mr. Lloyd can give us a graphical picture of Sambhar in this connection.

Mr. Lloyd.—I would draw attention to the fact that if you travel in a trolley you will find that everything beneath you is salt.

Mr. Cocke.—In view of the fact that the wastage is fairly heavy, it occurs to me that this account next year might be thrown out very largely ?

Mr. Lloyd.—That is always possible in the case of other factories ; the accounts have been considerably dislocated by the need to write-off very large wastages.

Mr. Mukherji.—There has been a verification recently as a result of which 4 lakhs of maunds have been found deficient out of a total stock of 92 lakhs.

213. *Mr. Joshi.*—Would you explain the 4 lakhs annual wastage ?

Mr. Mukherji.—It came to about 4½ per cent. This stock was not touched for years. It was of course added to and subtracted from. This was the first attempt at a verification.

Mr. Rangaswami Iyengar.—Is not the salt regularly measured ? In Madras they are put in definite kews so that the measurement is easy.

Mr. Lloyd.—The conditions in Sambhar are very different from those in a single factory in Madras producing only a small fraction of what the former produces.

314. *Mr. Joshi.*—Do you accept the figures as correct,—as to these stocks being not more than they ought to be ?

Mr. Lloyd.—Well, that is one of the points we have very carefully and anxiously gone into, and we have utilised to the full the services of the officer on special duty, who was given to us. We have drawn up a sort of policy which aims at avoiding the holding of excessive stocks. In our view the closing balance in the accounts of the year under review now was excessive and we are working to a policy which will prevent our holding such large balances in future.

315. *Mr. Joshi.*—Can you say that this wastage was due to the accumulation of stocks more than to anything else ?

Mr. Lloyd.—Everything else being equal, I presume so.

Chairman.—Do you think it would have been a less figure, if there were less stocks ?

Mr. Lloyd.—I don't think it would have been a less figure but a less percentage.

316. *Mr. Rangaswami Iyengar.*—What does this figure 99 lakhs of maunds represent,—how many years' consumption ?

Mr. Lloyd.—It represents slightly over one year's consumption.

317. *Mr. Cocke.*—What were the stocks down to at the end of March 1927 ?

Mr. Lloyd.—I am afraid I cannot remember. I think I am correct in saying that the stock now is about 93 lakhs of maunds and that is well towards the end of the manufacturing season, so that that probably represents 30 or 40 lakhs of maunds next March ; those are of course very rough figures.

318. *Mr. Cocke.*—You take the stocks here at varying rates, 4 annas, 3 annas, etc. : are you in a position to put up your prices to meet that loss ?

Mr. Lloyd.—We have done so, Sir. When the results of this account were considered and the final orders referred to in the Auditor General's letter on this report had been received or possibly in anticipation of that, we fixed revised prices sufficient to cover for the future on those calculations the cost of production. The increase was a matter of pies.

Mr. Mukherji.—In the salt range we raised prices half an anna a maund and in the Rajputana sources, except for Didwana, we raised prices 3 pies a maund on our calculations and that will prevent us working at a loss in the future ; but of course that will not provide for recovering the past loss.

319. *Mr. Joshi.*—With regard to the statement of liabilities and assets, is the amount put against land the present price or the price paid for the land sometime ago ?

Sir F. Gauntlett.—The land would be at cost price with depreciated value for the building. Was this figure, Mr. Campbell, taken at the original cost price ?

Mr. Campbell.—A portion of it is the original figure.

320. *Mr. Neogy.*—Which is the figure for loss that you take into account in raising the price of salt ?

Mr. Lloyd.—The figure which appears in the Auditor General's letter.

Mr. B. Das.—May I ask whether it is the original book value or depreciation ?

Mr. Mukherji.—In all these cases the figures represent cost price and not the depreciated value, because we have got a depreciation fund to which contributions are made every year ever since the commercial accounts were introduced.

Chairman.—If you started with the original cost for the machinery some of which might be a good many years old, did you put a corresponding item into the Depreciation Fund ?

Mr. Lloyd.—There was a valuation on the 1st April 1921 and we started with that.

321. *Mr. Rangaswami Iyengar.*—With regard to the interest on capital (page 112), what is the total capital upon which you have calculated ?

Mr. Mukherji.—The capital as estimated on the 1st April 1924 plus subsequent expenditure of a capital nature.

322. *Mr. Rangaswami Iyengar.*—What is the rate of interest charged ?

Mr. Mukherji.—The average rate of interest for all expenditure since 1st April 1924 and 4½ per cent. on the old expenditure.

Mr. Rangaswami Iyengar.—You kept a capital account for all the expenditure incurred before ?

A.—Formerly there was none.

323. *Mr. Joshi.*—Is it necessary to pay interest to general revenues because all the capital was paid out of general revenues ?

Chairman.—If you want to get an estimate of what it costs you so that you may sell it at exactly cost price, you must allow for interest on your capital expenditure.

324. *Mr. Rangaswami Iyengar.*—It had been said that the improvement of Sambhar led to an increase in the output by 66 per cent. in a particular year. What is the position ?

Mr. Lloyd.—Of course against that we had to set the fact I have had just now to explain that we have had to curtail production because as soon as these improvements were carried out, the production was in excess of our immediate requirements. The proper way to look at the Sambhar Lake scheme is not that it was designed to bring in a greatly increased quantity of salt but it was designed to make sure that, if an emergency arose, we should be in a position to produce an increased quantity of salt and also to secure greater stability.

325. *Mr. Rangaswami Iyengar.*—And therefore I take it that when the Sambhar Lake scheme was decided upon, you really had no idea of what it was that you wanted this improvement for,—whether to increase your production on a commercial basis, to get it cheaper or to secure a guaranteed supply ?

Mr. Lloyd.—I am quite certain that at the time the primary motive was to increase the guaranteed supply, not to make it cheaper. The scheme took into account the possibility of a severe shortage of salt in Northern India, at a time when communications with the outside world were very much dislocated owing to the war. The task set was to relieve the Government of the fear of a disaster in 1917.

326. *Mr. Rangaswami Iyengar.*—The net result of the whole of this scheme was that you are now in a very much better position ?

Mr. Lloyd.—In the matter of security and of being in a position to increase our output if necessity arose.

327. *Mr. Rangaswami Iyengar.*—Not because it was a commercial proposition ?

Mr. Lloyd.—I do not think that was a primary motive of the original undertaking of the work.

Chairman.—You do not mean that it was not a sound proposition ? The point was that it was really absolutely necessary if we were to continue the self-imposed task of providing Northern India with salt at reasonable rates.

328. *Mr. Rangaswami Iyengar.*—Are we really to treat this Sambhar improvement scheme as an emergency measure or as a measure adopted with due regard for the security of the salt production, or are we to treat it as a business development ?

Mr. Lloyd.—I think I would myself like to say that the primary consideration was not the last one.

Mr. Rangaswami Iyengar.—Do you expect it would be a business proposition in due course ?

Mr. Lloyd.—That depends upon the demand. Supposing the demand for Sambhar salt were increased by 50 per cent., we should increase our production but not the initial overhead charges and the price would be lower.

Sir F. Gauntlett.—If the administration had been in the hands of an ordinary business firm and they found that they were relying very largely on a very precarious source of supply, it would be an ordinary business proposition ?

Mr. Lloyd.—It would put up the price of the salt to cover the excess.

329. *Mr. Neogy.*—To what extent has stability been achieved ?

Mr. Lloyd.—I am afraid I am not prepared off-hand to give the figures but we are satisfied that we are in a much better position to face unusual climatic conditions than ever before.

330. *Chairman.*—I take it under pre-1917 conditions you might have had a very serious shortage had it not been for the works ?

A.—That is so.

331. *Mr. Neogy.*—There is a definite relation between rainfall and production ?

Mr. Lloyd.—Rainfall is not the only thing ; excessive rainfall may be as bad.

332. *Q.*—So that the factor of uncertainty has been minimised by the new devices ?

A.—To the best of our belief, that is the case.

333. *Mr. Joshi.*—Have you had any scientific investigation undertaken so that you might get more salt ?

Mr. Lloyd.—I think that was a great part of the work done in the years 1921-23. I think that the officer who carried out the work is entitled to claim that he tackled the problem in a scientific manner and his works were designed to get suitable brine in suitable quantities at the proper time of the year.

334. *Mr. Neogy.*—You think the electrification of Khewra was also considered from the commercial aspect,—as to how far it would lead to economy in working ? To what extent do you think the expectations have been realized ?

Mr. Lloyd.—We are not convinced that it has been commercially a particularly profitable investment.

335. *Chairman.*—What exactly is the meaning of the word ‘ electrification ’ here ?

Mr. Neogy.—Is it merely for power purposes or is it in processes in the manufacture ?

Mr. Mukherji.—Mainly to supply power in connection with excavation with the help of drills, and this is done by electrical plant.

336. *Q.*—This has I believe supplanted manual labour to some extent ?

Mr. Lloyd.—One reason which moved Government to approve the scheme originally was that there was a considerable difficulty with labour then, and it was felt that the introduction of labour-saving devices would not perhaps so much provide actual cash economies as guard against the dangers resulting from the existence of these labour difficulties.

337. *Mr. Neogy.*—If power is utilised in driving drills, I want to know what exactly was the substitute for it—hand labour or steam plant ?

A.—Between the two. It was to increase the amount of work done by machinery ; previously the amount of drilling by machinery was limited because there was not the same amount of power. Some part of the drilling was actually done by hand ; some of the excavation was done by hand and some by drill ; electrification has therefore released steam power for other operations and in certain seasons of the year that has led to complaint of unemployment.

338. *Mr. Neogy.*—Without being unduly critical, possibly it was an unduly optimistic idea that the introduction of labour-saving devices must naturally be economical, wasn't it ?

Mr. B. Das.—One reason was that officers in Khewra might have electricity supplied free ?

A.—That might be an inducement to the officers in charge, but after all the scheme was put through by the Commissioner and by the Government of India, none of whom have occasion to enjoy the electric lighting there.

339. *Mr. Neogy.*—This scheme of electrification at Khewra was sought to be justified before the Standing Finance Committee, I think, not so much on the ground of labour saving as on the ground of eventual economy ?

Mr. Lloyd.—I am afraid my memory is short, but I am inclined to think that we shall have to admit so far as the second part is concerned that there may have been undue optimism.

340. *Mr. Neogy.*—Who is responsible for making the bad estimate that it would lead to economy ?

Mr. Lloyd.—The responsibility rests upon the Government of India ultimately.

341. *Mr. Neogy.*—Who initiated the proposal ?

Mr. Lloyd.—We had an expert adviser who made the proposal. He is not a Government servant. He was a mining expert.

342. *Q.*—Surely he could not have reported on the financial aspects ? That was a matter to be decided on by the departmental officers ? Who are the departmental officers who initiated this proposal ?

Mr. Lloyd.—I suppose the Commissioner at the time.

343. *Q.*—You have not got the facts before you ?

Mr. Lloyd.—No.

344. *Q.*—I think the Standing Finance Committee were told when the thing was installed that the whole basis of the scheme rested on the financial rock ? What are we to think of the estimates of those officers ?

Chairman.—When you say that it has not led to economy are you speaking from ascertained facts ?

Mr. Lloyd.—I suppose there is a certain amount of theory even in that.

Chairman.—My impression is that this is the first time I remember hearing of a statement that it had not led to economy. I should have thought from a recollection of the case that our experience cannot be particularly long enough to say what its final results would be.

Sir F. Gauntlett.—I was asking Mr. Campbell whether he would compare the results of this year with the previous years. He said that this is the first year of the commercial accounts and unless you completely re-cast the whole of the accounts it was quite impossible to say.

345. *Mr. Rangaswami Iyengar.*—This scheme of electrification was put before the Standing Finance Committee on the ground that it conduced to economy and on that representation they sanctioned it. The question is whether it has produced that result.

Mr. Neogy.—This must have led to raising the price of salt, and salt being a prime necessity of life, you must not stick to this, and if necessary you might revert to the old order of things.

Chairman.—I cannot admit it led to a raising of prices. I do not know whether it led to a reduction.

Mr. Neogy.—If it has proved uneconomical, to that extent it may have contributed towards the raising of the price.

Mr. Lloyd.—I have committed myself too readily to the suggestion that it has not been economical.

Chairman.—I have never heard of it before.

346. *Mr. Kaula.*—It will be seen on a reference to note (1) that the work has not been completed during the year under review. If it was

completed it must have been completed in the following year 1926-27 and it may be too early to judge.

Chairman.—We are all proceeding on Mr. Lloyd's statement that it was not economical. On what did you base that? Have you got figures with you at the moment?

Mr. Lloyd.—I was basing it upon a very faulty memory. I had the impression that somewhere we had the statement put before us that it had not been economical. I must have been thinking of something else, I am afraid. I wonder if I may be permitted to ask Mr. Sundaram.

Chairman.—Certainly.

Mr. Lloyd.—(After consulting Mr. Sundaram.) I would ask permission to withdraw the statement that I made before. I am afraid I had a faulty memory and Mr. Sundaram has now reminded me that I was thinking of another matter altogether and that is the proposal for introducing electrical transport in the mines which we have thrown out not on the ground that it has proved unprofitable but we came to the conclusion that it would not be profitable and the scheme has not been adopted. I must apologise to the Committee for having got so confused. As the Accountant General has pointed out, the scheme has only recently been completed and it is only a few months since it has been in operation. There is nothing to show that it is not a paying proposition.

347. *Mr. Rangaswamy Iyengar.*—Why, then, did you start the electrification?

Mr. Lloyd.—It was part of a big scheme.

Mr. Rangaswamy Iyengar.—Why did you want to electrify in place of the manual labour that you had before? Was it on account of cheapness?

Mr. Lloyd.—It was the idea when the scheme was formed both to save trouble with labour and for economy.

Chairman.—I have the Standing Finance Committee proceedings of the 28th January 1922. (Reads). This may not be the particular case.

Mr. Neogy.—I am afraid that all the improvement schemes in connection with salt supply, whether in connection with Sambhar or with Khewra, originated with the idea of increasing the supply. That was the original justification put forward and I am afraid that the Central Board of Revenue is going back upon that.

Mr. Sundaram.—We wanted to increase the output there. At that time there was a shortage of salt in India immediately after the war.

Mr. Lloyd.—And it was also believed that the electrification scheme would be economical.

Mr. Neogy.—Mr. Lloyd a few minutes ago observed that the justification primarily put forward was the necessity for increasing the supply and although that was the justification put forward before the Committee last year, that position has been given up. Now it is not so much to increase the supply as for stability of supply.

Chairman.—There was no question that the work done has enabled us to produce a larger amount from Sambhar, but the question is what was the primary purpose of the expenditure. The primary purpose was stabilisation.

348. *Mr. Neogy.*—When these proposals were put forward, so far as I am concerned—I do not know about my colleagues—we always thought that by enabling us to increase the output this Department would in the end enable us to be self-sufficient or self-reliant so far as the supply of salt was concerned, that is to say, that we would be able to do away altogether with foreign salt. That was the idea in our minds—I am speaking for myself—that the manufacture of salt would be so cheap as to enable the Department to compete successfully with foreign salt in the markets in which they cannot at present compete. Far from achieving that object we find that the price of salt has gone up.

Mr. Lloyd.—The price of our salt is still exceedingly cheap. The controlling factor more than anything else is still the railway freights.

349. *Mr. Neogy.*—You have not been able to push out foreign salt ?

Mr. Lloyd.—Because of the railway freights and long leads.

Mr. Neogy.—That ought to have been taken into consideration.

Chairman.—So far as I am concerned, I do not remember of any occasion when Government came with a statement that the object of any particular salt expenditure was to make India self-supporting in the matter of salt supply.

Mr. Neogy.—When you referred to salt shortage in a particular year as the primary justification for coming in for this large expenditure, the non-official Indians, at any rate, came to the conclusion that in the course of a few years they would be in a position to be self-sufficient.

Chairman.—I do not think that by an increase of salt supply in Sambhar and Khewra you would touch the question of supply of salt to Bengal.

Mr. Neogy.—That was certainly the idea put forward before the Assembly.

Chairman.—If the Assembly had that idea they were mistaken. The question of salt supply to Bengal must depend on salt supplies near the sea there, that is, Orissa. It cannot possibly depend on any sources like Khewra.

350. *Mr. Neogy.*—There might be sufficient economy in the manufacturing costs to enable it to compete successfully with foreign salt.

Mr. Lloyd.—Might I just give a figure ? Just now the price of salt at Sambhar is under four annas. There is nothing in that price for economy to make up for freight which is about one rupee a maund for Calcutta.

Chairman.—We had never in mind at all that Khewra and Sambhar were possible sources of supply to Bengal.

351. *Sir F. Gauntlett.*—Is it not legitimate comment that it is very difficult to say whether the real cost of production of salt has increased or decreased unless you have accounts in the relevant years which are compatible with each other.

Chairman.—The reason for the increase in the price of salt which we have been considering in this Committee to-day is the fact that for the first time we have got commercial accounts. It has nothing to do with the extra cost of schemes at Sambhar or Khewra. We have got a little wide of the subject.

Mr. Rangaswamy Iyengar.—The whole point is that you embarked on this big scheme of electrification under the impression that it was a business proposition, and you now find that it is not a business proposition.

Chairman.—So far as the electrification is concerned, we had the original answer withdrawn and we have not yet any idea as to how it has worked out.

352. *Mr. Rangaswamy Iyengar.*—Are we then clear that it was undertaken with a view to economy ?

Mr. Lloyd.—It was partly for the purpose of economy and partly to ensure supplies.

353. *Mr. Rangaswamy Iyengar.*—How would you ensure supplies by electrification ?

Mr. Lloyd.—Because it met the labour difficulties of which I have spoken.

354. *Mr. Neogy.*—What was the exact nature of the labour difficulties ?

Mr. Lloyd.—We had very serious strikes at Khewra.

Chairman.—We might make a note that next year we would like to know what the Department can tell us on the subject of the results of the outlay—whether it has been economical or otherwise.

355. *Mr. B. Das.*—Would you tell us why the officers there should have free electrical supply ?

Mr. Lloyd.—It was given them as a small compensation for the very unpleasant conditions in which they have to live. Also it costs nothing to Government as they have to have a certain load on the electrical works.

356. *Mr. Neogy.*—Suppose a charge is made, what would be the approximate amount that Government would get ?

Mr. Lloyd.—It must be very small. Only a very small number of officers are concerned.

357. *Chairman.*—Can you put in a statement ?

Mr. Lloyd.—If required. We cannot be certain that they would use the full amount of electricity if we made a charge. We can give some sort of estimate. There are not many officers and it must be very small compared with the amount of electricity that is consumed on the works.

358. *Mr. Joshi.*—Is electrical power supplied to labour lines for lighting ?

Mr. Lloyd.—It is not supplied to the labour houses in Khewra.

359. *Mr. Joshi.*—A store account of salt is appended which is not subject to audit. Why is it not subject to audit ?

Mr. Lloyd.—Perhaps the Auditor General will be able to explain it.

Sir F. Gauntlett.—There is a rule in the Auditor General's rules which says that the Auditor General will audit receipts and store accounts at the request of the Government of India. So far I have received no request to audit these and it does not come within my jurisdiction until I get a request.

Mr. Joshi.—Is it not desirable ?

Mr. Rajagopalan.—I have suggested that and it is under the consideration of the Central Board.

Chairman.—The whole matter is the subject of a memorandum which has just reached the Government of India and it is under consideration. The thing will come before the Committee next year.

360. *Chairman.*—Does the Department undertake major works of any sort in the Salt Department against lump provision without going to the Standing Finance Committee ?

Mr. Lloyd.—No. I may say also that we have given up this lump provision.

Mr. Neogy.—I think it is one of the specific functions of the Standing Finance Committee to scrutinise all the details of the lump grants.

Chairman.—We have come to an arrangement by which all major works beyond a certain figure should come before the Standing Finance Committee.

361. *Mr. Joshi.*—I wanted to know whether this particular lump sum was approved of ?

Mr. Lloyd.—The lump provision was in the budget as such. I do not think the lump sum was placed before the Standing Finance Committee.

Page 119 of the Report.

362. *Mr. Joshi.*—I think the quantity of stores in Madras is large compared to the annual sale.

Sir F. Gauntlett.—In Madras it is only two-thirds of the annual sale whereas in Northern India they had a whole year's supply. In Bombay the position is radically different—2½ times.

Mr. Joshi.—I was thinking of Bombay.

Mr. Lloyd.—I told the Public Accounts Committee we have been very seriously exercised by what we consider to be the excessive stocks in the Bombay stores and we have taken drastic steps to reduce the provision in the last two years at Kharaghoda.

363. *Mr. Cocke.*—Have you had any amount written off in Bombay ?

Mr. Lloyd.—You find the figure of waste is 94,000 in that particular year's account.

Mr. Cocke.—I mean subsequent to that ?

Mr. Lloyd.—Of course, there is a reference in the Auditor General's letter to very much larger quantity written off in the previous year, the reasons for which we have been examining.

364. **Mr. Neogy.**—What is the exact nature of the understanding with the French Government that requires duty free issue ?

Mr. Lloyd.—One condition is that they abstain from making salt in French territory. They have agreed not to make salt in their territory which, of course, is a measure very suitable to us. One other condition is that we should supply them with a certain amount free.

Mr. Rangaswamy Iyengar.—The result is that they are selling it cheaper in their own territory.

Paragraph 32 of the Report. Page 28.

365. **Mr. Neogy.**—One of the remedies which has been mentioned here for over-budgeting is that Parts II-A and II-B of the budget estimates should be scrutinised by the Audit Officer. If this is likely to prove effective, why should it not extend to other departments as well ?

Mr. Kaula.—This arrangement has since been discontinued.

366. **Mr. Neogy.**—How long was it in operation ?

Mr. Kaula.—Two years.

367. **Mr. Neogy.**—Why ?

Mr. Lloyd.—After these two years' experience we feel ourselves in a much stronger position to deal with the departmental budgets than we were before.

368. **Mr. Joshi.**—You have already gained by their scrutiny and why did you discontinue it ?

Mr. Lloyd.—Because the delay occasioned counterbalances the benefit. Now we feel that our own office has gained sufficient experience to be able to do it without this officer's assistance.

Sir F. Gauntlett.—I think you would agree that it is not his primary function.

Chairman.—If satisfactory results could be achieved without taking up the time of the Audit Officer, so much the better.

Mr. Neogy.—The thing is that the Audit Officer has been asked by the Government of India. If so, has that order been since rescinded ?

Mr. Lloyd.—That is so.

Chairman.—Surely we want to make the department itself responsible for its budget.

Mr. Lloyd.—We still continue, if there are any difficulties, to ask the Audit Officer to give us his assistance on specific points.

Sir F. Gauntlett.—There is a real point of importance in making one authority finally responsible for the budget.

Chairman.—Oh, yes. When we are examining an officer he might say that it has been scrutinised by the Audit Officer !

Mr. Lloyd.—As regards the next year's budget and the future budgets we hope to be in a position to stand on our own legs.

Paragraph 33 of the Report.

369. *Chairman.*—Have no final orders been issued ?

Mr. Lloyd.—No.

Mr. Lloyd.—Paragraphs 34 and 35 deal ultimately with the issue price of salt and the cost of production. We have already discussed that.

370. *Mr. Neogy.*—Paragraph 35 refers to some suggestions made to the Government of India indicating the directions in which economies might be effected. It would interest the Committee to know what these suggestions are.

Mr. Lloyd.—The primary suggestion was that certain economies in establishment might be effected. As a matter of fact that was the policy which the Board itself had adopted and orders have been issued for making certain economies in establishment and more are under consideration. And then we have also been applying a strict scrutiny to capital expenditure.

Mr. Neogy.—Including the improvement scheme, I hope ?

Mr. Lloyd.—Including the scheme for the mechanisation of transport at Khewra which we have decided not to proceed with although it had been accepted before.

371. *Mr. B. Das.*—In paragraph 35 the Accountant General says the net loss to the Department on the whole will be 16 lakhs ; and the Auditor General makes certain observations.

Sir F. Gauntlett.—Might I explain ? If you refer to the statement at the bottom of page 30 you will see there is a long list of what are called treaty payments. Ever since 1880 and in fact before that, questions have been raised as to the extent to which these treaty payments should enter into the manufacturing accounts as part of the cost of manufacturing. My views on the subject are expressed in that statement at the bottom of paragraph 34. The final orders of Government you will see set out in my paragraph 21, whereby the royalties and compensations debitable to manufacture amount to 9 lakhs 22 thousand. With that adjustment the figures which are shown in paragraph 35 of the main report are revised to the extent set out in my letter, so that the net loss is now about 9½ lakhs. The Government of India did not accept fully my views as to the items of the treaty payments which should be regarded as properly debitable to manufacture.

372. *Mr. Neogy.*—In what respects do they differ ?

Sir F. Gauntlett.—I am afraid it is very difficult to say. They differ to the extent that my suggestion was 14.87 as against 9.22 lakhs. It is a very difficult problem. It means the interpretation of the treaties. In each case the treaty itself shows in respect of what rights these payments are being made and many rights are set out in such general terms that it is quite impossible to say exactly how much ought to be regarded as the charge properly debitable to manufacture and one can only guess. As to the big payment of 3 lakhs I suggested the terms ought to be half and half. Government preferred the decision come to in 1911 after a great deal of discussion. Exactly how much of that particular 3 lakhs they admitted to be debitable is not set out but personally I was prepared to accept this decision because there was nothing actually in the treaty on which I can definitely base an opinion that the Government of India are definitely wrong.

Opium.—Page 123.

373. *Chairman.*—What is the explanation of the saving in gross expenditure of 20 lakhs ?

Sir F. Gauntlett.—15 lakhs for special cultivation in Malwa.

Chairman.—In respect of that we presented a supplementary estimate of 20 lakhs ?

Mr. Lloyd.—That was for Benares opium, Sir. The Central Board of Revenue must admit a failure, when the supplementary demand for 51 lakhs was presented, to ascertain whether a saving on the Malwa opium was likely to be realised or not. The only excuse I can offer is that we heard of the necessity for this supplementary provision of 51 lakhs when we had only two or three days before we had to put it before the Standing Finance Committee and the Assembly, and we could not before putting forward the proposal ascertain whether there was likely to be a saving under a disconnected sub-head under the same major head. The saving in Malwa was due to outturn and also to a failure to realise the effect on the accounts of the part payment which is made in the shape of an advance for the next year's cultivation.

Chairman.—There was a difference in price ?

Mr. Lloyd.—Yes, and certainly a difference in quantity.

374. *Mr. Das.*—Are you commercialising the accounts of this Department ?

Mr. Lloyd.—They have been commercialised.

Mr. Campbell.—Only so far as the costing section is concerned. We cannot say the whole Department has yet been commercialised.

Sir F. Gauntlett.—That is at Ghazipur, the cost has been worked out on commercial lines so as to arrive at a true cost to be charged to Local Governments.

375. *Chairman.*—Is the question of further commercialisation under consideration ?

Sir F. Gauntlett.—No, Sir, not for the moment. We are awaiting the comments of Government on the accounts based on costing statements. Possibly they are not as accurate as they would be if we could get a complete system of commercial accounts.

Chairman.—Those accounts are sufficiently accurate for the purpose of ascertaining cost ?

Sir F. Gauntlett.—That is so. We prepare our annual accounts from the ordinary Government cash receipt and expenditure accounts.

Mr. Neogy.—Last year there was some reference to a special officer with a view to commercialising the accounts of this Department.

Mr. Campbell.—That referred to the costing section only.

Mr. Neogy.—There is something further about commercialisation of factory accounts and some proposals were made at the time which last year's Audit Report said were under the consideration of the Government, or some such thing.

Mr. Campbell.—Since then we have presented our costing report, and we are waiting for the orders of the Government of India on the form of the accounts presented.

Stamps.

376. *Mr. Neogy.*—Explanation B. 2 (2) at page 128 says “ The question of adjustment of the cost of stamps supplied from Provincial Stores to Central Departments is still under the consideration of the Government of India ”. What is the position exactly ?

Mr. Lloyd.—That file I think is in the Finance Department.

Mr. Aravamudha Aiyangar.—If this relates to the question of adjustments against minor Local Governments, there was a misapprehension of the orders by the Audit Office, and the officers concerned were told that the orders of the Government of India all along were that such adjustments should be made against all Governments. That file has been sent back.

Mr. Kaula.—Apparently the orders have been communicated after the accounts for this year were closed.

377. *Mr. Rangaswami Iyengar.*—What is this G. 2 at page 129 which refers to a short recovery to the extent of 3 lakhs due, it is explained, to a lower percentage of overhead charges adopted for issues in 1924-25 ? Why was this done ?

Mr. Lloyd.—I am afraid I do not recollect the details of that.

Sir F. Gauntlett.—The papers which are not directly relevant but which affect the accounts of the Controller of Printing have just been circulated.

Mr. Lloyd.—When I read this sentence I inferred it meant a lower proportion of the overhead charges was debited to Stamps in a division between Stamps and Printing and Stationery ; but I may be wrong.

Sir F. Gauntlett.—I think one possible explanation is that it was just about this time that a semi-commercialisation was effected of the Printing accounts ; though whether this affects this question of Stamps or not I do not know. But the semi-commercialisation did provide for the distribution of the overhead charges in the various branches of work, and this may merely represent a more accurate distribution.

Chairman.—If we wish to pursue the matter we can ask the Department concerned, but I do not think it is a big enough point.

378. *Mr. Joshi.*—I want to know the meaning of “ non-judicial stamps ” ?

Mr. Lloyd.—Non-judicial stamps are stamps under the Stamp Act (not stamps used for court fees).

Page 134 of the Report.

379. *Sir F. Gauntlett.*—The figures circulated in Appendix XVI are really supplementary. We are now dealing with Stationery and Printing. They are really supplementary to the figures given here. They only state the results of the audit of the various accounts which have been put in without audit.

Chairman.—Does any point arise ?

Sir F. Gauntlett.—The Central Stationery Office shows a loss of 2 lakhs on yearly transaction of about 60 lakhs.

Mr. Rangaswamy Iyengar.—That comes more properly under the Printing Department.

380. *Mr. Cocke.*—At page 133 there is a reference to the overprinting of stamps with the words "C. E. F." and "I. E. F.". How long are these going to be retained? Some of the C. E. F. stamps are very old.

Mr. Lloyd.—I shall be very glad to take up that point and consider the desirability of keeping the stock at all.

Chairman.—Very well, the Board of Revenue will take up that matter. Let us go back now to page 32.

Frauds and Embezzlements—Paragraph 39.

381. *Sir F. Gauntlett.*—I have a general comment to make on this Sir, because I have been rather impressed this year by the very rapid growth in embezzlements in respect of Stamps. It may be brought to the notice of the Government of India that there has been an increasing tendency all over India for irregularities and embezzlements in regard to stamps to occur. Treasury officers are inclined to forget that stamps are equivalent to cash.

Mr. Lloyd.—With regard to that I should like to say we have put the matter before the Finance Department, who have preferred to deal with this matter as part of a larger general question of frauds and embezzlements which the Government of India have undertaken to look into at the instance, I think, of the Secretary of State.

Mr. Rangaswamy Iyengar.—That is true but I think this raises a special point as the Auditor General points out, because the idea in the case of other embezzlements is the idea of actual money being stolen or defrauded, while here the idea seems to be that stamps are so much paper and one need not be so careful to see that people do not embezzle and make money over them. That I think is a special point.

Mr. Lloyd.—It does seem to me and I can hardly understand any reasonable person put in charge of stamps not realising their cash value.

Chairman.—We can endorse the remarks of the Auditor General.

Mr. Lloyd.—I do not wish to suggest for a moment that the Central Board of Revenue has any reluctance to take action in this matter. We have put the matter before the Finance Department ourselves.

Refunds—Page 345.

382. *Chairman.*—I would draw the attention of the Committee that this is a case of an excess vote being required.

Sir F. Gauntlett.—The grand total you will find at the bottom of page 347.

Mr. Lloyd.—That of course refers to all Departments of Government.

Sir F. Gauntlett.—Yes, but as far as the Committee is concerned it is one Grant.

Chairman.—We want to make a recommendation to the Assembly in regard to the excess grant; it all arises on A.

383. *Mr. Neogy.*—What is the change in procedure on the adjustment of refunds to Provincial Governments of Customs duty on Government stores ?

Sir F. Gauntlett.—I have a note on this point, that I am asking the Accountant General, Bengal and the Examiner of Customs Accounts to clear up the matter.

383. *Chairman.*—What is the real explanation of the excess ? I suppose it is chiefly under Miscellaneous Refunds ?

Mr. Kaula.—That is different, Sir.

384. *Chairman.*—The explanation on page 345 is “ Due to excesses in the estimates of Bengal, Bombay and Madras counterbalanced by saving in Burma ”. Can you explain that, Mr. Lloyd ?

Mr. Lloyd.—In 1924-25 there was a certain degree of uncertainty and difficulty as to which refunds in the Customs Departments should be voted and which should be non-voted—a question which has not yet been finally set at rest. But when the estimate was originally framed there was a misunderstanding as to the point in Bengal that refunds granted without application from the merchants should be put down as non-voted because they were not strictly payments made under the law. Then by the time the accounts were made out they were classified as voted, although in the budget they were shown as non-voted.

Chairman.—Are the refunds granted in the course of the administration in accordance with powers under the law ?

Mr. Lloyd.—No, Sir ; that was one of the points to meet which we propose to amend the Sea Customs Act—that whenever our audit officers or other checking officers detect in time that there has been an excess recovery of duty, in order to save trouble and without waiting for an application from the merchant, they should pay him the money that has been collected in excess voluntarily. There is nothing in the Sea Customs Act to provide for a refund being made except on application being made by the merchant.

Sir F. Gauntlett.—Technically, if it is made under a statutory provision it is non-voted, but owing to the fact that the Act is considerably out of date you have to make many refunds which are not strictly statutory.

385. *Chairman.*—The explanation of this particular excess is that during the year there was an excess of refunds of this character made votable ?

Sir F. Gauntlett.—It is quite possible that that portion of it can be justifiably set off against savings under non-voted.

The Chairman referred to Refunds of Freight Tax (G. 2) and quoted last year's report.

386. *Mr. Joshi.*—Is there any explanation why a supplementary estimate was not obtained to cover this ?

Mr. Lloyd.—The explanation is given in the next sentence in the footnote. According to our lights we thought we had enough funds to reappropriate from the Bombay appropriation of 47 lakhs and therefore we reappropriated 5,32,873 in the last month of the year. But we found that owing to the occurrence of a large debit in the exchange accounts—over which we have no control—our expectations had been frustrated and the consequence was that we actually were short of funds.

387. *Chairman.*—That raises the question of what steps you take to follow these adjustments from month to month.

Mr. Lloyd.—Of course it is an extremely difficult matter to follow the course of these refunds debited from the exchange accounts ; these represent refunds paid at Seistan or on the North-West Frontier on goods which had been passed in transit through India to Persia or Afghanistan ; it is not very easy to make accurate forecasts.

388. *Chairman.*—Was the whole of this 9 lakhs refund to Persia and Afghanistan ?

Mr. Lloyd.—I think I can say so with certainty ; so far as I recollect these are the only refunds which go through the exchange accounts.

389. *Chairman.*—But were you aware that these refunds would be made ?

Mr. Lloyd.—Transit trade is not very steady ; nor can we follow with great accuracy the rapidity with which the adjustments will come to us through the books of the Accountant General, Punjab.

390. *Chairman.*—Could you not foresee before March 1926 that there were adjustments in respect of refunds for which money would have to be provided ?

Mr. Lloyd.—It is exceedingly difficult because we do not know how long it will take for the accounts to reach us.

391. *Sir F. Goun'lett.*—Is it certain that the goods passed through the customs will pass through eventually into Afghanistan or Central Asia ?

Mr. Lloyd.—Unfortunately not.

Mr. Rajagopalan.—This very point was discussed in connection with Customs and we have suggested a system of cheque payments by which claims can be sent in to Collectors of Customs who will issue cheques, and any cheques issued after the 1st April would be brought into the accounts of the next year.

Mr. Lloyd.—That suggestion has not been considered, but I must now enter an emphatic warning that I am not at all sure that it would be possible under the Anglo-Afghan Convention.

Chairman.—These are not adjustments between the Central Government and the provincial governments, but are refunds to merchants who have paid duty on goods entering British India and recover it when the goods leave British India.

Mr. Lloyd.—Instead of passing the goods through free in transit, we safeguard ourselves by collecting the duty and refunding it.

Chairman.—This refund of 9,75,000 is not for the whole year ?

Mr. Lloyd.—No, Sir.

Mr. Kaula.—It is the last batch of debits.

392. *Mr. Das.*—Is it possible for a merchant to send goods that are in India to a foreign government and ask for rebate ?

Chairman.—He could not get any rebate unless his intention to re-export has been stated at the time.

Mr. Lloyd.—Before the goods arrive at the port of destination. The position is a little complicated in the case of Persia ; it is not really a through transit system. In the case of Persia, it is permissible for a merchant to buy goods in India and by proving identity and subsequently re-exporting them to obtain a refund, not of the full duty but of 15|16ths.

393. *Chairman.*—He has to prove the identity of the goods ?

Mr. Lloyd.—That is so, but it is not necessary at the time of importation to declare intention to re-export. On the other hand in the case of Afghanistan under the terms of the Treaty, the arrangement is definitely one of providing facilities of free transit of goods imported for re-export to Afghanistan, and the easiest way of effecting this is to collect duty and refund it on proof of re-export.

394. *Chairman.*—What is the position as regards Kashmir ?

Mr. Lloyd.—As regards Kashmir, the position is entirely different. In the case of Kashmir we allow goods to be subsequently identified and transmitted to Kashmir, but the rebate is not given to the merchant but to the Kashmir Government in consideration of their admitting the goods duty free to their territories.

395. *Chairman.*—To come back to the question of why there was an excess vote, I think we have a fairly good explanation of how it took place. What we want to know is whether arrangements have been made which would prevent an excess vote occurring as customs refunds.

Mr. Lloyd.—Of course customs refunds are a matter entirely outside our control.

Chairman.—The question is whether in future you will be able to come up for a supplementary grant in time ?

Mr. Lloyd.—We shall make every effort to do so.

Sir F. Gauntlett.—May I suggest that this again is a problem of watching liabilities, and that if the Bombay Collector of Customs ascertained, say for the last three or four years, what he paid through the March final accounts, it would be possible to arrive at a rough estimate of what he is likely to pay through the last March final account again, having due regard to what knowledge he may have as to goods which are passing through Bombay to other foreign states.

Mr. Lloyd.—That brings to my mind one fact that so far as the customs of Karachi is concerned we found that number of goods are declared at the time of importation to be for Afghanistan which actually never go there and the occasion for paying refunds never arises. We are doing our best to remedy the defect in the arrangements which has produced this result, but it is a matter which involves the administration of a Treaty and is not a very simple one. I can assure the Committee that the Central Board of Revenue are doing their best to watch this just as any other item of expenditure and to apply for supplementary grant in good time if we foresee necessity.

396. *Sir F. Gauntlett.*—I presume the Collector would have information that there must be something going in through the March final accounts ?

Mr. Lloyd.—I should like to look at the records and see exactly when these exchange accounts come in and in what months from year to year the debits have been raised.

Chairman.—I think in recommending this excess vote to the House we shall have to recommend that this question of watching liabilities in this particular instance be examined by the Central Board of Revenue.

Grant No. 86-B.—Capital Outlay on Security Printing.

397. **Mr. Cocke.**—Is the Press working now ?

Mr. Lloyd.—Yes ; we are supplying all the stamps in India now.

Mr. Rangaswami Iyengar.—Is there an excess vote here ?

Mr. Lloyd.—No ; a saving.

Mr. Joshi.—Are you now importing any stamps ?

Mr. Lloyd.—No ; we make everything ; we have even found ourselves in a position to consider applications from Indian States to make stamps for them also. We are not printing any currency notes now ; it is still under consideration, I think.

Chairman.—From July 1928 we hope to begin printing currency notes.

Paragraph 111 (p. 83) of the Report.

398. **Sir F. Gauntlett.**—In para. 47 of my letter I have brought out the points in this paragraph which have not been reproduced or raised again in the current year's report and which are still unsettled.

Sub-paragraph (10) dealing with paragraph 55 of last year's Report.

399. **Mr. Cocke.**—Is it still sub-judice ?

Mr. Lloyd.—The case has been to the High Court and although I have heard that judgment has been pronounced we have not yet received a copy of the orders ; we will take action as soon as the orders are received by us.

Mr. Rangaswami Iyengar.—What was the judgment ?

Mr. Lloyd.—A reference was made to the High Court ; I think the conviction was upheld. But the point with which we are principally concerned is what the High Court had to say about the conduct of our officers. I am informed that the High Court directed that certain remarks of the magistrate impugning the honesty of the officers should be expunged from the records ; however, we are not in a position to take any action until we have the actual judgment.

400. **Mr. Kaula.**—No orders have yet been passed with reference to sub-paragraph (11).

Mr. Lloyd.—That case will be placed before the Standing Finance Committee next week ; we are proposing to form a local fund which will be assisted by government which will collect what it can for the cost of vegetables supplied and the balance will be met out of the subvention from government. As regards sub-paragraph (12) we do not quite understand what further orders the Auditor General contemplates should be issued. The responsibility for preventing a repetition of the passing of extravagant plans for quarters of such officers rests upon the Central Board of Revenue and we are aware of that responsibility ; it hardly seems necessary that we should issue orders to ourselves.

Sir F. Gauntlett.—No.

401. *Mr. Kaula*.—(15) to (24) are for information only. (25) is outstanding still.

Mr. Lloyd.—My own information in connection with (25), dealt with in paragraph 78 of last year's Audit Report, is that the Government of India have decided to remit the recovery of the hire charges in question.

402. *Mr. Joshi*.—Why ?

Mr. Lloyd.—It was found that the contract rate was insufficient to give the labourers a fair return, and if we had insisted upon recovery of the hire for these locomotives and trucks, we should have left them working at a loss. Instead therefore of making good that loss and recovering hire, we have taken a short cut and remitted recovery of the hire ; further we have put arrangements on a somewhat better footing in future.

Mr. Neogy.—I hope the fact that the hirer was an officer of the department did not help him to get this contract ?

Mr. Lloyd.—I do not think that would affect the Central Board of Revenue and the Government of India who decided this matter.

403. *Mr. Joshi*.—Do you think it quite desirable that the President of the Society should still be in Government service ?

Mr. Lloyd.—He is now on foreign service.

Chairman.—We took that case pretty fully into consideration last year and, I think, arrived at a settlement.

Mr. Joshi.—That is true ; still I have my doubts.

Sir F. Gauntlett.—He has now returned to the Department, I understand.

Mr. Lloyd.—I am not quite sure about that, Sir.

Mr. Mukherjee.—He has come back to the department from foreign service.

Mr. Lloyd.—I think he has got no financial interest in the matter now ; so I am informed.

404. *Mr. Joshi*.—But another officer has been placed on foreign service for the purpose ; you are retaining the interest of the government officers in the society ; how long is this to go on ?

Mr. Lloyd.—This is a co-operative society of illiterate labourers who find it very difficult without some assistance to go on.

Chairman.—We went into it fully last year and we came to the conclusion that as a Committee we were not concerned with it ; it was fully explained that the government were of opinion that this co-operative society was doing useful work and that a loan of a government officer to it, provided he was on foreign service, was desirable.

Mr. Joshi.—I think it would be much better if the society had the services of a regular officer from the co-operative department.

405. *Chairman*.—The next is (27) ; have any orders been issued ?

Mr. Lloyd.—Orders are under issue in regard to (27). As regards (28) we are fixing the scale saying that in such and such a type of quarters so many electric lights and fan points are permitted.

Mr. Neogy.—I hope we will have a statement showing the financial results.

Mr. Lloyd.—We do not intend to take any action as regards water supply because it is not a very expensive commodity. It is very difficult

to fix the scale, and there is no evidence of waste. To the best of my knowledge, there is no sanitary installation.

Sub-paragraph 31. High cost of generation of current at Sambhar.

406. *Mr. Lloyd.*—That is really a criticism of the original work undertaken at Sambhar.

Mr. Mukherjee.—The Central Board of Revenue is investigating the question of the high cost of installation in consultation with the Commissioner and the possibility of effecting economy.

407. *Mr. Neogy.*—I find that the main reason for the installation of this plant is to pump out water for about six weeks in a year when there is scarcity of rainfall. But I would like to know whether these operations for six weeks in the year justify the heavy cost ?

Mr. Lloyd.—It is really part of the big Sambhar Improvement Scheme, but I would suggest that it is in years of scanty rainfall we are most justified in going to almost any expense to make sure of producing salt.

408. *Chairman.*—The only question before the Committee is what steps, if any, have been taken by the Central Board of Revenue to reduce the high cost of generation ?

Mr. Lloyd.—I don't think we can say anything more just now. We are still examining the question.

Mr. Neogy.—I should like to have a statement showing the units actually consumed for the purpose of driving the pumping set and the units consumed by officers. That statement would give us an indication of the reasons for the high cost.

Chairman.—The position at the moment is that the matter is under investigation by the Central Board of Revenue, and they have not yet come to any conclusion.

Mr. Joshi.—Last year we were told that a special report was submitted to Government.

Mr. Mukherjee.—The Commissioner is still investigating the matter.

409. *Chairman.*—Will you be in a position to put in a statement in time for this Committee to consider it ?

Mr. Lloyd.—To the best of my belief, we shall not be able to do so, but I will look into the matter. At any rate, I will put in a statement confirming what Mr. Mukherjee has said.

410. *Mr. Neogy.*—How is it that the current is sold at such a low cost ?

Mr. Lloyd.—The real answer is we want as a matter of technical electrical working an extra load which does not really cost us much, to keep the thing going.

Mr. B. Das.—You could easily have got the extra load with any other form of mechanical pumping instead of employing such an expensive electrical plant, because you require it only for six weeks in a year.

411. *Mr. Rangaswami Iyengar.*—The point is this. You have set up an electrical installation which is required for only 6 weeks in a year if there is scarcity of rainfall, and you want a particular load to work it. You find that in order to give that load to the electrical plant you have got to supply electricity free to these people. Is it therefore worth while setting up such an expensive plant ? Can you not find your way to dismantle it and place some other cheaper plant in its place ?

Chairman.—I think we can take up that question next year.

The Committee adjourned till Tuesday the 9th August 1928 at 11 A.M.

Evidence taken at the 6th meeting of the Public Accounts Committee held on Tuesday, the 9th August 1927 at 11 a.m.

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|---|---------------------|
| 1. The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman.</i> | |
| 2. Mr. H. G. Cocke. | } <i>Members.</i> |
| 3. Maulvi Abdul Matin Chaudhury. | |
| 4. Mr. B. Das. | |
| 5. Mr. A. Rangaswami Iyengar. | |
| 6. Maulvi Sayid Murtaza Sahib Bahadur. | |
| 7. Mr. N. M. Joshi. | |
| 8. Mr. G. Sarvotham Rao. | |
| 9. Mr. K. C. Neogy. | |
| 10. Sir Frederic Gauntlett, Auditor General. | |
| 11. Mr. T. K. Rajagopalan, Officer on Special Duty | |
| 12. Mr. J. W. Ebden, Director of Army Audit. | |
| Mr. A. M. Rouse, Chief Engineer, Delhi. | } <i>Witnesses.</i> |
| Mr. J. L. Sale, Superintending Engineer, Delhi. | |

APPENDIX XIII.

412. *Mr. Neogy.*—Before we begin with the case itself, may I make a suggestion that we might have a general statement with regard to the organisation of the Delhi New Capital executive? I know very little about it and as to what are its powers and relations to the Government of India in the Public Works Department. We find reference to the fact that certain account rules do not apply to this branch of the administration. Then again, I should also like to have a general statement with regard to the nature of the accounts organisation and the nature of the audit control exercised.

Mr. McWatters.—With regard to the first point relating to general governmental control, there is a body which is called the New Capital Committee which consists of the Honourable Sir Bhupendra Nath Mitra, the member in charge of the Industries and Labour Department, myself as Secretary of the Department, the Consulting Engineer to Government, the Chief Commissioner of Delhi, a Financial Officer, Mr. Rajagopalan and Mr. Rouse, the Chief Engineer. That body has the powers of a Department of the Government of India. All questions connected with New Delhi come up before that body and are dealt with in resolutions. The Chief Engineer of Delhi in his capacity as Chief Engineer is subordinate to that body. That is what I might describe as the executive organisation. As regards the Accounts part, Mr. Rajagopalan might deal with it.

Mr. Rajagopalan.—There used to be an officer called the Deputy Accountant General, Central Revenues, who was responsible for the com-

bined duties of Audit and Accounts, upto September, 1924. The Deputy Accountant General was also the financial adviser of the New Capital Committee. In connection with the separation of accounts, we established a separate office called the accounts office, P. W. D., Delhi, and the audit is entrusted to an audit officer who works under the guidance of the Accountant General, Central Revenues.

413. *Mr. N. M. Joshi.*—Is it test audit or a full audit? *Mr. Rajagopalan.*—It is practically a full audit at present, but the percentage will be reduced.

Sir F. Gauntlett.—I don't think it would be quite correct to say it is a complete audit which is supplied by the audit officer.

Mr. Kaula.—It is not complete audit. It is test audit. Roughly 50 per cent. But we don't propose to adhere to 50 per cent.

Mr. McWatters.—The Finance Member of the Committee, I should add is on that committee as representing the Finance Department. He is actually subordinate in that respect direct to Sir Basil Blackett or rather to the Secretary in the Finance Department.

Mr. Das.—I find the accounting of the Delhi Capital Committee was not kept in accordance with the ordinary Public Works Accounts.

Sir F. Gauntlett.—That is a statement which appears in the memorandum on the investigation into the stores question. The position there was that Sir Hugh Keeling was very anxious to have practically his own system of accounts in New Delhi. He didn't want to be trammelled by the ordinary restrictions of the Public Works code and the scheme of check did depart materially in many respects from the rules laid down in the Public Works Accounts code. The explanation given at the time was that there was a very highly centralised organisation and that much more control could be exercised on the spot than could be exercised in respect of any ordinary executive engineer working under ordinary conditions and that for that reason it was not necessary always to follow strictly the public works rules and in fact Sir Hugh Keeling frankly thought in many respects he could improve upon them.

There was always the accounting and audit office which up to 1924 was a homogeneous office, a consolidated office. The one office did accounting and audit and then in 1924 it was split up into the pay and accounts office working directly under the Government of India Finance Department but attached to the office of the Chief Engineer and outside that there was an audit organisation under myself to audit the accounts.

414. *Mr. Das.*—What I am trying to ascertain is how far are we to blame the former Chief Engineer for the system of accounting.

Chairman.—Aren't you assuming rather a good deal when you begin by saying that you have got to blame somebody?

Mr. Das.—I mean, how far can we hold the Chief Engineer responsible for the work and what control did the Finance Department or the accounting department have on his work, supposing an engineer goes astray in his system of accounting?

Sir F. Gauntlett.—I think the real answer to that is that the system actually followed in the accounts office itself was in accordance with the

provisions of the Public Works Department Code. I permitted no departure from that, but when it came to the question of the accounts actually maintained by the executive engineers themselves, and the control over those accounts we did allow the Chief Engineer a very large measure of independence. That is, we allowed him to do what he thought to be best. I think that would be a correct statement.

Mr. Kaula.—I have no personal knowledge, but I think that is right roughly.

Mr. McWatters.—Might I ask one question : it may arise very pointedly in this stone-yard case. Suppose this committee came to the opinion that a better system of accounts as regards the stone-yard should have been kept, I think you will agree that as the Deputy Accountant General, Central Revenues, was the Audit officer and also the Financial Adviser of the New Delhi Capital Committee, he at any rate had some responsibility for suggesting a better method of accounts. A method for instance of cost accounting from which this wastage system would never have arisen at all.

Sir F. Gauntlett.—Quite. But the combined audit office dates back to 1912 and the system of cost accounting was then practically unknown.

Mr. McWatters.—I think the committee will probably form the opinion that if there had been a proper system of cost accounting at any time when the stone-yard was working at full speed, we should not now be sitting round this table.

Chairman.—I think we had better sit round the table and discuss the question.

Sir F. Gauntlett.—Might I give one answer to that ? That a system of cost accounting is an executive matter, not merely an accounting matter. It is relevant to say that this very question was raised by me in connection with the Backbay Reclamation scheme. I suggested the introduction of a system of cost accounting and Sir Lawless Hepper said on that it might be suitable but he would not have it done by the accounting people and he made his own arrangements.

Chairman.—If I may comment on that, that seems a very natural attitude so long as the accounts and audit are not separated.

415. *Mr. N. M. Joshi.*—Just for information, I want to know what were the powers of the New Delhi Committee.

Mr. McWatters.—It has the powers of a department, which are definite and limited powers. The Governor General in Council is a very different body from any single department.

416. *Mr. N. M. Joshi.*—Did they have the powers of the Finance Department ?

Mr. McWatters.—No.

Chairman.—The finance member of the Capital Committee had the right of access to the Finance Department and he could get guidance from them. But at the same time, he had the right to commit the Finance Department.

Mr. McWatters.—On very important financial questions he would probably not venture to commit the Finance Department. He frequently does reserve financial points.

417. *Mr. Rangaswami Iyengar.*—But to what extent did the New Delhi Capital Committee have powers of reappropriation ?

Mr. McWatters.—The same powers as any ordinary department.

Sir F. Gauntlett.—Would it not be a supplement to that answer to say that in the person of Mr. Rajagopalan, the Finance representative, they would have the powers of the Government of India, subject to the fact that Mr. Rajagopalan has access to the member.

418. *Mr. Cocke.*—May I take the question of accounts ? I see from last year's proceedings of this committee that Sir Hugh Keeling strongly resisted the adoption of an ordinary system of public accounts and Mr. Sale said we had no system of accounts for commercial transactions of this nature. In view of what Mr. McWatters has said, I should like to know whether any definite scheme was put up and if so who turned it down. That I think is the most important thing we have really got to decide in the first instance. Who is responsible for not converting these accounts into a proper system ? Did anyone make a definite suggestion ?

Mr. McWatters.—Not so far as I know.

Sir F. Gauntlett.—I think the Deputy Accountant General, Central Revenues, who was called audit officer in those days, is more subject to criticism as financial officer than as accounting officer. As accounting officer, he was responsible for getting out the Government accounts. As financial adviser it might even be desirable that he should give detailed suggestions to the Public Works Department as to the accounts maintained actually in the stoneyard itself. I can prescribe the form, though they are primarily the responsibility of the Chief Engineer himself.

Mr. McWatters.—My only point was that this suggestion was not made, that it was not turned down by anybody.

Sir F. Gauntlett.—This system started in 1912 and the idea of the commercialisation of Government accounts might have been very much at the back of my mind. It certainly was not anywhere else.

Chairman.—I think the best thing we can do is to take the Appendix clause by clause. Paragraphs 1 to 6 are simply a statement of the position.

419. *Mr. Rangaswami Iyengar.*—I should like paragraph 5 explained. What was this physical verification ?

Mr. McWatters.—This was a note to the appropriation accounts. The physical verification is given in Annexure V, the first part of Mr. Croad's note.

420. *Mr. Rangaswami Iyengar.*—Is it in the nature of a check ?

Mr. McWatters.—It was in the nature of an estimate. It will be remembered that an actual check in the sense of measuring every stone is a physical impossibility.

421. *Mr. McWatters.*—There are some general comments I should like to make on paragraphs 7 and 8. I explained to the committee a few

moments ago the personnel of the New Capital Committee. I think it is but right to let the committee know the amount of work that has gone into the examination of this case. We sat for 8 days from 11 in the morning to 6 in the afternoon going into this case, after having had a preliminary report by 3 members, the Chief Engineer, the Consulting Engineer to Government and our Finance officer of the committee. I suggest that the committee were perfectly entitled to select those three officers. They were the best selection that could be made from their number to go into a technical matter of this kind.

422. *Mr. Neogy.*—Wasn't there a memorandum of evidence ?

Mr. McWatters.—We did keep a fairly full memorandum of all the important points that came out ; but it is not evidence, it is merely for our own guidance.

Chairman.—What is the complaint ?

Sir F. Gauntlett.—There is no complaint. It was intended to indicate that what I have said afterwards cannot be taken as final, because I have not had the same facilities as the committee itself had in coming to a conclusion. I think I may say almost naturally that I have not had the same facilities as the committee had : it is merely a statement of fact, so that if I had made any suggestions in the concluding portions of the note, the committee should have an opportunity of ascertaining from the New Delhi Capital Committee what were the reasons which led them to come to a particular conclusion.

Chairman.—I have read this as an unfavourable comment.

Sir F. Gauntlett.—It is merely a statement of fact.

Mr. McWatters.—You suggest that it was wrong to put the Chief Engineer on the committee because the Committee would be likely to be unduly influenced by his technical advice. Now I contest that. I consider it was the best committee we could have put up.

423. *Mr. Rangaswami Iyengar.*—Is it correct, Sir, that the Chief Engineer had very strong views and expressed them on the matter ?

Mr. McWatters.—He no doubt had them. I suggest that the technical officer in charge—after all he was the Chief Engineer—was not on his trial in this case. It was mainly the officers working under him and he was best able to explain technicalities to the other members of the committee.

Mr. Rangaswami Iyengar.—That is a matter of giving evidence.

Sir F. Gauntlett.—I think the crucial point is that the Chief Engineer had been generally in charge of that particular work at the time.

424. *Mr. Neogy.*—May we take it that this statement in the note of the Auditor General is correct ? That the Superintending Engineer's own responsibility in certain matters was one of the subjects of the investigation.

Mr. McWatters.—That is quite true and I might say that when the new Capital Committee considered the responsibility of the Chief Engineer he was not allowed to be in the room : we came to our conclusions after asking him to remain outside.

425. *Mr. Joshi.*—Isn't it a disadvantage that he should be a member ?

Mr. McWatters.—He is a member *ex-officio* of the main Committee. We put on our own Consulting Engineer, the man who understands about stone work and the Finance officer on the sub-committee. We thought they would be able to produce the best report.

Mr. Rangaswami Iyengar.—Anyhow, the facts are there.

Paragraph 9.

Chairman.—Paragraph 9 is important. It links with paragraph 21, of course.

426. **Mr. Neogy.**—It requires an explanation as to why Mr. Croad's report was withheld at the beginning.

Mr. McWatters.—That can be easily explained. I should like first of all to explain what Mr. Croad's report was. This question of the suitability of the wastage factor had been called to the attention of and had been taken up by the authorities of New Delhi from about September 1923. They found the original amount that was allowed for wastage was much too small ; they put Mr. Croad on special duty to make a personal count of stock and they also instructed him verbally to examine the best method of calculating wastage. But the latter was not the main object of the report. The only reason I mention this is because there is an apparent discrepancy in what Mr. Sale described as the main object of Mr. Croad's report and what Mr. Rouse actually directed him to do. He did both. He made this actual count of balances and his figures were incorporated in the report by Mr. Grindal which was subsequently ordered. We accepted his figures as regards balances but did not agree with the remainder of his report as regards the calculation of the wastage. We put Mr. Grindal the Accounts Officer on to look into the matter further. At that time this report was not given to audit. It was given a month after it had been asked for, but the part that was accepted was incorporated by Mr. Grindal in his inquiry. The fact of the matter is that Mr. Croad's report is in a sense preliminary : it was not a final report ; it was one that indicated that further examination was necessary of this particular factor.

427. **Mr. Neogy.**—What is this that Mr. Rajagopalan described as a few pencil figures ?

Mr. Rajagopalan.—I probably misunderstood Mr. Sale. I thought he said pencil. It is a rough note, at all events.

Mr. McWatters.—The main point is that it was not considered as a final report. It was considered as a report obviously indicating a further inquiry. I think if you will look a little way down Mr. Croad's Report, on page 21, you will see that report was clearly a note to the Superintending Engineer because he asks a rhetorical question " How can you get 18 lakhs of cubic feet of stone out of 12 lakhs ? "

428. **Mr. Neogy.**—What was Mr. Rajagopalan's intention in belittling the value of this report ?

Mr. Rajagopalan.—It was a rough document. It was really in the nature of an office note. It was actually placed in the hands of audit, one month after I wrote my demi-official letter of the 15th June 1926.

Sir F. Gauntlett.—We didn't get it till July 1926. The report was actually made in March 1925.

Chairman.—But at the same time this is explained as a departmental document and I think you will agree that there are very good reasons why internal office documents should not as a rule be placed before audit.

Sir F. Gauntlett.—Isn't it a fact, Sir, that the Chief Commissioner had ordered it to be sent ?

Chairman.—I am not dealing with that but we have got to be careful. It is suggested here that the committee should emphasise that documents should be made freely available. There are special rules in the Government of India as regards the placing of office notes and memoranda in the hands of audit because the free working of both departments may sometimes be hampered.

Sir F. Gauntlett.—I have not seen those rules yet. There are no rules which have been drawn up to my knowledge, no rules since I was given statutory power.

Chairman.—There are rules of business surely.

Sir F. Gauntlett.—They were drafted before I was given statutory power.

Chairman.—But they still remain in force. The statutory power is not to see these memoranda but to see the decisions, departmental decisions.

Sir F. Gauntlett.—Well books, papers and writings are rather wide. Perhaps we had better not raise the question at this particular moment. It is a very big question which I should prefer to leave to separate discussion altogether.

429. *Mr. Neogy.*—What accounts for the delay ? The documents after all came to the audit department.

Mr. McWatters.—The delay was because the document was a preliminary document which led up to Mr. Grindal's report. His inquiry took about six months and was completed in November 1925 and as a result of his inquiry Mr. Rouse asked for a further independent inquiry.

430. *Mr. Rangaswami Iyengar.*—Why did Mr. Rouse ask for a further inquiry ? He was not satisfied with it ?

Mr. McWatters.—He was not satisfied that the actual wastage figures had been accurately got out. We did not know that the wastage estimated was correct.

431. *Mr. Rangaswami Iyengar.*—I take it Sir, that when you received Mr. Croad's report that the wastage allowed was so small that there had been a great deal of loss in transit in the receipt of the total quantity originally sent.

Mr. Rouse.—No. It was a question of wrong calculation. One of the main figures of doubt was the opening balance which Mr. Croad took in his report and I could not satisfy myself that we had arrived at a correct figure of the cost of the stone which of course involves the question of wastage.

Chairman.—We now come to paragraph 10.

Mr. McWatters.—That is a merely formal comment. The real question comes later.

Paragraph 11.

Mr. McWatters.—It is a book balance.

432. *Mr. Neogy.*—If the engineers arrived at any figure of reasonable wastage apart from the details of the present case, cannot you have an idea as to what would be the wastage in a similar case ?

Mr. McWatters.—It is rather difficult to get a close comparison because there are so few works of this kind and none of this magnitude going on in India. The Audit report mentions only one example for comparison, viz., Portland stone ; but the conditions are entirely different as regards Portland stone. It is a kind of stone that you can cut out much more easily from the quarry and can make it into the shape you want. The only other comparison I can suggest is one obtained from Martin's who are building the Nizam's house in Delhi. They first of all, I believe, took 60 per cent. for wastage but found that is too high and they are now taking 40 to 45 per cent.

433. *Chairman.*—Are they using the same kind of stone ?

Mr. McWatters.—Yes, but they are building a far less complicated building, and they have actually found by experience that they are working on a wastage which is practically the same as we have worked out.

434. *Chairman.*—It is less complicated because they have only one building ?

Mr. McWatters.—Yes, and also the shape of the stones.

435. *Mr. Cocke.*—Does it confirm this figure ?

Mr. McWatters.—Mr. Croad's figure is practically the same if you correct it by the later figures for receipts of rough stone as adopted in Mr. Grindal's report. It works out to the figure we have in the report.

Mr. Joshi.—The Auditor General's note says that the wastage ought to have been suitably adjusted in the accounts of the past.

436. *Mr. Neogy.*—Whose function was it to adjust it ? Was it the function of the Finance Member ?

Chairman.—It was the function strictly of the executive, namely, in this case, broadly, the New Capital Committee. I suppose it was rather the function of the Finance Member of that Capital Committee.

437. *Mr. Joshi.*—May I ask who first discovered the deficit ? The audit or the accounts ?

Mr. McWatters.—I am not quite sure.

Mr. Kaula.—The new accounting officer noticed the deficit and that led to the enquiry.

Mr. Rouse.—We had a Financial Assistant to go into the accounts in 1923. Just before I went on leave, I had to get out an estimate for this. We used to do it year after year in those days.

Mr. McWatters.—We have actually a note by Sir Hugh Keeling in 1923 in which he said that the matter ought to be gone into, and as a result of that this enquiry was taken up.

Chairman.—It was first taken up diligently by the new Pay and Accounts Officer, or rather it became a burning question from the time of his action.

Mr. Kaula.—Even after that annual certificates of correctness of accounts were given.

Mr. Das.—One inference I am inclined to draw at this stage of the discussion is that while in other Departments of the Government the Financial Adviser controls the action of the Department, here I find the Financial Adviser could not control the action of the Chief Engineer.

Chairman.—I am not quite sure that the Financial Adviser can control the action of the Department. That is rather a big statement.

Mr. Das.—He could influence their decision.

Sir F. Gauntlett.—Might I also state that up to the time of the separation of accounts and audit, the officer in charge of this work was a comparatively junior officer in the second class—a man with 10 or 12 years service. There ought to have been a more responsible officer in charge. The status of the post was fixed long before I took over charge. If you get an officer of 10 or 12 years service working as Financial Adviser to a man with Sir Hugh Keeling's independence, he does not carry much weight.

438. *Mr. Joshi.*—The Auditor General has also suggested that the enquiry should have indicated how the difference was caused. Was it a fact that that was not enquired into ?

Sir F. Gauntlett.—You are 10 paragraphs ahead of us. That is only a statement of what the enquiry should have done.

439. *Mr. Rangaswami Iyengar.*—Paragraph 12 says that the accounts officer had not been able to examine the difference in quantities and accounts for it.

Mr. McWatters.—May I read one paragraph from Mr. Grindal's report. (Reads). " While it should be borne in mind that a large number of the factors adopted in arriving at what should have been the actual balance, particularly those marked " A " above, are problematical, it may, nevertheless be concluded that the stone paid for has been actually received in Delhi."

440. *Mr. Rangaswami Iyengar.*—That is a question of fact. I am asking the question of accounts.

Mr. Rajagopalan.—Might I say exactly what was done and why it was considered unnecessary to do more. The transactions from April 1923 onwards were reconciled, the quantity accounts being checked with the works account, both for the receipts of rough stone and issues of dressed stone. The works accounts were posted from the bills in the Accounts Office and the quantity accounts were posted in the stoneyard from the chalans or invoices. From 1923 onwards there has been a reconciliation. As a result of the Accounts Officer's check Mr. Croad's opening balance was increased by nearly 9 lakhs of cubic feet. That is the whole snag. Even earlier, the Deputy Accountant General, Central Revenues, used to carry out a test check of the quantity accounts ; and in addition the ' carry-forward ' figures were completely examined from month to month by Mr. Grindal, so that for all practical purposes we may take it that it is not necessary to go back and check very old accounts.

441. *Mr. Cocke.*—Did it occur to any one to add anything for wastage ?

Mr. Rajagopalan.—They took 10 per cent. to start with, afterwards they found that 20 per cent. was necessary and it is only recently that we have made it 41 per cent.

Mr. Rajagopalan.—For the purposes of reference we have also given copies of the full report of the Sub-Committee.

442. *Mr. Joshi.*—Do you admit the statement.... (reads).

Mr. Rajagopalan.—These were the conclusions of the Sub-Committee. I was a member of the Sub-Committee.

443. *Mr. Rangaswami Iyengar.*—14 (a) (1). (Reads). Have you been able to trace the actual loss on account of that ?

Mr. McWatters.—No.

Mr. Kaula.—Was any investigation made to find it ?

444. *Mr. Rangaswami Iyengar.*—Why was not this point taken up that the staff was not sufficiently responsible ?

Mr. McWatters.—It is certainly important that the people who are both making initial measurements and check measurements should be responsible and it is important that you should be satisfied that the people there were suitable. Both the New Capital Committee and their Sub-Committee did not think that the procedure at the quarries was the best possible.

445. *Mr. Rangaswami Iyengar.*—Are you satisfied that the measurements were accurate ?

Mr. McWatters.—We considered that there was no evidence of loss to Government although the actual procedure at the quarries was one which we thought could have been improved.

Mr. Kaula.—Was any investigation made so that if there was a loss it could have been discovered ?

Mr. McWatters.—It could have been only discovered indirectly I think by the fact that you had not got your stone. There is no other method, Mr. Rouse, is there by which you could trace the loss ?

Mr. Rouse.—We actually trace every bit of stone.

Mr. Kaula.—Because you found the total quantity roughly has been correctly accounted for, therefore you think that there was no loss ?

Mr. McWatters.—May I read what the New Capital Committee wrote on that ? (Reads).

446. *Mr. Rangaswami Iyengar.*—May I put it to you that this attempt at working backwards from the actual quantity that you have got is not a fair way of finding out as to whether there was any actual loss in connection with measurements owing to the employment of a staff which was not sufficiently responsible ?

Mr. McWatters.—We are prepared to admit that the system could have been improved. In fact we have ordered now that the headman at the quarries should be made to record all the measurements himself. In those days work at the quarries was very much bigger than it is now and therefore they did deliberately at that time adopt the system of record by work munshis.

447. *Mr. Rangaswami Iyengar.*—Was this fact before you that the men were not sufficiently responsible and as such they exposed Government to serious risks of loss? Is it not necessary for us to scrutinise even more accurately than apparently has been done the actual stocks that have been received here, because we have got the admission of the accounts officer himself that there has not been a really exhaustive check?

Mr. McWatters.—This is the full statement of the Sub-Committee. In the Auditor General's note it is not stated in full. (Reads). "It is true that the munshis employed were men with quarry experience and, subject to adequate supervision, were, by tradition and experience, more suitable for the work than Public Works Department subordinates but the two members of the Sub-Committee referred to consider that the system adopted exposed Government to undue risk of loss and, in their view, the fact that such loss has not resulted does not condone the deficiencies of the system."

Mr. Rangaswami Iyengar.—You state here that there was no loss because the total quantity of dressed stone, rough stone, etc., came to the proper figure.

Mr. McWatters.—We have accounted for all the stone received in one form or another.

448. *Mr. Joshi.*—It is quite possible there may have been a loss, because if you get less of dressed stones and more of ballast, then there is certainly a loss although the quantity may be the same?

Mr. Rajagopalan.—The contract is only for the supply of rough stone.

449. *Mr. Rangaswami Iyengar.*—Here we have certain facts that the people were not sufficiently responsible, the accounts were not kept properly, there has not been an efficient verification of stock, and there has been difference of opinion between two officers as to the wastage that ought to be allowed. Do you not think that these point to an uncertainty or suspicion that everything was not all right and was it not your duty to find out the true facts?

Mr. McWatters.—I do not think that there is any uncertainty that the stone that had been paid for was not received. I admit that the system was one which might have been improved.

Chairman.—I think the Committee will recognise that this question was brought up before this Committee last year, and since then it has been more fully examined first of all by a Sub-Committee and then the New Capital Committee itself for 8 days and we have its conclusions before us. We must give some weight to the hard work that the New Capital Committee and the Sub-Committee have done and I think the first thing to do is to elicit quite clearly what are the views of the Committee and why?

450. *Mr. Neogy.*—Are we not entitled to know as to why it is, now that we have the advantage of Mr. Rajagopalan's presence on this Committee—why it is that Mr. Rajagopalan took a different view from what is being put forward on behalf of the Committee with regard to this clause about the insufficiency of responsibility and undue risks of loss. Being the Finance Member I want to attach a little more weight to the opinion of Mr. Rajagopalan on this subject.

Mr. Rajagopalan.—I have not expressed any difference of opinion eventually. The Sub-Committee had certain facts to go upon and came to certain conclusions.

Mr. McWatters.—In the New Capital Committee we went further than the Sub-Committee did. We sent for the actual officer who was making the measurements at the quarries and he appeared before us for a whole day and we went through the actual books with him to see how he made the measurements. After examining him and seeing the supervision which he exercised at the quarries we came to the conclusion that though the system might have been improved, yet looking upon it at this distant date, the check may reasonably be considered to have been on the whole adequate.

451. *Chairman.*—Did Mr. Rajagopalan differ from that conclusion ?

Mr. Rajagopalan.—Not at all, Sir. I fully accept it.

Mr. Neogy.—It looks as if Mr. Rajagopalan has since changed his opinion.

Mr. Rajagopalan.—We had the advantage of hearing the people who actually did the work.

452. *Mr. Das.*—May I know what the views of Mr. Rouse are.

Mr. Rouse.—Might I explain the nature of this supervision. These quarry men—not only did they measure, but they had to reject the quarried stone. The ordinary Public Works Department subordinate knows nothing on earth about stone and the nature of stone. These men have worked in the quarries all their lives—all their families have done it. The ordinary rule is that the measurements must be made by a subordinate of the Public Works Department. If we had him there we should have thought that he would be working, but it is a most inclement spot and he would have become sick or got tired of it and gone away. So we employed men with the knowledge and experience necessary for dealing with this stone. It would have been possible for us to do what we have done with the whole of our staff in Delhi. Our staff is temporary and we could have appointed these people as Public Works Department subordinates, and brought them on to the establishment instead of having them as work-charged men and that would have really satisfied the rule. At the same time, what the Sub-Committee felt was not that these people were not the best people to do the work, but that there should have been a more superior supervision, that is to say, you should have either had an assistant engineer or an executive engineer at the quarry.

453. *Chairman.*—Eventually you in the New Capital Committee did agree with that conclusion ?

Mr. Rouse.—Yes. It would have been a good thing if we had done it.

454. *Mr. Cocke.*—I understand this officer who appeared before you for a whole day is responsible for measuring stone in Delhi.....

Mr. Rouse.—At the quarry.

455. *Mr. Cocke.*—You were satisfied that there were no discrepancies between the quarry and the stoneyard ?

Mr. Neogy.—Are you so satisfied with the present arrangements that you are prepared to recommend its continuance in future ?

Mr. McWatters.—We were satisfied that he was doing his work properly.

Mr. Rajagopalan.—The Sub-Committee themselves visited the Stone Yard and Mr. Harris personally measured a number of stones and we

found that the invoiced measurements were lower than the actual measurements. That was what influenced the Sub-Committee.

456. *Sir F. Gauntlett*.—There was a surprise check by members of the Committee ?

Mr. Rajagopalan.—Yes. Mr. Harris himself measured and he spent a lot of time over it.

457. *Mr. Kaula*.—Is it not the case that in 1926 the Chief Engineer had to make an experiment personally to find out what was the correct method ?

Mr. Rajagopalan.—It was only for a statistical purpose as Mr. Sale puts it.

458. *Chairman*.—We have done (a) (1), (2) and (3).

459. *Mr. Neogy*.—May I ask again my question as to whether the Committee consider the present arrangement so very satisfactory that they are prepared to recommend its continuance ?

Mr. McWatters.—That is rather a difficult question to answer. The present arrangements are now entirely different because the work is practically closing down. If the work were starting again on the same scale, my answer would be that we would put in a more senior officer at the quarries.

Chairman.—Your conclusion is that no loss has resulted, but that does not in any way condone the deficiency. We now come to (b).

Mr. McWatters.—All these points are dealt with in a later paragraph. May we take up paragraph 21. The most important suggestion made in paragraph 21 is at the end. That is a very technical matter which Mr. Rouse will explain. The Sub-Committee of the New Capital Committee did consider the best method of arriving at the wastage figure and they rejected this method as being completely impracticable. I could almost explain it myself although I am only a layman. You take a stone, say, 7 inches high, and you want to get a 6-inch block. You have a loss of 16 per cent. straightaway. Suppose you have a stone 6½ inches high, the loss will be 10 per cent. It is quite clear from that that the actual wastage will vary almost in every class of stone. It would not be correct to say that there would be 200 or 300 classes of stone but probably thousands showing a different amount of wastage. This method of Mr. Croad's is an impossible method of arriving at the wastage figure.

Mr. Rouse.—A number of these prints I have had brought up for the use of the Committee. This is a working drawing made out from the stone-yard. There are 5,000 drawings which have been received from the architects and they are still being received from them. Of these 5,000 drawings about 50 per cent. have been revised once, twice or even three times. At any rate, they have been revised. When we get these drawings from the architects they go into the stone-yard and these working drawings are prepared from which we lay out on the floor the actual size of the stones and cut templates (a template is a thin sheet of iron cut to a certain shape). A stone like this will have a template there. I have had drawn on these

just for the purpose of the Committee sketches, I do not say, of all but a great many of the different stones that there are in this particular drawing. As I say, there are 1,800 of these drawings in the stoneyard and they are still coming on.

Mr. McWatters.—I may say that Mr. Croad is absolutely in agreement with this view.

Mr. Rouse.—I do not know how many thousands of templates we have made—10,000 or 20,000 at the least.

Chairman.—What then is your answer to the suggestion of the Auditor General regarding Mr. Croad's method ?

Mr. Rouse.—His figure from the books did not tally at all with what the accounts people had got, and I said to him that we must try and see what the wastage is. There is the record of the mistry who actually cut the stone. That book is an internal book designed to make the contractors' mistries make the most out of the stone. We issued them stone not as it came straight from the stone quarry but mostly as it comes from the saws, when a large percentage of wastage has already occurred and then we give him that stone and it is entered in his book. This is an internal thing, and the fact is that the actual amount entered in his books is less than what he got. His whole interest is to try and show that he has done a good job of work ; it was really only introduced to try and make the mistries make the best out of the stone, but you cannot arrive from this at a wastage factor by mere calculation.

460. *Chairman.*—In view of this explanation, have members anything to say ?

Sir F. Gauntlett.—My idea is not that you should take 1,800 different types of stone and take the measurement of each individual stone ; what I had at the back of my mind was that you should get a rough idea of wastage on the more elaborate stones ?

Mr. Rouse.—Of course the wastage with ashlar is fairly constant.

Sir F. Gauntlett.—It was really a question which I raised in order to get this discussed in front of this Committee. Would you accept as a rough figure that there may be 35 to 40 per cent. of the total stone in the form of ashlar

461. *Chairman.*—I think from the point of view of this question, we have had a fairly full explanation.

Mr. Rangaswami Iyengar.—Would it not have been possible under a proper system to measure the stone when you received them, after the issue of these stones ?

Mr. Rouse.—It is a very difficult thing to follow each stone through all these processes. I will show you a sample, this model of a rough stone. You see into how many pieces it is cut. We were working day and night and dealing with hundreds of stones every day. It was perfectly impossible to keep an account of each individual stone.

462. *Sir F. Gauntlett.*—Now if you were doing all this stone work again, would you at the outset make a very elaborate attempt to estimate what a reasonable wastage should be ?

A.—I should accept what we have arrived at now. If I was starting all over again, my difficulty would have been to find the data, which we do not possess. We might have gone home and arrived at a certain amount of useful information but it does not apply in the same way.

463. Q.—Does not that point to the fact that these estimates must be made on the spot after a very elaborate experiment ?

A.—Yes.

Mr. Neogy.—Supposing you had a private firm of contractors ?

Mr. McWatters.—They would not be in a better position than you are. They have of course experience of small buildings ; but the wastage varies enormously with the class of building.

464. *Chairman.*—With reference to the last sentence of paragraph 22 of the Auditor General's suggestion that ' the Public Accounts Committee may well ask why 14 per cent. of the stone in the yard, which presumably has all been paid for, should be so bad as to be unfit for dressing ', what would you say ?

Mr. Rouse.—Well this was all chips, it was not rejected stone.

Mr. McWatters.—The next point in paragraph 21 is that Mr. Croad's figure has got to be compared with our higher figure for wastage. Of course Mr. Croad's 23 per cent. has got to be considered in the light of later figures of stone received. There is no discrepancy between the two reports at all, really. Mr. Croad was working on figures which were not accurate. Mr. Grindal obtained later figures, and if you substitute the figures Mr. Grindal had for the earlier figures, you get the same result.

465. *Mr. B. Das.*—Both these gentlemen were servants of the State ?

A.—Mr. Grindal is an accounts officer and the other is an Executive Engineer. They are both here now if the committee wishes to see them. The figures which Mr. Croad worked on were incorrect ; but the conclusions are identical, given the correct figures. It is only a question here of what were the correct figures to calculate on.

Chairman.—I think the Auditor General is satisfied with the answer ? The result of Mr. Croad's figures was such that it was obvious that a further investigation was required to see what the actual facts were and it was found that Mr. Croad had been given incorrect figures to work on and that explains the difference between 23 per cent. and 41 per cent. That is the only cause of the difference, otherwise the wastage percentage is the same.

466. *Mr. Rangaswami Iyengar.*—Did Mr. Grindal arrive at the wastage independently ?

Mr. Rajagopalan.—Yes. He went through all the books. He took the actual physical balance, as verified by Mr. Croad.

Chairman.—We cannot really do the whole investigation over again. I understand from you that Mr. Croad is in entire agreement with the corrected results of his own investigation. We will now pass on to paragraph 23.

Mr. McWatters.—When they started at the very beginning, people had very little idea as to what was practicable in regard to the conditions

they could enforce on contractors, and the actual terms as stated here were never enforced because they were not practical. Mr. Rouse can explain the matter and prove to you quite conclusively that you cannot do more in the quarries than get out quarry-squared stone, and if you attempted to get anything more out of the contractors, they would have asked for very much higher rates.

467. *Mr. Neogy.*—The real point is that although there was a difference in the specifications, there was no difference in the rates ?

Mr. Rouse.—If you had attempted to get from the contractors more, they would have simply thrown up their contract, it would have been impracticable, they would have doubled their rates.

468. *Mr. Rangaswami Iyengar.*—Was any attempt made by the authorities to get any reduced rates accepted by the contractors, and did they refuse ?

Mr. McWatters.—We have a record on our file which shows that two months after this first contract was entered into, the various Engineers were themselves asking in what form the stones should be obtained from the contractor ; they did not really realize what this memorandum implied. Mr. Sykes, now a Member of the Assembly, was Executive Engineer at the time and he did not know what this memorandum meant.

469. *Mr. Joshi.*—When it was found that the original specification could not be observed, did you attempt to regularize the whole thing by imposing new conditions ?

Mr. Rouse.—In the new agreement we have got absolutely tight conditions.

Mr. Rangaswami Iyengar.—When were they made ?

Mr. Rajagopalan.—They were made in 1925 or 1926 I believe.

Mr. Rouse.—It is very difficult to say whether the original memorandum was given to the contractors.

Mr. Rangaswami Iyengar.—Is there any record to show that the contractors observed all that the Government expected of them : the question is what the Government bargained with the contractor and whether the contractor made good the bargain ?

Mr. Rouse.—There was this memorandum for the guidance of contractors. There are only two important points in this memorandum. I had not seen this memorandum till it turned up the other day.

470. *Q.*—In what respect is it different in the new system ?

Mr. Rouse.—We now call for tenders for large blocks of stone in drums. We now pay for those drums on the finished measurement *plus* 10 per cent. and we pay for the squared block, *plus* 10 per cent.

471. *Mr. Rangaswami Iyengar.*—With regard to the specifications which you expected from the contractors, when you found that these clauses were unworkable what steps did you take to find out that they conformed to these clauses ?

Mr. Rouse.—I cannot undertake to say what happened in 1915. From the time I took over, the same system has been in force.

Chairman.—The point is that you actually did not insist on the conditions that you had specified to the contractors as regards dimensions and that you did not, in consequence, alter the rates that you were paying for the stones that you received ?

Mr. Rouse.—That is what must have happened in 1915.

472. *Chairman.*—Then, if you had strictly stuck to your contract, the contract would probably have been thrown in ?

A.—Yes.

Chairman.—Are you satisfied that there was no case for making a new contract at slightly different rates ?

Mr. Rouse.—I think we are perfectly satisfied on that point. They were following the ordinary procedure for the sale of stone to the public, and I do not think the contractors ever thought that there was any difference from what they were ordinarily supplying to the public.

473. *Chairman.*—Was this ever regularized in the New Capital Committee or by the Chief Engineer ?

Mr. Rouse.—Assuming it was an irregularity, no. That is I think dealt with in paragraph 14 of the Sub-Committee's Report.

Mr. Rangaswami Iyengar.—The point here is this. You have been at pains to explain to us that the words 'stone will be squared but not dressed' do not really mean that the contractor should be put to the expense of supplying squared stones and therefore the word 'squared' must have referred to something which is not actually understood by the word.

Mr. McWatters.—The people who framed it did not really know its implication.

474. *Mr. Rangaswami Iyengar.*—Did you make any conditions as to the form in which these stones should be delivered to you, or was there any expense which you incurred in putting them into shape before it was delivered ? You made no charge whatever, and you merely measured the stone as delivered—whether it was rough, square or in any shape ? There must be some meaning attached to it, and what was that meaning ?

Mr. Rouse.—More or less square blocks but not dressed, there is no specific meaning attached to the word 'square'—it meant 'roughly squared'.

475. *Mr. Joshi.*—Was any stone ever rejected on account of size ?

Mr. Rouse.—I think there were occasions when they were on account of quality but not I think on account of size. We lived from hand to mouth to get stone practically of any size. Now we are getting to the end of the job and we have not got the same number of different varieties of stones. We enforce all specifications in the special contracts for the supply of large stones. The rate of supply of stone has been the key to the progress of the New Capital Works and our tendency has been to accept any stone that we could possibly accept for economical use.

476. *Mr. Neogy.*—Does not that follow that when blocks of irregular shapes and sizes began to come in this system was no longer applicable, the whole arrangement broke down and you took whatever you could get ?

Mr. Rouse.—I was rather differently inclined from the view of the other members of the Sub-Committee that there were indications of this

attempt to produce square blocks in the earlier stages. My own impression is that in practice there was no difference in how they measured.

477. *Mr. Rangaswami Iyengar.*—In other words, you do not agree with the Auditor General when he says that loss may have been caused on account of this ?

Mr. Rouse.—No.

478. *Chairman.*—Paragraph 25. Have you any remarks, Mr. McWatters ?

Mr. McWatters.—The only comment I have to make is on the word “merely” in the last but one line. We relied more on the general procedure at the quarries. These stones cannot be man-handled ; they are put by machinery straight from the quarry into the trucks on the rails and the rails run right into the quarries. There was a separate rail branching into two branch lines, one going into the contractor’s quarry and the other into the Government quarry. In these two quarries the big stones were put by machinery in the trucks and then they came down the line and were checked and measured by the man in charge. The first point that I want to make is that it would really be impossible to substitute any one individual stone for another. The only possibility of loss would be the substitution of a whole truck, but this would have meant practically the connivance of everybody concerned at the quarries. The stones were also serially numbered, checked and measured. We thought, as a result of a detailed examination of the procedure at these two quarries, that there was no real possibility of substitution. The Sub-Committee did mention that there also a subsidiary check from the fact that the State was interested in seeing that substitution did not take place.

479. *Mr. B. Das.*—Mr. McWatters has explained that every stone is labelled and sent by clerks. If that be so, the balance of the stone at the stone yard ought to be correct.

Mr. McWatters.—There is no suggestion that the amount of stone which was paid for was not received. The only point we are trying to deal with is whether particular stones which could be paid for at a lower rate were paid for at a higher rate. If there is any suggestion that all the stones were not received, that certainly is not the case.

480. *Chairman.*—That is not the point that arises. We are asking Mr. McWatters this question. Are you satisfied, and if so on what grounds, that the stone put on the trucks at the quarries was exactly received at the stone yard.

Mr. McWatters.—Yes. Record is sent in triplicate and one copy goes to the stone yard. Every stone which comes from the stone yard is identified and checked.

481. *Mr. B. Das.*—I do not understand this statement of the Chief Engineer that the stock registers showed an entirely fictitious balance.

Chairman.—That is quite a different question. The officer’s estimate was based on a certain figure and it is a physical miracle to have more stone in the yard than ever can be there. That led to further enquiry.

Mr. McWatters.—The document which the officer signed really certified that stone was in the yard when it was not.

Mr. Rouse showed photographs of the stone yard and explained how there was plenty of stacking space for any quantity of remnants, while his statement only referred to the rough stone stacks in the centre of the yard.

Chairman.—Your point is quite a different one, Mr. Das, and I think that there is no question now as to the actual delivery in the yard of all the stone sent from the quarry. That does not arise.

482. *Mr. Kaula.*—What is the cost of your stone from Government quarry ?

Mr. Rajagopalan.—Rs. 1-3-0 a c. ft.

483. *Mr. Kaula.*—What is the contractor's rate ?

Mr. Rajagopalan.—Re. 0-14-0.

484. *Mr. Kaula.*—The difference is 5 annas. May not part of the difference be due to wrong delivery, that is, stone received from Government quarry being paid for as contractor's stone ?

Mr. McWatters.—You cannot eliminate entirely the risk of fraud ; you can minimize it by supervision ; and the answer is that you would have had to employ a very highly paid officer at the quarry. The New Capital Committee went into the question very carefully and recorded their view on this point in their Resolution.

485. *Mr. Kaula.*—Has the difference of 5 annas been satisfactorily accounted for otherwise ?

Mr. Rouse.—Yes.

486. *Mr. Rangaswami Iyengar.*—The point still remains if there has been loss to Government.

Chairman.—We have definite answer that there is not only no evidence of that, but that they have satisfied themselves that it is extremely improbable that it took place. We cannot come back to hypotheses of that sort.

Mr. McWatters.—I suggest to the Committee that what the New Capital Committee decided in their resolution is substantially correct.

Chairman.—We are really on conclusions now. We have been through the questions raised.

Mr. McWatters.—As I said, we have gone into the question very carefully. It is dealt with in the resolution ; the exact wording was carefully weighed and I do not want to alter it in the least.

Chairman.—Do you agree with the Auditor General that it has not been proved that there has been no loss ?

Mr. McWatters.—I do not think it is possible to disprove it absolutely. The question seems to me to be how far the system was faulty and whether improvements of so important a character as to safeguard completely from loss were possible at a reasonable cost.

Mr. Das.—I would only point out that I am inclined to agree with the views of the Auditor General that there has been monetary loss.

Mr. Rangaswami Iyengar.—Let us discuss our conclusions separately.

Paragraph 27.

Mr. McWatters.—There is just one preliminary point. The situation now is very different from what it was when the greater part of these things were occurring, in that the work is now drawing to its close. The committee in their report did not think it necessary to deal with the measures they were taking to improve the system. The Finance Member of the Committee in consultation with the Chief Engineer has, however, introduced certain changes which he will state.

Mr. Rajagopalan.—As regards paragraph 27 (a), the arrangement now is that the overseer on the spot in the quarries should take all the measurements himself and should not trust work munshis to do it for him.

Mr. McWatters.—That is physically possible now because the work is on a smaller scale.

Mr. Rajagopalan.—He is a responsible subordinate. As regards (b) the bulk of the stone is now supplied on special contracts in which detailed conditions and penalties have been attached.

Mr. Rouse.—As regards the method of measurement for payment, under the new contract large size stones are paid for, practically at the finished sizes.

Mr. Rajagopalan.—In addition to the special contracts we have the old contract still going on. But the method of tight measurement is well understood by contractors and we do not want to make a change for the very small residual delivery. Stones are being inspected and rejected at the quarries in respect of the deliveries under the old agreement.

487. **Mr. Neogy.**—The old system still continues.

Mr. Rajagopalan.—Yes, because we hope to close up shortly.

Sir F. Gauntlett.—Have the actual agreements been tightened up in respect of these matters ?

Mr. Rajagopalan.—It was not thought advisable to close down the old agreement at this stage. Supplies under the old agreement are very limited.

Chairman.—Then (c). What check is now exercised over the degree of compliance with those portions of the agreement indicated in (b) above ?

Mr. Rajagopalan.—The subordinates at the stone yard check 50 per cent. in addition to the full check at the quarries. There is another check of 10 per cent. over that, by the stone yard officer. We have now asked for records of these checks to be maintained.

488. **Chairman.**—(d). What measures are taken to ensure that stone taken from a Government quarry is not paid for as stone taken from a contractor's quarry ?

Mr. Rajagopalan.—I understand that the Government quarry is more or less defunct ; so the question does not arise.

489. *Mr. Joshi.*—Is the difference in rate between Government quarry and contractor's quarry due only to the proprietary rights of the Government quarry ?

Mr. Rajagopalan.—There was a big rock which had to be cut away. As a matter of fact we had to keep the Government quarry going in order to ensure our supplies.

Mr. Rouse explained by means of a drawing the amount of overburden in the Government quarry they removed ; in the other the contractor had to do it. They could not tell what stone was underneath. In the one case, the contractor took the risk of finding out what he had got there.

490. *Chairman.*—(e). Are proper stone store accounts maintained ? What arrangements have been made for a periodical check, etc. ?

Mr. Rajagopalan.—Stock is now taken by the accounts officer. He has got stock verifiers who check the stocks. As regards accounts, we are still working out some details and we would probably have to consult the audit officer as to their exact form. We do not want to introduce a full fledged costing system, because we are practically winding up. We propose to see what can be done in the direction of improvements.

491. *Chairman.*—(f) about wastage. Have you anything to say ?

Mr. Rajagopalan.—The Chief Engineer claims that a very thorough attempt has always been made to keep down wastage. Feats of utilisation have been attempted. In a few cases a much bigger length than shows itself on the outside is obtained by cutting diagonally and so forth.

Sir F. Gauntlett.—My point is this. If there is any marked difference between the shape of the stone that you get out of one quarry and out of another, the general figure of wastage that you might attain from these transactions would not be of very great value.

492. *Chairman.*—What is the effect of incorrect figures of wastage that were used at an earlier date ?

Mr. McWatters.—There would have been serious effects if the stones had been sold to the public at reduced rates which only made allowance for an incorrect rate of wastage but this did not take place.

493. *Sir F. Gauntlett.*—Would it make a difference in the estimated cost of stone in the buildings ?

Mr. Rajagopalan.—The estimates have been exceeded and revised on this account.

Chairman.—That means the capital cost of Government House, Secretariat and the Council Chamber had to be increased.

Mr. Rajagopalan.—Yes. We have had to put on extra debits to those works.

494. *Mr. Neogy.*—That means a larger commission to the architect and others ?

Mr. Rajagopalan.—No, because the architect is paid a lump sum irrespective of the cost of work done on the original estimates.

495. *Chairman.*—If a private building is constructed with these stones, the man would have to pay more for it ?

Mr. Rajagopalan.—I am afraid so. But the Chief Engineer has assured us that stone work even with this additional cost is cheaper than stone work elsewhere in the world.

Chairman.—The Committee will have to come to conclusions by discussing among themselves, but before the witnesses go, I would like to be sure that there are no more questions to be asked.

496. *Mr. Joshi.*—Why was not the whole of the difference due to wastage adjusted ?

Mr. McWatters.—Because the earlier wastage figure had to be revised.

497. *Mr. Joshi.*—Paragraph 10 of the Memorandum. Did any other causes contribute to the largeness of the difference and did such causes indicate mere book errors or something more ?

Sir F. Gauntlett.—It is a mere statement. Mr. Kaula who drafted it merely meant it to be considered.

Mr. Kaula.—So that you can judge for yourself.

498. *Mr. Neogy.*—Paragraph 18 deals with disciplinary action. I want to know if the Committee has got anything to say ?

Mr. McWatters.—The New Capital Committee recorded their view that this action was adequate ; they went into these matters very carefully and considered that it was necessary to make the censures which they have made. If any member wishes to criticise any of these decisions, I will explain in more detail.

499. *Mr. Neogy.*—Why was it that an admittedly unqualified official was employed in that particular position at stone yard offices ?

Mr. McWatters.—We considered it a mistake that a man with high technical qualifications, who is an authority however only on stone and its application to buildings, should have had imposed upon his work which really would have been much better done by a separate accounts officer or executive engineer. We thought it was not quite fair. In apportioning the blame which we did on this officer we did take into account the fact that he was, in our opinion, put in a position which was scarcely fair to him. If he had had a very competent accountant to guide him or had an officer above him who was dealing with accounts, he would have been guided on the right lines. We were satisfied that when signing the document he thought he was signing a formal document. He did not really pretend to have checked the various things which he had not checked. After examining the matter very carefully, we thought this was the amount of censure we could legitimately impose upon him.

500. *Mr. Rangaswami Iyengar.*—About this stone yard officer, you say that he is certainly to blame ?

Mr. McWatters.—We qualified our apportionment of the blame. I have explained why we considered the circumstances extenuating. We had to record censure certainly.

501. *Mr. Joshi.*—So he got more than what he would have got as a mere technician.

Mr. Rouse.—I think he got Rs. 900 to Rs. 1,100. He is now on Rs. 1,100 from 1924 onwards. His pay was raised with the increased duties.

Mr. Rajagopalan.—He started on Rs. 600 and got annual increments of Rs. 50

502. *Mr. Joshi.*—As a mere technical officer, he would have got the same thing ?

Mr. Rajagopalan.—Not quite.

503. *Mr. Joshi.*—But you made him Superintendent of the stone yard and he happened to get more ?

Mr. Rajagopalan.—Slightly more. Some slight addition was given in view of his increased duties as an independent sub-divisional officer.

Mr. Rouse.—We found him a most capable officer, and this is the largest stone yard in the world. He was put in charge of the quarries and the transport work, and he was one of the most efficient of our officers. The New Capital Committee in apportioning any blame felt that he had not been properly supported in the matter of his accounts work, which after all was a thing of which he had no experience.

504. *Chairman.*—That it was the fault of his superiors and not his fault ?

Mr. Rouse.—As far as the officer himself is concerned, he has done the Government extraordinarily well in the execution of his work. No firm at home would ever have put one man in charge of the job or was likely to have got a man who could do it.

505. *Chairman.*—In so far as he made a mistake that was censurable in signing a document of which he knew little, it was a duty which ought to have been purely formal or which some one in higher authority ought to have undertaken ?

Mr. Rouse.—Or he should have received sufficient support.

Mr. McWatters.—The other case is that of the Quarry Superintendent. He recorded on the chalans that the measurements were made by him. As a matter of fact in some cases he did not do the complete measurements himself but they were recorded by his work-munsi under his supervision. They were however certified as made by him, which certainly to the ordinary person would indicate that he had measured them himself, which he had not done. It was however the practice before he came there, and we took that into account in apportioning our censure. He was doing it we considered without any intention of misleading anybody, because Mr. Cairns and everybody knew what the procedure at the quarry actually was.

506. *Chairman.*—What about the question of whether any superior authority should be held responsible for employing this man ?

Mr. McWatters.—We had evidence before us that this particular question of the employment of Mr. Cairns and the exact nature of his duties had been before the New Capital Committee and that therefore if any one was responsible, it was done with the cognizance of the Government of India as represented by the New Capital Committee. Therefore we did not think it fair to censure any of the staff.

507. *Chairman.*—That it was a deliberate decision taken by the Government of India ?

Mr. McWatters.—A decision in coming to which the Finance Member of that particular Committee definitely made special enquiries as to exactly what was intended.

Mr Rouse.—He was put in charge in 1920 by Sir Hugh Keeling but the Government had cognizance of the facts subsequently—about 2 years later—when his pay was to be raised. At this time it was carefully explained what his duties were and why his pay should be raised, so that the Finance Member knew specifically what those duties were.

508. *Chairman.*—It was Sir Hugh Keeling, the Chief Engineer, who was responsible ultimately for employing him in this capacity, from 1920, but the facts came before the New Capital Committee only on his application for more pay and no question was then raised ?

Mr. McWatters.—It is clear from the records that they did go into the question of his duties.

509. *Chairman.*—But not whether it was suitable to employ this particular man ?

Mr. Rajagopalan.—There was only a question of increased pay and instead of giving the increase asked for they agreed to a smaller increase. The case came before the New Capital Committee purely on a question of increased pay, and the Finance Member could not possibly have gone into all the aspects of the organisation.

Mr. Rangaswami Iyengar.—Mr. Rouse told us that all the facts were put before the New Capital Committee and the Committee knew exactly what Mr. Cairns was expected to do.

Chairman.—Under those circumstances the Committee felt there was no particular superior officer on whom they could lay blame or censure and that if there was anybody at all it was the Chief Engineer.

510. *Mr. Neogy.*—In his application for more pay did Mr. Cairns lay stress on the fact that he was required to do some work for which he was not quite fitted and for which he had no qualification ?

Sir F. Gauntlett.—I think I can speak on the point because I remember the case coming up before me for audit. There was a technical question raised as to the increase of pay when he was already serving under a contract. I remember holding quite clearly that as additional duties were being imposed on him which did not enter into the terms of the original contract it was perfectly legitimate for him to ask for more pay.

511. *Mr. Neogy.*—How was it the Finance Member's attention was not drawn to this fact ? It was not merely a question of bargain—he asking for so much and the Committee giving him a little less.

Chairman.—The Finance Member you are speaking of is of course the Finance Member of the New Capital Committee.

Sir F. Gauntlett.—The only question I had to deal with was not to criticise the administrative arrangements but merely as to whether a new contract could be entered into.

Mr. Das.—But if the man receives a higher salary for doing certain work, he must be held responsible for that work.

512. *Mr. Neogy.*—And by agreeing to the increment you must have practically endorsed the view that he was giving efficient service, not merely as a technical man but also as a man in charge of that depot.

Mr. McWatters.—I think the New Capital Committee of the day did endorse the executive arrangements when they agreed to the increased rate of pay.

Sir. F. Gauntlett.—I presume it would be fair to the New Capital Committee to say that Sir Hugh Keeling evidently thought the man was fitted to undertake these duties and the New Capital Committee accepted that view.

Mr. McWatters.—I think there is on record a statement about Mr. Cairns by Sir Sydney Crookshank in which he expressed in the strongest terms his opinion about Mr. Cairns and his suitability for doing the work.

513. *Mr. Neogy.*—And if this officer based his claim to an increase of pay on the ground that he was doing something which normally he is not expected to do, certainly he cannot be allowed to say in the same breath that while he was signing these certificates he was thinking it was purely formal work.

Sir F. Gauntlett.—I think you are again making an assumption, Mr. Neogy. As far as I remember the papers—it was of course 4 years ago—there was no suggestion by Mr. Cairns that he was being asked to undertake work for which he was not suited. The only point that was put up was that the Government were asking him to undertake new duties and therefore an additional rate of pay was justifiable.

Mr. Neogy.—I mean that ; that is exactly what I said.

Sir F. Gauntlett.—You were presuming that he admitted that he was not fit for the work.

Mr. Neogy.—No. What I mean is if he bases his claim to increase of pay on the ground that he was given additional duties he cannot be allowed to say now that he took the performance of those duties as a mere formality, signing documents without looking into them.

Mr. McWatters.—He has not actually ever said that.

Chairman.—I do not think he has said anything of the sort.

Mr. McWatters.—He did not pay as much attention to that document as he ought to have done. We censured him for it and we pointed out the circumstances which in our opinion have a bearing upon the gravity of the censure. We have dealt with the question of the Superintending Engineer separately.

Chairman.—As regards the question of the responsibility for appointing this particular officer as Sub-Divisional Officer it was the New Capital Committee itself that was responsible, that is, the Government of India, for this particular appointment.

Any more questions ?

Then I think we must come to our conclusions on this when we discuss our report.

The Committee adjourned till 2-45 P.M.

Proceedings of the 7th meeting of the Public Accounts Committee held on Tuesday, the 9th August, 1927, at 3 p.m.

1. The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., *Chairman*.
2. Mr. H. G. Cocke.
3. Maulvi Abdul Matin Chaudhury.
4. Mr. B. Das.
5. Mr. A. Rangaswami Iyengar.
6. Maulvi Sayid Murtuza Sahib Bahadur.
7. Mr. N. M. Joshi.
8. Mr. G. Sarvotham Rao.
9. Mr. K. C. Neogy.
10. Sir Frederic Gauntlett, Auditor General.
11. Mr. A. F. L. Brayne, Financial Secretary.
12. Mr. G. M. Young, Army Secretary.
13. Mr. T. K. Rajagopalan, Officer on Special Duty.
14. Mr. J. W. Ebdon, Director of Army Audit.
- Mr. A. M. Rouse, Chief Engineer, Delhi.
- Mr. J. L. Sale, Superintending Engineer, Delhi.

Members.

Were also present.

Witnesses.

514. *Chairman*.—We take now Appendix XIV with the annexure thereto—the memorandum of Mr. Roche. This is in general the question of the purchase of stores for New Delhi. It is a little difficult to make this discussion very relevant and I do not know whether there is any method of shortening the discussion.

Mr. B. Das.—I would suggest Mr. Rajagopalan making a statement and we could discuss it.

515. *Chairman*.—Are you prepared to do it, Mr. Rajagopalan?

Mr. Rajagopalan.—Very well, Sir. An inquiry was promised to the last Public Accounts Committee and an inquiry was carried out with regard to stores transactions brought to notice in the last year's appropriation accounts. The terms of reference are set out in paragraph 3 of this memorandum. They were settled in June 1926. I communicated them to the Accountant General, Central Revenues and he was good enough to draft another set of terms of reference. I mentioned that at a subsequent meeting of the New Capital Committee who considered that as an inquiry on these restricted lines would itself cost us a lot of money—an officer was on special duty for more than three weeks—an extended inquiry would cost more. Moreover we had certain reforms in hand by which stock accounts were being tightened up. That being so we thought that an inquiry into the specific matters mentioned in the Audit and Appropriation Report would be quite sufficient to give a lead to the Accounts and other officers as to the course to be adopted. That was how the terms of reference as originally fixed were not enlarged as a result of the Accountant General, Central Revenues' suggestion.

Sir F. Gauntlett.—May I make one comment on that general question before we pass on to the details of the report? It has always to be remembered that when an audit officer conducts a test audit he necessarily cannot take up all the transactions during the period to which his test relates. The action which the auditor took led to certain comments in the last year's report, and this committee then decided that there should be an inquiry into the administration of the stores. I suggest as a general principle that when an inquiry is being held like that, it is not correct in principle to restrict it merely to what was found out by the audit officer; of course the audit officer is not there to audit the whole transaction but to ascertain whether there are evidences of inefficient administration. That is all that I wish to say at the present moment with regard to the scope of the inquiry.

Mr. Rajagopalan.—The inquiry, though restricted in scope, was one in which the audit officer and his assistant were both present and in fact it was not confined to individual cases but questions of principle were fully allowed to be ventilated. The findings of Mr. Roche are contained in paragraphs 8 and 9 of this memorandum. The main finding was that the question of economy played too important a part as regards the staff entrusted with the custody and purchase of stores in the past and that there were no serious losses to Government disclosed except those detailed in paragraph 9; he also found that the system of audit and accounts had some responsibility in the matter because the officer responsible for stores and traffic had sub-divided his orders in order to be within his sanctioning powers. It is mainly on that matter, I think, that Mr. Roche held that the audit officer was to blame. In paragraph 9 the cases in which excessive prices had been paid are specified. The amount of these purchases comes to about Rs. 20,000 in a total of operations running to crores, though, of course it is admitted that there was only a test check and if a fuller check had been made probably greater losses might have been discovered. In paragraph 9 the defects of the system are set out fully. The New Capital Committee were not quite satisfied with Mr. Roche's report; they thought—that the controlling officer could not divest himself of all responsibility in the matter of the purchases at excessive rates and so they asked me to make another investigation as to the extent of that officer's responsibility. The conclusion at which I arrived is given in paragraph 10—that the controlling officer possessed the data necessary for the proper scrutiny of rates and that he did not scrutinise the rates of the purchases made by the divisional officer. As against these, it must be said that the controlling officer had a lot of other duties to do; he was not merely in charge of stores.

Mr. Rouse.—He was the superintending engineer of the electrical and mechanical circle. He was responsible for the electrical and other original works still going on, for the erection of the power house, the construction of the distribution schemes and of all electrical work.

Mr. Rajagopalan.—Supervision of stores formed only a small part of his duties; but all the same the New Capital Committee decided that they would express a certain amount of displeasure. The finding of the Committee is given in the next paragraph. (Here the findings were read out). As regards the responsibility of audit the Committee felt that their conclusion could only be provisional till they were in possession of the Auditor General's views.

516. *Chairman.*—As regards the rest of the memorandum, what does it contain ?

Mr. Rangaswami Iyengar.—You have not read the Auditor General's remarks and findings from paragraph 13.

Mr. Rajagopalan.—It is repeated in the Audit and Appropriation Accounts of this year.

Chairman.—Mr. Rajagopalan has taken us up as far as clause 13 ; he has told us facts as regards the scope of the Committee and the results of the Committee's investigation and the findings thereon. The rest of the memorandum, I think, is comment by the Auditor General on the findings of the Committee. I should think the easiest way would be for us to take the Auditor General's comments now.

517. *Mr. Rangaswami Iyengar.*—Except on this first point which the Auditor General has raised I do not want to put any question on the scope of the inquiry. You will find by reference to the Public Accounts Committee's Report last year that the words used are :—“ We are informed that a departmental inquiry is being instituted to inquire into the general questions raised by these paragraphs in regard to the collection of materials in advance or in excess of requirements and the position of the store accounts. We trust that the inquiry will result in improved control.” Did it not suggest itself to you that your inquiry should not be circumscribed in the way in which you thought fit to do ?

Mr. Rajagopalan.—It was not circumscribed in the sense that you imply, Sir. We started with certain instances given in the Audit and Appropriation Report and we invited the audit officers to be present at the inquiry ; any general comments arising out of those instances which they made have been duly taken into account by Mr. Roche in his findings. It seems to me that the individual instances naturally led to a consideration of the general principles.

Mr. Rangaswami Iyengar.—I think this paragraph goes much further than a mere inquiry into particular instances : we say there “ ... and the position of the store accounts ”. That includes the general principles upon which you maintain your store accounts.

Mr. Rajagopalan.—If you will kindly go through the terms of reference as set out in paragraph 3 you will find that it was resolved “ that a similar inquiry be instituted in regard to any other irregularities that have been brought to notice by the Audit Office in respect to stores generally ”. We did not in fact want the inquiry to be confined to particular instances, without a consideration of the general principles emerging from them.

518. *Mr. Rangaswami Iyengar.*—My point is this : it is not merely the questions that arise out of the irregularities that you detect, but the questions arising upon the position of the stores accounts ; that is what we wanted you to examine, whether the store accounts as now maintained are in due form and whether they would lead to the irregularities which were detected by the accounts officer.

Mr. Rajagopalan.—These questions have been specifically answered by Mr. Roche and he said that the accounts now introduced are quite satisfactory.

519. *Chairman*.—What is the essential difference between the inquiry that actually took place and the presumably wider inquiry that you did not undertake ?

Mr. Rajagopalan.—It would have involved Mr. Roche, actually going and taking out fresh instances of orders placed and finding out the rates ; we thought we had enough to go upon and that it would give us sufficient results, especially in view of the fact that we were tightening up the whole system.

520. *Mr. Rangaswami Iyengar*.—Has Mr. Roche made any recommendations in regard to the position of store accounts ?

Mr. Rajagopalan.—I think he was generally satisfied with the new system of accounts and the new system of control that we have introduced.

Chairman.—I cannot see that there is really very much in principle between the inquiry that did take place and the potential inquiry that did not.

Mr. Rajagopalan.—I submit, Sir, there is really no difference ; the audit officers were given full opportunities to express their views.

521. *Sir F. Gauntlett*.—I want to put it in this way : that if the auditor in the limited inquiry he had made had found numerous instances in which prices had been paid which were much above the market value, would it not have been desirable that that inquiry should have been extended over other periods and commodities also ?

Mr. Rajagopalan.—We thought that as we were tightening up the system in other ways the lessons that we could derive from the particular instances would be quite sufficient to guide us. Even supposing there were losses in other directions, there was no use in pursuing the matter.

522. *Sir F. Gauntlett*.—The men really responsible had already left the service ?

Mr. Rajagopalan.—Yes.

523. *Chairman*.—Is it not a question of what was the object of the inquiry ? It was with a view to remove defects and suggest improvements ; it was not a roving inquiry into possible errors that might have taken place ; the object was to effect improvements ; and the view taken by the New Capital Committee was that they had a sufficiently large number of cases without their instituting anything like a roving inquiry and possibly encountering other difficulties.

Mr. Rajagopalan.—Exactly so, Sir.

524. *Mr. B. Das*.—One point that the Auditor General wanted, to determine the extent of responsibility of officers, the New Capital Committee entirely avoided ; this inquiry did not touch it at all.

But the Accountant General did suggest it ; his terms of reference were not accepted ; and I confess that looking at that.....

Chairman.—I should have taken the same view as the New Capital Committee ; the shorter terms of reference were sufficiently ample to achieve the purpose ; it was not a roving inquiry ; nor was it an inquiry to fix responsibility on particular people for possible errors. It was with a view to suggest improvements and remove defects.

525. *Mr. Rangaswami Iyengar.*—That is primarily the idea ; and in order to do that you must know all what happened.

Mr. Rajagopalan.—We had a very fair specimen of what happened. The Chief Engineer tells me that the audit officer had spent three or four weeks on his particular inspection of the store yard.

Mr. Kaula.—As the Auditor General has pointed out it is a test audit ; only a very small percentage of the transactions was examined.

Mr. Rajagopalan.—As compared with the previous overhauls, it was a phenomenally exhaustive inquiry.

Sir F. Gauntlett.—Yes ; we had a very useful report.

Chairman.—We come now to the Auditor General's comments in clause 13 on the findings of the New Capital Committee.

526. *Mr. Rangaswami Iyengar.*—This raises the general question. Have you anything to say on that, Mr. Rouse ?

Mr. Rouse.—This was an accumulation of years in the course of the construction of the new capital. The greater part of this was incurred at a time when the markets were fluctuating violently and there was considerable difficulty in obtaining stores ; and we had to look to the point of getting the job done. We had to look pretty far ahead and get more stores in than would be required on an ordinary job ; it was not very easy to forecast exactly what your requirements in stores would be during the next twelve months only ; a good deal depended on what plans were got ready and what buildings could be proceeded with. Another point was the question of economical purchasing. In the case of pipes for example we purchased very largely in 1919 before the rise took place and on that particular item we saved the government a very large sum of money ; it is just like a business firm going to the market and purchasing early in anticipation of a rise in prices.

527. *Chairman.*—One of the difficulties here is that we are dealing with transactions a large proportion of which took place during and just after the war ; but as regards what is said by the New Capital Committee—“ In such a project, it was in the public interest that stores should be stocked without strict reference to a time limit within which they could be utilized ”—that is a general statement, quite independent of war and post-war years. Is it not rather a less cautious statement than you would be inclined to make ?

Mr. Rouse.—It certainly is not in a project like this, as I said a good deal depends on the preparation of the plans ; you do not know really from month to month or rather from six months to six months what buildings you would be working on.

528. *Chairman.*—But you would in that case be working without reference to the time limit ?

Mr. Rouse.—A larger time limit than the ordinary time limit.

529. *Mr. Neogy.*—What proportion of the stores are procured in India and what proportion outside India, roughly ?

Mr. Rouse.—I cannot answer that question off hand.

530. *Mr. Neogy.*—The necessity for storing materials in advance might not be so great in the case of stores obtainable in India as in the case of

stores from England, and the question of violent fluctuations in the market rate also would not arise in connection with Indian stores to the same extent as stores from England ?

Mr. Rouse.—I think they did ; the stores in India fluctuated quite as violently in response to prices in Europe.

Chairman.—More at that time probably.

Mr. Rajagopalan.—May I suggest that Mr. Sale be called in because he was actually in charge as Chief Engineer last year ?

(Mr. Sale came in and took his seat.)

531. *Mr. Rangaswami Iyengar.*—I should like to have a little further information. The Auditor General says in paragraph 13 “ It may be pointed out that the figure of 35.37 lakhs referred to is under reserve stock only, that is, it is exclusive of manufacture accounts of stone, bricks, marble, water supply materials and of ballast, etc. ” Can you tell us approximately how much stock ahead you have under those heads ?

Mr. Rouse.—Stores in excess of 12 months’ requirements are 13.69 lacs ; that as a matter of fact includes about 7 lakhs of rupees of electric fans which were being used every day ; they are not really stock but they are still borne on stock accounts.

Chairman.—With a view to shortening the discussion, so far as the particular point is concerned, I think the Public Accounts Committee would agree that the existing Public Works Department Code rule is a very good one and we cannot do very much more in this particular case than to express our views strongly that it is one that cannot be followed too strictly in the interests of the State.

532. *Mr. Rangaswami Iyengar.*—That is why I want to put it to you that we must dissent from the view of the New Capital Committee. I want to know whether nothing guides you in regard to purchase of stores, except what you think at the moment to be the right thing to do. You may think it is cheaper to buy a thing now than five years hence ; what is the principle upon which you would buy forward ?

Mr. Rouse.—The principle that we know definitely that it would be required this year or even next year ; if we found that we were getting a cheap quotation in our opinion, we would probably go beyond the year.

533. *Mr. Rangaswami Iyengar.*—Shall I say you will not go beyond two years ? I want to have some limit to this kind of thing. What is the limit you have in your own mind ? What are the principles that guide you in making these purchases ?

Chairman.—We want to get away to some extent from the time of war and get along to general principles ; what troubles me in this memorandum is the general statement that it was in the public interest that stores should be stocked without strict reference to a time limit. I should not like to endorse this and I think the Committee has that feeling too ; of course we are willing to recognise that during the war and post-war years there was some justification possibly for departure from the rule—but not as a general proposition.

Mr. Rajagopalan.—May I say this, that no order can be placed without being previously vetted by the Accounts Officer, and in cases of doubt a reference is made to the Finance Officer of the New Capital Committee and the case is taken up in the Committee.

534. *Mr. Rangaswami Iyengar.*—But the New Capital Committee has a very extended opinion of what to purchase and what not to purchase.

Mr. Rouse.—Nowadays one would not go to the same extent as one did then because prices and things have become more settled. If I was starting again and if it is a case of a very large quantity of rolled steel beams, I would probably go beyond the year, seeing that a very large quantity is required and I should get a better tender for a larger quantity than for a more limited quantity.

Mr. Rajagopalan.—Supposing two years instead of one year were fixed as the time limit ; it would perhaps meet the case.

Chairman.—Two years would be a ridiculously long period. At the same time I think that a rule that in no circumstances should you go beyond a year, would be unduly restrictive. One is obviously up against a difficulty.

Mr. Rajagopalan.—As a matter of fact, the bulk of the purchases are now made through the Indian Stores Department.

Mr. Rangaswamy Iyengar.—I am concerned with the question of purchasing in advance of requirements, and I say there must be some principle. It ought not to be left to the discretion of either the Chief Engineer or the New Capital Committee.

Sir F. Gauntlett.—First of all, there must be sufficiency of stock to ensure the progress of construction and subject to that consideration, economy should be the main principle. In determining whether a particular purchase is economical or not, one has to take into account, on the one hand, the interest which accrues on the capital expenditure from the moment that it is incurred and on the other hand, the possibilities, as *Mr. Rouse* has pointed out, of being able to get a better tender. If you ask for supply of a large amount in one order, that does not necessarily follow that the whole payment must be made at one time. The delivery might be progressive and payment made on delivery.

Mr. Joshi.—Violent fluctuation in my judgment is not a good reason for stocking larger quantities of material than are actually required. It is a good reason for stocking less, because Government is not a speculator nor is it in the position of a merchant.

Chairman.—It may or may not be, but the conclusion that I am inclined to draw is that if we could only get to a system of letting out to a contractor the whole of the thing I think we should be much better off.

Mr. Rouse.—It was not possible to do so.

535. *Mr. Joshi.*—I should like to know the names of some items which you thought should have been purchased in larger quantities in those days.

Mr. Rouse.—One of the items was pipes which cost a considerable sum of money.

Mr. Cocke.—I have had a good deal of experience in checking stores, and the ordinary consideration which guides the storekeeper in ordering

additional stores is, you have got to get an idea of your normal consumption and when you find that your stock would last for 3 or 4 months you should order for a fresh supply. But the ordinary rule does not apply in a case like this. It is very difficult, I think, to lay down any rule for ordering stores in big works of this sort. For certain articles you might have to call for tenders and in such a case you have got to look 6 or 9 months ahead, because the stuff might have to be got from Calcutta or outside India.

Chairman.—In a case of this sort, the Public Accounts Committee is not so much to conduct an inquisition into the past as to lay down in suitable language one or more general principles which are going to be useful hereafter in securing economy in the building of New Delhi.

Mr. Rouse.—I may mention that when an officer sends his application for purchases now, he has to show the balance as well as the actual consumption as also the annual consumption. All these things have to be entered in the application before asking for permission to purchase. So we keep control over that always, and if he wants to purchase more than what is necessary, he has to justify the demand.

Clause 14.

536. *Mr. Rangaswami Iyengar.*—Have you anything to say on this, Mr. Rouse ?

Mr. Rouse.—This is rather a special case. When these articles were purchased, our electric light were cancelled on the walls, and the conduits fixed to those lights were of porcelain manufactured in Delhi. At the time when we wanted to make these, the price of steel conduits was very excessive. Sir Hugh Keeling very right and with great foresight said, we will try the others, and there were two reasons for it. One was cheapness and the other was the development of the porcelain industry in Delhi. As a matter of fact, the porcelain conduit has proved unsatisfactory in that it was not sufficiently water tight, and there was condensation inside. So they went bad. The sequel to this is this, that we have now replaced these by steel conduits, and the cost of doing so has actually produced a saving of about Rs. 40,000; after allowing for writing off the value of the whole of the porcelain conduits.

Chairman.—It is rather a strong justification.

537. *Mr. A. Rangaswami Iyengar.*—Your case is that the failure of the experiment far from resulting in loss has resulted in a saving.

Mr. Rouse.—That is so.

Clause 15.

538. *Mr. Das.*—What sort of disciplinary action was taken against this Officer ?

Mr. Rouse.—The matter was brought to our notice by the Audit. We took some time to consider it and in the meantime the officer went on leave.

539. *Chairman.*—Was his departure in some sense a punishment or was it after the discovery of this irregularity ?

Mr. Rouse.—He was reverted to the military ; he did not return.

540. *Mr. Neogy.*—Why was he allowed 4½ months' leave ?

Mr. Rouse.—Let me tell you briefly the history of this case. This officer first came to us in the last Delhi Durbar. He did very good work for us. He belonged originally to the Ordnance Department as a sergeant. I must say that he did extremely good work, and he was a very hard worker. Then he was put in charge of stores and traffic, and he had to run all the traffic, that is to say, delivery of stores to the works and so on. On the whole, he did extraordinarily well. But I think the gentleman was in many ways somewhat stupid. His chief fault was that he was thoroughly in the hands of his storekeeper, who was directly under him. He had no bad intentions, but as I said, he was thoroughly in the hands of his storekeeper who used to put up papers for his signature, and these papers this officer used to sign without proper inquiry. It was a question of getting his job done, and I don't think he realised that his action might be considered as tantamount to hiding the prices he was paying. The storekeeper was dismissed.

541. *Mr. Rangaswami Iyengar.*—The position so far as the Committee is concerned, is this. You say you are perfectly satisfied with his honesty and with his work. What I should like to know is whether you think that a man who signed the indents without inquiry as they were produced by the storekeeper is really a good worker ? Don't you think that his negligence or indifference is a serious indication of his incapacity or suspicion as to his character ?

Chairman.—I think, in view of what the Chief Engineer has said, it was stupidity rather than a case of *mala fides*.

542. *Mr. Neogy.*—How is it that you allowed him to go on leave at a time when the inquiry was pending and when you were not in possession of all the facts to enable you to come to a decision as to his complicity or *bona fides* or *mala fides* ? Did you anticipate the disclosures of the inquiry that was pending and exonerate him in advance of the findings ?

Mr. Rouse.—I should like to look up the file before I could answer that question.

Chairman.—The position is this, that as a result of the inquiries that were going on you had brought home to this officer before the further inquiries that were to be made, his responsibility for signing the orders. You yourself reached conclusions regarding this particular officer's responsibility, and on the strength of that you allowed him to go on leave as a sort of punishment. But the question is, was it reasonable in such circumstances ?

Mr. Rouse.—He was being reverted to his previous employment.

543. *Chairman.*—The question is why was that officer in such circumstances allowed 4½ months' leave ?

Mr. Neogy.—Was it not to enable him to escape the findings of the Committee ?

Mr. Rouse.—Most certainly not.

Chairman.—We had a statement that the officer was reverted to his former appointment on the ground that he had not shown sufficient ability to be retained. It was probably a very good reason for sending

away the man sooner because probably at some later date he might have made some bigger mistakes.

Mr. Rangaswami Iyengar.—The ordinary procedure in such cases is to suspend the man pending inquiry. That is what you ought to have done.

Chairman.—As a matter of fact, I had to take exception to the retention of such a man, because it is not after all an economical thing to keep such officers.

Mr. Rajagopalan.—A departmental inquiry was made and he had submitted his written explanation.

544. *Mr. Rangaswami Iyengar.*—What was his explanation ?

Mr. Rouse.—His explanation was that he signed about 3,000 orders in a year and he was only condemned for about 30 orders, and that he got no credit for the good work he had done.

545. *Chairman.*—The position is, when action was taken in reverting this officer, the authorities in charge had come to a certain conclusion in regard to his work. They were not aware that there was necessarily going to be a further inquiry. The question whether they ought to have granted him leave or not is a subsidiary question and besides it is a separate question. But what sort of disciplinary action, Mr. Rouse, would you have taken against him had he been retained ?

Mr. Rouse.—We might have reduced him to a more subordinate position.

546. *Chairman.*—But he would still have had an opportunity of reverting to his former employment.

Mr. Rouse.—Yes, but his reversion was a kind of punishment, because his former employers did not take him on. His was rather a curious case. They had promoted him to the rank of an Honorary Lieutenant in advance of his turn. So they could not quite fit him at that time into their cadres. They practically refused to have him as an Honorary Lieutenant. He was cleared out. They said they did not want him because he was out of turn.

547. *Mr. Rangaswami Iyengar.*—In other words, in reverting him you practically deprived him of his job ?

Mr. Rouse.—That is so.

548. *Chairman.*—As regards leave, he was entitled to more but you only gave him 4½ months ?

Mr. Rouse.—That was so. It was a very complicated case between the military authorities and ourselves.

549. *Mr. Joshi.*—My question is this. Since this morning we have had cases of two persons who were placed in positions of responsibility for which they were not really fitted. In one case it was said that the officer signed certain statements without realising his responsibility. Here again we find that this officer signed certain orders brought before him by his subordinate without looking into the documents. I want to know whether this system of promoting officers to responsible positions when they are not really fit to discharge those responsibilities is common in the New Delhi organization ?

Mr. Rouse.—The answer to that is, especially after the war we had the greatest difficulty in obtaining suitable officers, and if I may say so, we were never encouraged to increase our establishments, and therefore we did our best with the men available.

550. *Mr. Joshi.*—Did the New Capital Committee consider the responsibility of those higher officers who made these appointments? Because here it is a clear case that the officer did not know his work at all, because if he signed orders that were placed before him by his subordinate without looking into them, it is certainly wrong to punish the subordinate, who was as a matter of fact punished, simply because he was placed under an officer who did not know his duty.

Chairman.—I think we have had sufficient information from the witness under this head. Let us now get on to clause 16.

Clause 16.

551. *Mr. Neogy.*—What was the disciplinary action taken against the Superintending Engineer?

Mr. Rajagopalan.—The Committee while recognising that there were extenuating circumstances, recorded that they did not regard the explanation as wholly satisfactory in regard to the supervision exercised by him over certain purchases made by his subordinate officer.

Mr. Das.—In discussing a similar question, Sir, in connection with the Posts and Telegraphs Department, we found that certain sums of money could not be recovered either from the Engineers or from the storekeepers, and the disciplinary action taken was only a slight censure. But I think this Committee will have to point out in their Report that they think that the Government have not got adequate means of punishing responsible officers when they fail in their duty and show a loss to the State. I think the Committee should make some such recommendation in their Report.

Chairman.—We can take that when we come to the Report. In this case the Committee recorded their displeasure.

552. *Mr. Joshi.*—Will it stand in the way of his promotion?

Mr. Rajagopalan.—I suppose so.

553. *Sir F. Gauntlett.*—Before we proceed further, might we ascertain what officers are now responsible for purchases? Does the practice of purchasing stores by the storekeeper as in the past obtain even now?

Mr. Rouse.—No. Before any purchases are made by them, sanction has to be obtained. We do not allow the storekeeper to do any purchases now. He has to put them up for sanction before the Stores and Traffic Officer for signature when he finds that his stores are running low.

Sir F. Gauntlett.—The only allegation against the officer is that he signed the orders mechanically without looking into the contents of the papers.

Clause 17.

554. *Sir F. Gauntlett.*—Here again we are faced with the difficulty that the system of accounts obtaining in the New Delhi is avowedly not com-

pletely based on the Public Works Department Code. In the first place, I might say that the audit is criticised, I think, for not calling attention to the fact that the prices paid were excessive. If that is so, I think it is only fair to state that the Assistant Audit Officer acting under my orders spent quite a considerable time in obtaining the concrete price list on which he could base his arguments which have been practically accepted by Mr. Roche in the course of his inquiry. For a long time we had no right to scrutinise these so that it is a little difficult to know how we could have checked those figures.

Chairman.—I suppose your audit here means really the Deputy Accountant General who was the Financial Adviser ?

Sir F. Gauntlett.—Yes. It is true that we did not scrutinise the actual prices paid until we had the opportunity of doing so after separating the accounts from audit. I may point out here that in the statement on the concluding page you will find innovations were made in the procedure in New Delhi which made it difficult for audit to ascertain facts which they would have ascertained if the ordinary procedure had been followed.

Mr. Rangaswami Iyengar.—All the cases cited in that tabulated statement shows that if the ordinary Public Works Department Account Code had been applied, they would have come to light much earlier.

555. *Sir F. Gauntlett.*—There is really a concrete suggestion, the second one, namely copies of orders placed by the Stores and Traffic Officer were never sent to audit, and it raises a question whether we should introduce the same system as a rule for future guidance.

Mr. Rouse.—Sir Hugh Keeling used to obtain catalogues. It was not a question of getting hold of a catalogue and buying things at a certain rate. He first wrote and got quotations for the things. Ordinarily, catalogues give little assistance.

Sir F. Gauntlett.—Where we asked for information, we eventually got it ; we then produced last year's report, which has been practically accepted by Mr. Roche as correct.

Chairman.—I gather from what you said just now that you do not personally desire to follow this up.

Sir F. Gauntlett.—No.

556. *Mr. Joshi.*—May I ask one question whether the New Delhi Administration now realise the desirability of maintaining a more helpful attitude towards audit ?

Mr. Rouse.—We always desire to help and be helped.

Mr. Das.—But at one time the Engineer did not want interference.

Mr. Rajagopalan.—I think I can explain that. What Sir Hugh Keeling had in mind was that he had to work to very close specifications and he could not order merely from catalogues. He had to work to the exact conditions of New Delhi and apparently feared that an auditor, a layman, might raise needless queries based upon some quotation in a catalogue.

Sir F. Gauntlett.—That is why every specific case brought to notice is a semi-raw material.

557. *Chairman*.—I want to follow up the question of helpful attitude. I would like to know whether the relations between audit and accounts and the Delhi administration are reasonably satisfactory.

Mr. Rajagopalan.—I think the answer is contained in paragraph 4 of Mr. Kaula's report. "The smaller number of cases of financial irregularity in the Delhi Public Works Department is due, in part, also to the introduction of closer control over fresh purchases of stores and over contracts, both by the executive authorities of the Department and by the internal-check authorities. This has contributed substantially to the reduction of the bulk of this report." As a matter of fact, we grind things very small now, Sir.

558. *Mr. Cocke*.—I should like to ask whether this was not due partly to your desire for economy. You refer to the fact that you were not able to get all the office staff you required. Was there an additional strengthening of the staff of the department at any time?

Mr. Rouse.—I don't know that I can point to anything in writing on that subject.

Chairman.—The general position was that you were continually asking for more staff than you got.

Mr. Rouse.—Yes. The general position now is that we are always being asked to reduce our staff. My own opinion was that we should have had an officer of not less standing than an executive engineer in sole charge of stores. As a matter of fact, we had a comparatively junior promoted officer who not only had to look after but to deliver the stores, besides having charge of the traffic on the lines and the locomotives.

559. *Chairman*.—We come down to the same point. As Mr. Joshi pointed out the New Capital Committee employing an officer to do things that were rather beyond him. Or we were not employing a sufficiently senior officer for rather responsible duties. Mr. Cocke asks whether this was specifically brought to the attention of the Finance Department and a request made for an officer on higher pay.

Mr. Rouse.—I am unable to say at this stage. But I may be permitted to say that the general attitude has not been one of sympathy in the matter of increasing the staff.

560. *Mr. Cocke*.—Is there any cause to think that you are suffering from too much economy of staff?

Mr. Rouse.—Well, I have an order to reduce one executive engineer in October. I don't know if I am permitted to say what has happened in committee but I am told it has got to be cut whether I like it or not, whether I say it is necessary or not.

561. *Mr. Neogy*.—When do you expect to finish New Delhi?

Mr. Rouse.—I expect to finish Government House in November 1929.

Mr. Cocke.—Probably the staff should be more highly paid than they have been in this case.

Mr. Rouse.—The percentage of establishment in New Delhi is lower than in other Public Works Department establishments in India.

Chairman.—Before we let Mr. Rouse go, I think we might conveniently take the Delhi Capital Outlay Appropriation Accounts and the note. I think it raises the general question of over-budgeting.

562. *Mr. Neogy.*—I want to ask a question on A.-3. Voted. With reference to the extra expenditure on account of the Lee Commission concessions granted to specialist officers, were specialist officers covered by the Lee Commission's Report at all ?

Mr. Rajagopalan.—Orders were subsequently received from the India Office applying some of these concessions to them.

Mr. Rouse.—It was mentioned in the report that the question of specialist officers would be subsequently considered.

563. *Mr. Joshi.*—Who are these specialist officers ?

Mr. Rajagopalan.—Electrical and Mechanical Engineers and other officers.

Mr. Neogy.—They were treated on the same footing as officers in Government employ for the purposes of the Lee concessions.

Mr. Rajagopalan.—Only they came out on agreements.

Chairman.—The Lee Commission suggested that their recommendations should be applied to European specialist officers and others *mutatis mutandis*. They did not make detailed recommendations for them.

Page 486.

564. *Mr. Neogy.*—I should like to take F. short supply of stone, and again G. share of loss on stone operations. Was this writing off quite regular ? Were orders taken for this ?

Mr. Rouse.—I don't quite follow, I am afraid.

565. *Mr. Neogy.*—Under G, we find 5,77,618 shown as more than granted. Who sanctioned this excess ?

Mr. Rajagopalan.—The proper competent authority. In some cases it is the Chief Engineer, in other cases the Chief Commissioner, and in others the New Capital Committee, and the fact that no irregularity has been pointed out in this Report shows that it has been covered by regular reappropriations.

Page 487.

566. *Mr. Joshi.*—Under M. there is a remark that the reappropriation was not justified to a certain extent. I want to know from the Accountant General which was the reappropriation which was not justified.

Chairman.—There was an unnecessarily large reappropriation. If you look at the whole of this page, they are all audited. It was an attempt and quite a laudable attempt by the accounts officer at the time to keep a check on these various transactions. In that case he over-estimated the amount that would be required to be reappropriated.

Mr. Rajagopalan.—79 lakhs came in as adjustments after the close of the year and upset his calculations to some extent.

Mr. Rouse.—It is a very different thing our budgeting from working out our figures at the end of March. Nearly every division, for instance,

the stone-yard does work for 3 or 4 divisions. The 8th division makes bricks for all the divisions. The Electrical has a lot of work and the mechanical has a lot of work for other divisions. In fact, there are only 2 divisions which are purely spending divisions. The result is that we account for about three times our actual cash expenditure. In the March supplementary, we accounted for about 79 lakhs.

Mr. Neogy.—This appears on page 488.

Sir F. Gauntlett.—The reappropriation was not justified to a certain extent—simply means that the reappropriation was slightly higher than was necessary. It does not mean that the reappropriation was irregular.

Page 490.

567. *Chairman.*—The only big thing is this enormous saving in net expenditure. Have you anything to say about that, Mr. Rouse? How was it so very much shorter than the grant?

Mr. Rouse.—Well, it is very hard to know exactly what one is going to spend. This budget was made by my predecessor not by myself. He didn't consult his accounts officer nor the finance officer of the New Capital committee. We have altered the procedure now.

Chairman.—His estimate of 50 lakhs for Government House is altogether too sanguine.

Mr. Rouse.—It is a very useful thing if you say to the executive engineer under you that you have got 15 lakhs to spend. If you say 10, he will probably spend 8. If you say 15 he will probably spend 12. It hustles him.

Mr. Rajagopalan.—We quite recognise that there should be a big lump cut.

Page 492.

568. *Mr. Neogy.*—Manufacture Accounts, which refers to a heavy deficit of 27 lakhs for the collection of stone for the Central Building. Then again, collection of marble for Central Buildings. Then the wastage on certain items of expenditure has been under-estimated.

Mr. Rajagopalan.—Marble is slightly different but it is the same stone-yard.

569. *Sir Gauntlett.*—I have a note on the store account, Sir.

Paragraph 121 of the Auditor General's letter, page 13.

Mr. Rajagopalan.—We are adopting all these suggestions, Sir. As a matter of fact, items of unserviceable stock which are capable of being disposed of are being disposed of and a regular check and valuation is being undertaken by the accounts officer who has a staff of stock-verifiers under him. We also write off losses as they occur. Efforts are also being made to dispose of stores liable to deterioration.

Mr. Rouse.—We have disposed of a great deal during the last year.

570. *Mr. Cocke.*—With reference to note 1 on page 492, that deficit of 27 lakhs adjusted includes the wastage of stone, of course, and another ten lakhs for what?

Mr. Rouse.—No, it is the other way about. Out of the 27 lakhs we had to meet 10 lakhs within our estimates. What Sir Hugh Keeling said was we should require 17 lakhs more.

Sir F. Gauntlett.—I think I should draw the attention of the Committee to the fact that these observations were made before the final report on the stone-yard. This is covered by all we heard this morning.

Mr. Neogy.—But this wastage refers to marble.

Chairman.—It is being investigated.

Page 62, paragraph 86—Administration of Residential Buildings.

571. **Mr. Rajagopalan.**—The rules are still before the Secretary of State and we thought if we compiled the capital and revenue accounts now we would have to calculate all over again as from the 1st April 1924; it would be unnecessary work and we are working as near to the rule as possible: the whole matter will be regularised by the end of the year when we expect the sanction.

572. **Mr. Rangaswami Iyengar.**—Has this new rule been seen by the Auditor General?

Sir F. Gauntlett.—I think you can take it as a general proposition that no set of rules goes home unless I have vetted it closely and the departments are particularly good in this respect.

Chairman.—Sometimes I complain that they hand over their job to the Auditor General.

573. **Mr. Rangaswami Iyengar.**—Don't you think, Sir, that these new rules might have been seen by us before they were sent up to the Secretary of State?

Sir F. Gauntlett.—The difficulty, if I may say so, Sir, is that we only meet once a year and as these rules did not go home till the end of March they would have been delayed another 6 months.

Chairman.—I don't think it would be convenient. After all the duty of the Committee is not pre-audit but post-audit. You don't take any responsibility. I don't think it would be ultimately helpful.

Sir F. Gauntlett.—I think the general convention at home, Sir, is that no important change in the budget system is introduced without obtaining the prior views of the Accounts committee but rules of administration do not come before the Public Accounts Committee for prior scrutiny.

574. **Mr. B. Das.**—What percentage on the capital does this represent?

Mr. Rajagopalan.—6 per cent. We can charge only for the period of occupation. We cannot recover rent over the whole year.

Paragraph 87.

575. **Mr. Rajagopalan.**—This matter was fully considered by Sir Hugh Keeling when the question was put up to him that certain estimates had been exceeded but the completion reports had not come out. Till the completion reports came out, there would be *plus* or *minus* adjustments and we could not be revising the rent for every adjustment; so he said, take the estimate amount and charge the assessed rent on it. When the

completion report is received we charge the proper rate from the following season. And it really cuts both ways because we have *plus* adjustments as well as *minus* adjustments.

Mr. Rangaswami Iyengar.—When these people have a rental basis, you tell them that when the completion accounts come you will have the rent increased.

Mr. Rajagopalan.—The rentals are fixed year by year. It is not subject to alteration retrospectively.

Mr. Rangaswami Iyengar.—That is why the Auditor General has raised the question.

Mr. Rajagopalan.—As a matter of fact, there were certain items in which we were well under the estimate, so that we have on the whole gained rather than lost.

Mr. Rouse.—We have been charging on half the cost of the sanitary equipment, which included the putting in of a water-borne system sanitary fittings and so on and as a matter of fact we have only given the water supply. People have been paying rent without getting the benefit of these things.

Sir F. Gauntlett.—I think the answer to Mr. Iyengar is that the letting of a house during this preliminary period has been a matter of contract between the Public Works Department and the officer. An individual officer is told that the rental for this bungalow will be 160 a month. The Public Works Department regard it as a contract.

576. *Mr. Rangaswami Iyengar.*—But the point is when it became perfectly clear that the rent which was actually charged for the house was certainly very much less than that due on the actual cost, surely you ought not to say that it is a contract,—it should not be altered.

Sir F. Gauntlett.—It was altered from subsequent years. But the previous contract was not broken.

577. *Mr. Rangaswami Iyengar.*—You mean to say that in every case where there has been a completion report the rents have been revised ?

Sir F. Gauntlett.—Yes. I think I pay a different house rent on my house every year.

Paragraph 90.

578. *Mr. Rajagopalan.*—This gives the result of the test audit of the work of the new accounts office by the audit staff.

Paragraph 90 (a) and (b).

579. *Mr. Rangaswami Iyengar.*—I want to know what is the percentage of defects detected to the total percentage tested. Can you tell me that Mr. Kaula ? How many cases did you detect and how many cases did you find defects in ?

Mr. Kaula.—Only in five instances.

580. *Mr. Rangaswami Iyengar.*—And what is the total number of cases you tested ?

Sir F. Gauntlett.—I think I can answer that by saying that since this year, since the year to which these accounts refer, we have issued orders that the objections raised by audit should be separately recorded from

those raised by the accounts officer so that we should be able to answer in future questions such as these. We cannot give you an answer now.

Chairman.—These are the more important cases. They show a very small percentage of errors.

Mr. Kaula.—The point here is not the failure of the accounts office but the fact that the existence of the accounts office seems to make the executive officer careless, because there is a pre-check. It seems that the executive officers who are really responsible for the rates do not scrutinise their bills properly.

Mr. Rouse.—Well, Sir, the fact that only 5 instances have been found is significant. I got Mr. Grindal to work out all the cases in which they could find a difference and it amounts to something extraordinarily small .0003, I think, of the outlay.

581. *Chairman.*—That seems to me to a fairly strong answer as far as it goes. What would you say to the charge that Mr. Grindal makes you and your officers a little less careful ?

Mr. Rouse.—No, I don't think so. They scrutinise the bills when they go back from the accounts officer and a certain number of errors have remained undetected in both places ; which is so very small that the extra expense of handing the bills back for preparation in the executive office would cost infinitely more than the very small number of errors which we have detected. And, mind you, all these arrears have been recovered ; they have caused no loss.

582. *Chairman.*—What is the importance of your comment ?

Mr. Kaula.—In this case the scrutiny of the executive officer should have brought to light the over-payment. Apparently the first scrutiny is not applied properly. That is the feeling of the audit people, and the chief object of this paragraph is to bring to notice the necessity of paying greater attention.

Sir F. Gauntlett.—The ordinary practice is for the Executive Engineer to prepare his bill and then that is subsequently subjected to check. In New Delhi the Executive Engineer sends to the Pay and Accounts Officer the materials necessary to enable the Pay and Accounts Officer to prepare the bill and he determines how much has to be paid on a particular transaction, so that he pays it before the Executive Engineer who is the responsible officer has had a chance of seeing that all the statements in that bill were correct. Theoretically the bill should be prepared by the Executive Engineer who should satisfy himself as to its correctness and then he should send it to the Accounts Officer who should check it before payment is made. Mr. Rouse points out that on the whole they think it is cheaper to do away with the accountants in the Executive Engineers' offices and put the whole of that work in the hands of the Pay and Accounts Officer.

Mr. Rouse.—They see it before it goes to the Pay and Accounts Officer.

Sir F. Gauntlett.—The bills are prepared and sent to the Executive Engineer for signature ?

Mr. Rouse.—Yes.

Mr. Rangaswami Iyengar.—The point is that the cases which are cited show that the initial preparation of bills has not been scrutinised by the Executive Engineers who should have found out.

Chairman.—Five cases out of 10,000 cases !

583. **Mr. Cocke.**—Is not the inference possible that if five of those bills had gone back to the executive engineer and had not been checked there may be many others possibly that they may not have checked ?

Mr. Rouse.—They have checked them, but after all they are human, there is the human element. You cannot get away from the fact that you may miss something.

Mr. Cocke.—Two people make the same mistake !

Chairman.—Five out of 10,000. It does not strike me that the case has been proved.

Mr. Rouse.—We have not got the staff in the Executive Engineer's office to completely check them. He scrutinises the bills, but he does not go through the calculations or anything of that sort, but he looks through the whole, and looking at it if he sees so much for brickwork he might say it is very high and he will see that it is so much per hundred not so much per thousand.

Sir F. Gauntlett.—The theoretical procedure entails two independent checks of every point in the bill. This system gives up one of those checks but it entails instead just a general scrutiny by the executive officer to assure himself that on the whole the bill seems to be correct.

Chairman.—But there does not seem to be any defect disclosed.

Mr. Das.—Looking at it separately it may not look to be a great defect, but considering it in the light of the laxity of control in other departments, the Accountant General, Central Revenues, might have viewed that there should have been more control by the Executive Engineer.

Chairman.—I do not think that conclusion can be drawn.

Paragraph 93.

584. **Chairman.**—That is the outstanding of 8 lakhs.

Mr. Kaula.—A part of that sum has since been adjusted because they have accepted a debit against the new capital project, but more than a lakh of rupees is still outstanding.

Chairman.—That depends on the proposed extension scheme ?

Mr. Rouse.—Yes.

Sir F. Gauntlett.—What will happen if the extension is not started ?

Mr. Rouse.—They will have to be debited to 41 Civil Works. Strictly speaking this work has really nothing to do with the New Capital area itself. If it is not taken up, we shall have to put up an estimate under 41 Civil Works to cover it.

Paragraph 95.

585. **Chairman.**—The Public Accounts Committee did not think it necessary to comment on it last year.

Sir F. Gauntlett.—Is this suspense account still outstanding ?

Mr. Kaula.—It is so.

Mr. Rajagopalan.—We are taking special steps to try and clear it. We are adopting a new procedure in consultation with the audit officer so as to avoid such outstandings in the future.

Sir F. Gauntlett.—Now that you have got 1s. 6d. exchange the time has come when this ought to be settled.

Mr. Rajagopalan.—The old adjustment had to be made at 2s.

Mr. Rouse.—It will involve an enormous amount of labour in adjusting it and the question is whether it is really worth while.

Sir F. Gauntlett.—It may not be worth while to give under different heads the loss, but you might say net loss on exchange or net gain on exchange.

Mr. Rouse.—I personally think that it would involve a tremendous amount of labour on a matter of very little value. We could divide it arbitrarily among the various items like residential buildings, etc.

Sir F. Gauntlett.—I have only called attention to it because it is a thing which will have to be taken up now.

The Chairman thanked the witness, after which he withdrew.

Mr. G. M. Young was called in and examined.

Chairman.—The documents we have before us are the Appropriation Accounts of the Army, Marine and Military Engineer Services and the minutes of the meetings of the Special Committee which examined these accounts at the end of June. We take the special Committee's report. Paragraph 3 of the Auditor General's letter.

586. *Mr. Rangaswami Iyengar.*—It is said here, "It is suggested that the Financial Adviser, Military Finance, might deal with the proceedings of the *ad hoc* committee on the accounts of the Army by a resolution on the same lines as the Finance Department Resolution on the proceedings of the Public Accounts Committee".

Mr. Young.—This refers to the suggestion made by the Director of Army Audit at the top of page 2 where he says that the Financial Adviser might deal with the proceedings of this Committee by publishing a resolution.

Chairman.—The view of the Committee was that a resolution might not be appropriate but that a full statement might be prepared for the use of the next *ad hoc* committees.

Mr. Brayne.—There is one resolution which covers the main point and we are not going to have another Government resolution.

Mr. Rangaswami Iyengar.—If we had a synopsis of the last years' reports and what the Government did on them it would be useful.

Mr. Young.—It is going to be done.

Chairman.—A note may be taken that the Financial Adviser agrees to prepare statements showing the action taken by Government on all the points up to date and we endorse the desirability of that course of action.

587. *Chairman.*—Paragraph 2 of the Committee's report of last year. There is nothing in that. Then there is preparation of office manual. There are no remarks until paragraph 18.

Sir F. Gauntlett.—With reference to that I wish to draw attention to paragraph 60 of Appendix XX.

Chairman.—Then we come to the Audit Report. We are really here following the Auditor General's letter, the points raised therein and the Committee's remarks on them.

588. *Mr. Joshi.*—The Audit Report of 1925-26, Part III, paragraph 4. Has the report of the second Innes Committee been received? That is about the reduction of the staff of the headquarters?

Mr. Young.—Yes.

589. *Mr. Joshi.*—Has reduction been done?

Mr. Young.—Some reduction has been effected, and there is going to be an expert enquiry this autumn with a view to seeing what staff . . .

590. *Chairman.*—So far as officers are concerned, certain reductions were recommended and I think all of them were agreed to?

Mr. Young.—Not all of them, but the larger ones have been.

591. *Chairman.*—That Committee recommended that the question of the clerks should be examined by a special officer and he is to start his examination next month?

Mr. Young.—Yes.

592. *Mr. Joshi.*—The whole report of the Innes Committee was not accepted by Government?

Mr. Young.—This is the report of the second Innes Committee. There are one or two posts that have not been reduced as recommended by them.

Sir F. Gauntlett.—I think the general statement before the *ad hoc* committee was that if due allowance be made for new posts that have been created and posts that have been transferred from plains stations to Simla—if you made allowance for those two factors, the number of officers was almost equal to the minimum prescribed by the Innes Committee?

Mr. Young.—Yes, by the first Innes Committee.

Chairman.—Paragraph 14. This was the general question of stores. Annexure A shows the action taken.

Paragraph 17 of the Audit Report.

593. *Mr. Rangaswami Iyengar.*—Do you think you are in a position to extend the system further?

Mr. Young.—I believe it is being applied wherever possible. You cannot do this with vegetable, milk, etc. You can do it with things like ghee and cloth.

Chairman.—We come to the Appropriation Accounts. 1925-26 was the first year in which there were not large savings in expenditure as compared with the army budget.

594. *Mr. Joshi.*—Is it not due to the fact that you now re-appropriate all the savings for some new services?

Chairman.—I think it is due essentially to the fact that the budget is very much closer.

Mr. Joshi.—I remember to have read somewhere that you are establishing a convention.....

Chairman.—We are coming to that a little later.

595. *Chairman.*—Paragraph 36 of the Appropriation Accounts, Mr. Joshi, the point that you are on comes in this paragraph.

Mr. Brayne.—This is divided into three heads Army proper, Military Engineer Services and the Royal Indian Navy. It is treated under these three main heads, but still with the approval of the Finance Department, savings in the Royal Indian Marine (now Royal Indian Navy) can be utilised for, say, the Military Works or Army expenditure.

Chairman.—The point is that owing to the fact that the army is continually asking for improvements as regards equipment to bring it up to a state of efficiency on its existing numbers which it claims it has not entirely reached at present, the tendency at present is for the Finance Department to use its powers on behalf of the Government of India of re-appropriation very generously in the sense that if there is a clear evidence that a saving of half a crore is available out of say a grant of 55 crores and they want stores or a certain kind of usually non-recurrent expenditure to bring the army up to the state of efficiency required, the Finance Department would be inclined thereupon to allow the remaining 50 lakhs to be used as a supplementary grant in that year.

596. *Mr. Rangaswami Iyengar.*—May I know why you came to that kind of understanding ?

Mr. Brayne.—Partly it encourages the Army Department to be economical because they realise that if they can save a certain amount, under this system they may be allowed to use it on other things.

Chairman.—At the present moment it is carefully stated that it is intended only to be temporary. If there were not some such understanding between the Finance Department and the Army Department it would be very difficult to arrive at a budget figure of 55 and we may have had to provide for 55½ or 56.

597. *Mr. Neogy.*—Are they of a non-recurring character—these new items of expenditure ?

Chairman.—We do not usually allow re-appropriations which do not represent permanent savings for recurring expenditure. They are mainly all of a non-recurring nature.

598. *Mr. Neogy.*—Could not some of these items conceivably lead to an addition to recurring charges in future ?

Chairman.—That is very strictly guarded against. The Finance Department makes a very clear distinction in questions of re-appropriation of this sort between re-appropriation that is for a non-recurrent purpose and re-appropriation that in any way involves recurrent expenditure.

599. *Mr. Rangaswamy Iyengar.*—May I take it that so far as the treatment of the army expenditure under one net grant is concerned it has been more in the nature of a temporary understanding and that it may be necessary to deal with the army expenditure under a number of grants ?

Mr. Brayne.—Yes, that is what we are working up to. At present as the Chairman has said, the arrangement is only a temporary one while

the Army is more or less in a state of flux. In future it will probably be possible more strictly to regulate savings between various heads.

Chairman.—It was not so much a question of savings between various heads as it is a question of savings on the whole budget accruing for the benefit of the central revenue.

600. *Mr. Rangaswami Iyengar.*—You feel in the present circumstances that it is far better to let them use the savings under the various sub-heads with a view to improve the efficiency of the army because you get constantly demands for expenditure for that purpose and the best way of meeting it is to ask them to economise as much as they can ?

Mr. Brayne.—We feel that in present circumstances it is far better to allow them to save under the various sub-heads so as to use the savings for the efficiency of the army, as there are constantly demands for expenditure with a view to the improvement of the efficiency of the army. The idea is to have grants under the various big controlling heads like the Quartermaster General, etc., so that they become responsible for a certain amount of money.

Chairman.—Yes, in England they have found it necessary in practice.

601. *Mr. Neogy.*—May I know the details of the practice to which reference has been made of devoting savings for new items ?

Chairman.—I should find it difficult to answer that. But certainly re-appropriation within the army vote is resorted to much more freely than it is under the civil votes in England ; for instance there was a case recently under the Navy Votes where savings on staff at headquarters were devoted to the construction of additional ships.

602. *Mr. Neogy.*—But there is nothing like a convention there of the nature which is contemplated here ?

Chairman.—This is not contemplated as a permanent convention ; it is merely a statement of what is the present position.

Sir F. Gauntlett.—You will find in the Life of Lord Fisher that he spoke of being able to have new ships successfully concealed within the Budget !

603. *Mr. Joshi.*—May I ask how much was thus utilised in this Budget for improvements in this way ?

Chairman.—Mr. Macworth Young, is it not the case that this year or the following year I had to agree to 80 lakhs of additional expenditure on stores ?

Mr. Macworth Young.—For the following year.

Sir F. Gauntlett.—If you will look at Appendix A. to the Audit Report you will see a list of the important re-appropriations—I will not say anything like a complete list—and that is a list of re-appropriations which from the audit point of view raised questions ; they extend over six pages of the Audit Report.

Mr. Brayne.—They are only some indication of the type of re-appropriations.

604. *Mr. Rangaswami Iyengar.*—I should like to know exactly to what extent improvements have been effected in the Army by reason of these re-appropriations.

Mr. Brayne.—I can only say, to a very considerable extent, but I cannot say how much.

Sir F. Gauntlett.—I think you can take it that the list on pages 63 and 64 of re-appropriations to meet new allotments of expenditure are the more important ones.

Chairman.—Those are the important ones. As a matter of fact the remark which was made here about this temporary convention would be much more obvious in the following year when there was a big re-appropriation for the purchase of new stores, owing probably to fires in the Rawalpindi arsenals : but nearly always the purposes for which re-appropriation is allowed is, broadly speaking, the purchase of equipment

605. *Mr. Neogy.*—Referring to items Nos. 2 and 3 on page 63 of the Appropriation Account (acquisition of property and repairs, additions and alterations) these, so far as the year under review is concerned, have been I believe sanctioned as they are considered to be of a non-recurring character, but certainly the maintenance of these buildings will involve a recurring charge ?

Mr. Macworth Young.—As a matter of fact we save the rent ; they are already occupied, and there is a very considerable saving in rent.

606. *Mr. Neogy.*—On page 62, the auditor seems to think, ' it will be seen that there is practically no connection between these two heads and it is felt that there would be a real advantage to the Army in having correct estimates made of its requirements and to the finance of India as a whole in being enabled to insist on adherence to estimated requirements. departure from estimates having to be justified by the occurrence of circumstances which definitely could not be foreseen ',—that is not the present position ?

A. —No.

Chairman.—These accounts were in the days of cost accounting, and the abolition of cost accounting will make a very great improvement in this respect.

Sir F. Gauntlett.—If you could give the Adjutant General a grant, the Quartermaster General a grant and the Military Secretary a grant, it might facilitate control, but it would cut across every scheme of accounting we have at present ?

Chairman.—It would. As regards this general question, Mr. Aravamudha Aiyangar draws my attention to paragraph 51 of Appendix XX,— ' as regards the class of re-appropriation mentioned in 99 (i) (4), it was explained by the Military Accountant General that such simultaneous operations arose out of the fact that a grant was distributed among various officers and was operated on by them. The Committee also desired that the Financial Adviser should examine the suggestion in 99 (iii) of the Audit Report '.

Mr. Brayne.—When you budget in a particular year for 55 crores of Military expenditure, supposing owing to various changes the actual expenditure is going to be 54 crores for the things actually provided for, it is almost certain that if you save that crore that year, you will have to provide 56 instead of 55 in the following year, because it is nearly always postponing something that they expected to buy ; it is very seldom a saving

and is a mere postponement of the expenditure to the next year, and from the point of view of the Budget it is much better that you should spend such a large saving and not have to raise your Budget by a crore the year after. For instance, there are considerable sums budgeted for mechanical transport ; for some reason or other they are not able to get supplies at home and there is a considerable saving : it is much better to use that saving in buying supplies say of ghee next year.

607. *Mr. Neogy.*—Does that not lead to laxity in budgeting ?

Mr. Brayne.—I do not think we budget high, but there may be savings to re-appropriate,—we budget in the hope that there may be savings.

Mr. Neogy.—But there may not be that incentive for scrutinising every item closely as there may be under the past system ?

Mr. Brayne.—There is a lump cut under Army. Until the cut is filled up, it is a rule that savings are not allowed to be given to new expenditure.

Chairman.—As a permanent arrangement, I think every body from the accounting and Finance Department point of view would recognize what is altogether an undesirable form, but I do not think the difficulty arises at present. The military budget is very very carefully scrutinised, in some ways more carefully than the others. At the present time there is no tendency to laxity in allowing anything to go into the military budget that is not likely to be spent.

608. *Mr. B. Das.*—Does the Finance Department take advantage of this reappropriation in the next year's Budget ?

Chairman.—Very definitely.

609. *Mr. Rangaswami Iyengar.*—That may be just now when you are scrutinising as you say the Budget closely. but let us, I suggest, as a Committee say whether we would like that you should allow such large re-appropriations. Would it not rather lead to wide over-estimates with a view to reappropriations ?

Mr. Brayne.—I do not think there is any danger. Everything is worked according to scale. A certain amount is allowed for supplies, and a certain amount is allowed for entirely new measures and a certain amount for the improvement of the army. For one reason or other there are always funds available.

Chairman.—I should agree to some such comment to the effect that from the point of view of strict accounting it is most desirable that there should be as little departure as possible from the sound theory that services should be provided for in the Budget and at the time of the Budget and savings should accrue to general revenues and not to the Departments concerned.

Sir F. Gauntlett.—There is, Sir, some practical distinction drawn at present between savings which theoretically should accrue to general revenues and therefore should be made available to the Army through the Finance Department and the savings which are held to accrue to the Army itself ?

Chairman.—I do not think Finance Department have ever admitted that any savings accrue to the Army. It all comes to the Finance Department, and it rests with that Department whether they can agree to those savings being utilised.

610. *Mr. Neogy.*—Only this, that Finance Department has given in that case an assurance in advance to the Army Department that ‘ if you come up for such reappropriations, you will have them ’ ?

Chairman.—There is no such assurance ; Mr. Macworth Young would say he wished he had. But if the general Budget is not likely to show a deficit, and if there is a saving on the Army, and if that money can be utilised in the current year for a purpose which the Army has been pressing for, and which the Finance Department knows will have to be given next year, if not this, then that Department does as a matter of fact grant it.

Mr. Rangaswami Iyengar.—We should state as the finding of this Committee that on principle we consider that this reappropriation system could not be allowed indefinitely, and we may also explain the reasons for the continuance of it just now in the report.

Mr. Neogy.—Our fear is that this may lead to the present expenditure being standardised.

Chairman.—I can say freely that it is with a view to prevent it from being exceeded that I have acceded to the proposal, so that to that extent I have been trying to standardise.

611. *Mr. B. Das.*—In paragraph 99 (ii) of the Audit Report it is said, ‘ it is observed that the bulk of reappropriations are sanctioned in the last week of the financial year, so that they do not represent any form of control of expenditure, but a patching up of grants to fit actuals ’. Can that be explained ?

Chairman.—Those are *ex post facto* reappropriations of small amounts, not big things ; it is really a different kind of reappropriation to which almost a different word applies. That is not new expenditure ; but it is regularizing by formal act the expenditure of an extra sum, say on ghee, owing to the fact that there have been a larger number of soldiers.

Sir F. Gauntlett.—It can hardly be said, Sir, that they are small.

Chairman.—They are not optional as a rule.

Mr. Brayne.—When we estimate, we take a lump cut for a shortage in establishment, something like a thousand in the Indian Army. It eventually proves that there are only 600 less, and naturally the estimate for their pay is exceeded. It is not optional expenditure at all ; you have to find the money, you have to pay the men.

Chairman.—Take the 15 lakhs on the top of page 64, the big item there is ghee : that was a definite decision to purchase ghee because it was found to be cheaper.

612. *Mr. Neogy.*—Referring to item 3—passage concessions to the civilian personnel in the Division of the Master General of Supply, Rs. 50,000—probably this is the first time that these concessions were given to the civilian personnel ?

Chairman.—They follow on the Lee Commission.

Mr. Neogy.—Are they of a recurring character ?

Mr. Brayne.—This is the first year. No provision had been made before because the Lee concessions had not been given to soldiers.

Mr. Neogy.—Here at least we find an item of a recurring character which has been met by reappropriation under this convention ?

Chairman.—That is a small sum comparatively, and that decision was taken not under any convention but in the ordinary course of the application of the Lee concessions.

Mr. Macworth Young.—This was separately sanctioned afterwards by the Secretary of State and we had to find the money somewhere.

The Committee then adjourned till 11 A.M., on Wednesday, 10th August 1927.

**Evidence taken at the 8th meeting of the Public Accounts Committee
held on Wednesday, the 10th August, 1927, at 11 a.m.**

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|---|---|---------------------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman</i> . | } | <i>Members.</i> |
| (2) Mr. H. G. Cocke. | | |
| (3) Maulvi Abdul Matin Chaudhury. | | |
| (4) Mr. B. Das. | | |
| (5) Mr. A. Rangaswami Iyengar. | | |
| (6) Maulvi Sayid Murtuza Sahib Bahadur | | |
| (7) Mr. N. M. Joshi. | | |
| (8) Mr. G. Sarvotham Rao. | | |
| (9) Mr. K. C. Neogy. | | |
| (10) Sir Frederic Gauntlett, Auditor General. | } | <i>Were also present.</i> |
| (11) Mr. A. F. L. Brayne, Financial Secretary. | | |
| (12) Mr. G. M. Young, Army Secretary. | | |
| (13) Mr. J. W. Ebden, Director of Army Audit. | | |

Page 4 of the Report of the Special Committee.

613. *Mr. Neogy*.—With regard to lump sum provision, so far as voted expenditure in other Departments is concerned, when an amount is voted in lump it is left to the Finance Committee to see to the details of the expenditure. I do not know whether there is any corresponding practice here which makes for some control with regard to details in such cases.

Mr. Brayne.—A lump sum is generally for such things as revision of pay and in this particular case a lump sum had to be put under this particular head, because it was not known how it could be distributed under the heads.

614. *Chairman*.—Mr. Neogy's point is : when there is a lump sum provision in the budget is it spent without any further control by the Finance Department ?

Mr. Brayne.—No. I do not know of any instance in which lump sum is given except for expenditure like revision of pay which practically controls itself.

Chairman.—I think you can make a more general statement that in all circumstances in which lump sum provision is included, the detailed expenditure is subject to the special sanction of the Finance Department.

Mr. Brayne.—Yes, Sir. .

615. *Mr. Rangaswami Iyengar*.—There are a number of paragraphs dealing with losses.

Chairman.—When there is anything not mentioned by the Committee, it means that the Committee after examining wish to say nothing about it.

Paragraph 29 of the Audit Report.

616. *Mr. Brayne.*—There has been a double payment of a cheque of Rs. 70,000 at Mhow. It is a war case. I do not think it can happen now, because there is a revised system of check.

Mr. Neogy.—The amount involved is very large. There is one other thing which I have not been able to understand, viz., the statement that the Officer Commanding the Unit could not even be called upon to explain his action as this double payment remained so long undetected.

Mr. Brayne.—I think he was a temporary officer and he was demobilised.

Mr. Neogy.—It was not physically possible to get at him.

Sir F. Gauntlett.—It is stated in paragraph 5 that he was disbanded after October 1920 and the discovery was in February 1922.

Paragraph 30 of the Audit Report.

617. *Mr. Brayne.*—It will be seen from page 19 that a number of those concerned were convicted ; one person was convicted, another was acquitted and another sentenced to six months rigorous imprisonment. Owing to the amalgamation of smaller depots there was considerable confusion in the accounts.

Mr. Rangaswami Iyengar.—The Auditor General comments that the Committee may desire to know what safeguards have now been taken.

Mr. Brayne.—I do not think you will have a recurrence.

Sir F. Gauntlett.—There is a statement that the change in system which has been introduced provides sufficient safeguards.

618. *Chairman.*—Do you remember what the change of system was, Mr. Brayne ?

Mr. Brayne.—I cannot remember the details of it.

619. *Mr. Rangaswami Iyengar.*—How will you prevent double entries ?

Mr. Brayne.—Such sort of thing will come out in the local audit.

620. *Mr. Cocke.*—Have you gone in for increased check ?

Mr. Brayne.—The staff of the local audit has been doubled. It has been possible without extra expenditure to Government on account of the abolition of the cost accounting system.

621. *Mr. Rangaswami Iyengar.*—I want to know whether the Committee went into the matter thoroughly ?

Chairman.—We did go into it.

Mr. Brayne.—There has been a very considerable recasting of the system.

Paragraph 48 of the Audit Report.

622. *Mr. Joshi.*—Are the accounts of the factories commercialised ?

Mr. Brayne.—Yes. The factories are inspected by the Director of Commercial Audit.

Sir F. Gauntlett.—I think one section of Mr. Campbell's office works solely in the military factories.

623. *Mr. Joshi.*—Are commercialised accounts shown in any book ?

Mr. Brayne.—They are shown in the estimates and are also reported in the Army Factory Accounts. I believe there is an estimate in the Budget given more or less on a commercial basis. There is also a published account attached to the report of the Army Factory showing the working of each factory.

Sir F. Gauntlett.—I might remind the Committee that it did accord general approval to the idea that where Government undertakings are run on commercial lines commercial accounts would be included in the Appropriation Account. If that were specially endorsed with reference to Army accounts, I imagine that would meet the wishes of the Committee.

Mr. Joshi.—Yes.

Sir F. Gauntlett.—I do not think the matter has been overlooked. They have merely not been able yet to get the accounts in a shape to be presented in the Appropriation Accounts. A reference to that might be made. Mr. Ebdon tells me that the exact form is now under discussion with the Military Accountant General.

624. *Mr. Cocks.*—Do the staff under the Director of Army Audit get assistance from the staff of the factories ?

Sir F. Gauntlett.—I think Mr. Campbell will tell you that he has nothing to complain. Things are gradually shaping as he desires.

Paragraph 41 of the Audit Report.

625. *Mr. Rangaswami Iyengar.*—This is a case of drawing an amount long in advance of requirement.

Chairman.—We examined the Military Accountant General pretty severely on this point. There has been no loss, but it is due to an obvious error of judgment.

Paragraph 43 of the Report.

626. *Mr. Neogy.*—Some statement promised to us has not been sent to us.

Mr. Brayne.—I asked Mr. Ross to prepare the statement and I reminded him also. I think he was misled by what he said on page 9. He thought the matter was disposed of. He has not submitted the statement.

Chairman.—As a matter of fact he explained that the question was really still open. That was the reason.

Mr. Macworth Young.—The Adjutant General is sending a note.

Chairman.—It looks as if it would not be ready for the Public Accounts Committee.

Sir F. Gauntlett.—I referred to this case specially in my letter to the Secretary of State.

Chairman.—It was a very, big case, a very big fraud.

Mr. Rangaswami Iyengar.—My attention was drawn to this regarding dried fruits, “ Out of this a board found in July 1923, 1,674 maunds unfit for issue and 41 maunds of stones instead of dried fruit.”

Chairman.—It was a thoroughly bad case which was examined very fully by a Special Committee of which Mr. Brayne was a member.

Mr. Brayne.—The whole difficulty was partly due to dis-organisation on the Frontier in war time and partly because Chitral is about 300 miles from the nearest railway station and everything has to go by mule, and the passes are closed for something like 7 months in the year. A great deal of the stores has got to be sent up in advance. We started off by thinking that it was a very bad case and ended by realising that a great deal was due to unforeseen circumstances. For example they gave an order for the formation, owing to war scare, of 4,000 levies, and they had to send in advance supplies to feed those 4,000 men. Shortly afterwards the scare disappeared and the 4,000 men were disbanded. We had to supply to a distance of 300 miles from the passes and it was not worth while bringing down the supplies. That accounts for at least 5 out of the 8 lakhs.

627. **Mr. Neogy.**—Does that explain the fact that 32 years' supply of bacon was carried by a particular depot ?

Mr. Brayne.—I think there was an explanation for it ; I cannot remember it at the moment.

628. **Sir F. Gauntlett.**—Is it not a fact that the Chitralese were disbanded and no information was given to the Quarter Master General, who sent out stores for 4,000 men for over a year after they had been disbanded.

Mr. Brayne.—Yes, Sir.

Chairman.—I am sorry we have not got this statement. Unfortunately the Financial Adviser has gone on tour.

Mr. Rangaswami Iyengar.—I think, Mr. Chairman, our noticing cases like this would have some effect on the general spending Departments and it is not necessarily with a view to recovery in every case.

Chairman.—What we really want is a short statement. There should be reference to it in our report, that the matter has been thoroughly investigated and we drew attention to it. We had better have that statement. We might instruct somebody in Mr. Macleod's office to prepare that statement. There is one point arising out of that. There is a certain difference of opinion between the Auditor General's Department and the Military as to the adequacy of the disciplinary action taken.

Sir F. Gauntlett.—In my letter to the Secretary of State—it is the first time I have done it—I definitely state that the action taken is quite inadequate.

629. **Mr. B. Das.**—It is said in the report page 34 that the Officer Commanding Supply Depot was tried by a Civil Court. Why was he not tried by court-martial ?

Chairman.—The case is very badly complicated. The Officer was tried by a civil court and acquitted. That made disciplinary action extraordinarily difficult.

Sir F. Gauntlett.—He may have been acquitted, but he was dismissed from the Army.

Chairman.—The Civil Court acquitted the chief culprit and it was difficult to follow it up.

Mr. Brayne.—One great difficulty was the delay caused by the Civil Court.

Chairman.—Let us have the story before us. As regards disciplinary action, I imagine that this being a military case and the Auditor-General

having drawn the attention of the Secretary of State that in his view the disciplinary action taken was insufficient, it is not for this Committee to examine the adequacy or otherwise of that disciplinary action. We can draw attention to it.

Mr. Rangaswami Iyengar.—The impression that is formed by going through these reports is that there are still innumerable cases of fraud.

Chairman.—These cases are special, being due to the war. My impression is—and the Auditor General will confirm it—that there are very few frauds relating to a period after 1922.

Sir F. Gauntlett.—The big army cases are practically war and post-war cases.

Mr. Rangaswami Iyengar.—We had better say that these are all post-war cases and that things are improving now.

630. *Mr. Das.*—The Director of Army Audit in page 36 says that the selection of inexperienced officials has led to heavy loss to Government. What steps have Government taken now to prevent this ?

Chairman.—The step we have taken is to go further away from war. That was one of the features that was inevitable in war time.

Mr. Das.—I am asking whether we are doing everything to get a better class of officials.

Chairman.—I imagine that the Army would tell you that they get the best officers they could and the best officers are not good enough and there are not enough of them. These people, during war time, were obviously unsuitable for their jobs.

Sir F. Gauntlett.—The difficulty was very much greater in India due to the continuance of the war on the Frontier. During the war and for two or three years after the war the Army in India was very depleted.

Chairman.—We shall get the statement and make suitable observations on the lines of our discussion.

Paragraph 65 of the Audit Report.

631. *Chairman.*—The Committee noted that there had been a considerable loss in this case, but such case are not likely to recur under the present system.

Mr. Neogy.—In this case audit seems to have been at fault. We have not been given an idea as to what the amount of loss is or is likely to be. It is an unascertained loss. All that we are told is there had been considerable loss.

Sir Frederic Gauntlett.—I might explain that it is almost impossible to state the figure of loss because it is a recurring figure. If a man's initial pay is fixed much higher than it ought to have been fixed, he gets that benefit for the whole time that he is on that scale of pay, so that you will have to work out in the case of each individual clerk how much he has gained.

Mr. Neogy.—It will continue till they cease to enjoy their pensions in some cases.

Chairman.—It is not quite so. It was revised in 1925.

Sir Frederic Gauntlett.—That was with regard to temporary clerks.

Mr. Brayne.—A definite rule has now been laid down governing the method by which whenever a revision is brought into effect the existing clerks are brought on to the new scale. This rule also lays down what kind of service should be allowed to count on the new scale.

Chairman.—In that case we can safely say that cases of this kind are not likely to recur in the future.

Paragraph 66 of the Audit Report.

632. *Chairman.*—These are the cases in which the Military Accounts Officer had put some items into suspense entirely owing to the misunderstanding of the position. The view recorded is important but the actual case was not particularly important. It is merely a question of endorsing it.

Paragraphs 68-71 of the Audit Report.

633. *Chairman.*—These paragraphs relate to variations. It transpires that this policy has actually been approved by the Secretary of State.

Paragraph 69 (vi) of the Audit Report.

634. *Chairman.*—We had this as a general question. A statement of the practice in England as regards the Treasury control of works is being circulated and we will discuss it. That is one of the points which we are going to discuss in our general report.

Paragraph 99 of the Audit Report.

635. *Mr. Neogy.*—Here again a reference is made to a memorandum “bringing forth all the points discussed for approval by the Committee and for inclusion in the report to the Public Accounts Committee”. I suppose this memorandum has not been circulated.

Sir Frederic Gauntlett.—Mr. Macleod discussed the matter with me very fully and brought up all the papers that he could find in his office on the subject and it was clear from those papers that the Secretary of State had sanctioned the specific arrangements that were referred to at the top of page 6 and I understood that Mr. Macleod was going to draw up a memorandum.

Chairman.—The fact is that since the publication of this report most of us have been on tour or something of that sort. Mr. Macleod is on tour now. He seems to have gone on tour without drawing up the report.

Sir Frederick Gauntlett.—Perhaps Mr. Macworth Young could help us. I remember I was shown shortly after that the latest re-draft of the orders regarding reappropriation. Is it in the Office Manual?

Sir Frederic Gauntlett.—Mr. Macleod had a discussion with me and I prepared a full note for his use. As stated here, Mr. Macleod has not yet prepared a memorandum but I do know that the rules regarding reappropriation in the Army have been put into draft form because I have seen a copy of the draft in print.

Chairman.—We must see that we do get this memorandum in time for the discussion of the question of reappropriation. It will be unsatisfactory if we cannot get it.

636. *Mr. B. Das.*—I am a little hazy about the Military Accountant General. I would like to know whether he is under the Auditor General or he is controlled by the Financial Adviser.

Mr. Brayne.—He is controlled by the Financial Adviser.

Chairman.—The Accounts and audit are separate as regards the military.

Page 8 of the Report of the Special Committee.

637. *Mr. Neogy.*—The latter portion of this paragraph deals with the principle by which the form of punishment is based in any particular case. It is rather a curious proposition that action should be taken while the case was fresh in the memory of the officers concerned and a time-bar was therefore generally imposed on the investigation of such cases and the infliction of disciplinary punishment. Therefore there is a time-bar not merely for the purpose of infliction of punishment but also for the purpose of carrying on investigation into cases of fraud of this description. This seems to be very strange.

Mr. B. Das.—I find that the Military Department have got a certain code for inflicting punishment for loss of money, whereas in many departments of Government there are no such rules.

Mr. Joshi.—The question is whether the principle is a sound one.

Mr. Neogy.—There are two principles involved. Firstly, whether the lapse of time should be taken into account when determining whether an investigation should be held into a particular case or not, and, secondly, whether the form of punishment should be determined by the lapse of time.

Chairman.—I think the statement there ‘ investigation of such cases ’ does not refer to the investigation of the fraud but to the investigation of the disciplinary action to be taken against individual officers.

638. *Mr. Neogy.*—The question is whether it is a sound principle ?

Mr. Macworth Young.—If an investigation takes time, it is very much harder for the officer to defend himself. In the particular cases, the officer had retired and it was not possible to find out the officer who was responsible for a particular thing and therefore there was really nothing to be gained by investigating his case.

Mr. Rangaswami Iyengar.—That does not mean that you should have a rule that should absolve an officer of his responsibility by lapse of time. I have known cases in the Civil departments where the pension of a man who has been on pension for 15 years has been cut off on account of defalcation.

Mr. Brayne.—I rather think that the time-bar generally imposed on the investigation of cases must mean that the Adjutant General emphasised that they must be investigated within a certain time.

Chairman.—I think the phraseology certainly does not convey what the Adjutant General said at the time. What he said was that he insisted on the investigation being finished within a particular time.

639. *Mr. Rangaswami Iyengar.*—That is certainly a very proper thing to do. It is mentioned in the report that “ the form of punishment was discretionary, the main principle kept in mind being that it should act as a

deterrent. The amount recovered from the officers depended on the circumstances of each individual case. It was recognised in dealing with cases of this category that if any effect was to be produced by the disciplinary action taken, it was necessary that such action should be taken while the case was fresh in the memory of the officers concerned and a time-bar was therefore generally imposed on the investigation of such cases and the infliction of disciplinary punishment." What I want to know is whether in dealing with the disciplinary action you seek to do anything to recover the money lost ?

Mr. Macnorth Young.—First of all every attempt is made to recover the money.

Chairman.—The answer that the Adjutant General gave was that every endeavour is made to recover the money and the punishment takes the form of infliction of fine. But it is its deterrent effect rather than the actual amount of the loss incurred that is taken into account.

640. *Mr. Joshi.*—I only wanted to make sure whether this principle which has been enunciated by the Adjutant General is not accepted by either the financial authorities or the Auditor General or the Army Secretary.

Chairman.—On page 8 the whole of the paragraph is a statement of the views expressed by the Adjutant General. I do not think the Committee have commented on it. I do not think the Committee have either endorsed or criticised the general explanation of the Adjutant General.

641. *Mr. Ncoff.*—The thing is rather susceptible of misinterpretation. They say ' it was recognised '. Was it recognised by the Committee ?

Chairman.—The whole of that statement is the view of the Adjutant General.

642. *Sir Frederic Gauntlett.*—I find one difficulty in dealing with this and that is that the statement made by the Adjutant General which I regarded to be the most important has not been recorded in the evidence. He had stated with regard to this case that seeing that the man had been acquitted, so long as he was the Adjutant General he could not take an action against the junior officer.

Chairman.—I do not think he meant it. After all in this particular case, the man may have been technically acquitted, he was dismissed from the Army at once. We thought it was not worth our while to pursue the matter ; it was a question of words. But I am quite sure the Adjutant General did not mean things exactly in the form he said them. As we have ignored it, it does not appear on the record anywhere.

Sir Frederic Gauntlett.—The Director of Army audit had stated that the responsibility of certain officers seemed to need consideration. The Adjutant General said that so far as he remembered the officers had been asked for an explanation and certain disciplinary action had been taken. The Financial Adviser has pointed out that the case of three officers is still open. The Adjutant General promised to look into the question.

Chairman.—I am sure that is not entirely the way in which he would have made that statement if he were cross-examined upon it. The question that we are still on is whether we want to make general comments on the views of the Adjutant General on punishment in general.

Mr. Rangaswami Iyengar.—As this is a matter of general principle,

we might draft a paragraph on it and take it into consideration.

Chairman.--We will do that.

Sir Frederic Gauntlett.—I might remind the Committee that you have already agreed that some enunciation of principle in regard to disciplinary action should be drawn up.

Chairman.—This will all come under the same question. We can bring the Army and the Civil together under the general question.

Paragraph 46 of the Audit Report.

643. *Chairman.*—The machinery has been utilised or sold. But the Master General did not attempt to defend the action taken which took place before his department existed. It was certainly an unfortunate experiment at best.

Mr. Neogy.—This shows the unreliable character of the estimates generally.

Chairman.—Yes, of experts. (Laughter.)

System of Central purchase.

644. *Mr. Neogy.*—I want to know how far the Stores Department is utilised, the nature and extent of the assistance which the Stores Department at present gives to the Army Department.

Chairman.—We were told that the Master General of Supplies was working very closely with the Stores Department.

645. *Mr. Rangaswami Iyengar.*—Have you had any kind of general instructions issued to the Quartermaster General or Master General of Supply asking him to go to the Stores Department whenever possible.

Mr. Macworth Young.—There are general instructions to that effect.

646. *Mr. Neogy.*—Does the Stores Department act merely as a consulting body or do they undertake purchases also in certain cases for the Army.

Chairman.—They purchase all the textiles for the Army.

Mr. Neogy.—We find that the Stores Department has not got sufficient work to do and it has yet to justify its existence. It is after all a very useful department and we are anxious that every assistance should be given to it.

Chairman.—My impression is that the military have been very often placing their orders with the Stores Department. A large part of their stores are stores which cannot be supplied by the Stores Department. Still they have been one of the departments which have helped the Indian Stores Department most.

647. *Mr. Neogy.*—May I draw attention to page 1 of the Appropriation Accounts? Reference is made in paragraph 2 to an excess of Rs. 2,82,000; it is said that "the modified grant over the original grant was not sanctioned by the Finance Department, ordinary branch". I do not understand this distinction between the ordinary branch and non-ordinary branch of the Finance Department.

Mr. Brayne.—The difference is that the ordinary branch is the Finance Department of the Government of India and the Financial Adviser is one of the outposts.

Chairman.—The distinction is one for practical convenience ; it is really an inter-departmental question.

648. *Mr. Joshi.*—I am not quite sure because on page 7 of this report there is a somewhat doubtful sentence in the first paragraph that shows the attitude of the Army towards the Finance Department : “ The question of how far the Army authorities as a whole would feel bound to act by any general orders or a resolution issued by the Finance Department and whether it is necessary that such general orders should be reaffirmed by the Financial Adviser.” It seems that the Financial Adviser is a superior authority to the Finance Department.

Mr. Young.—The question is how far the Army Department would act on them without their being brought to their notice by the Financial Adviser.

Chairman.—The question really was whether it was automatic. The question was not whether they would feel bound—I think that is a curious phrase. The question really was whether it would be brought to their attention automatically or whether it was necessary that the Financial Adviser should specially circulate it to the particular authorities concerned. Is that not so ?

Mr. G. M. Young.—I think that is the idea.

Mr. Neogy.—Perhaps they are not accustomed to get orders from the Finance Department.

Mr. Brayne.—A resolution issued by the Finance Department on the civil side might not necessarily be applicable to the military side ; and that is why we send it through the Financial Adviser in order that he might specially draw their attention to the relevant portions of it.

Sir F. Gauntlett.—It is very much a question of office procedure.

Chairman.—But I think the phrase is an unfortunate one ; we might alter that ; it should be “ would automatically act upon.”

649. *Mr. Neogy.*—Do I take it, then, that the observation made in the appropriation accounts to which I just referred does not also set forth the position accurately ?

Chairman.—If the Financial Adviser has agreed to a reappropriation, he has done so as a member of the Finance Department exercising the powers of the Finance Department.

Sir F. Gauntlett.—Is there not a bigger question involved in this ? In this case there was an increase to a grant which had been sanctioned by the Governor General in Council ; the addition was made by the Army Department with the concurrence of the Financial Adviser. Is that the authority which is competent to make an addition to a grant sanctioned by the Governor General in Council ?

Mr. Brayne.—The Finance Department ought to have given this additional grant.

Chairman.—This ought to have been authorised over the signature of the Finance Department and not over the signature of the Army Secretary ; that is the point.

Mr. Brayne.—I know the Financial Adviser did not refer this to Finance Department as the grant was a net grant and he had not exceeded his net grant.

Chairman.—There is nothing in it which was objectionable ; but I think it is right and we might comment on it, that the orders of reappropriation ought to be issued under the authority of the Finance Department, not under the authority of the Army Department.

Sir F. Gauntlett.—The Army Department is a department of the Government of India and as such has certain powers of reappropriation. When it exercises those powers.....

Chairman.—But the concurrence of the Financial Adviser is not the right form ; it ought to be the authority of the Finance Department. I do not know what form the orders are issued in.

Mr. Brayne.—They are definite orders of the Army Department saying such and such reappropriations have been sanctioned.

Chairman.—It is not the Army Department who can do it for the Finance Department ; it is the Finance Department who do it at the request of the Army Department. I suppose what really happened is that there was simply a note on a file ?

Mr. Brayne.—As a matter of fact, the Financial Adviser put up a draft note in this particular case sanctioning the reappropriation to the Army Department and the order was issued by the Army Department. Otherwise it would have to be issued by the Finance Department proper.

Sir F. Gauntlett.—Should not the order be issued by the authority which has power to issue that order ?

Chairman.—The authority which has the power to issue that order is the Government of India ; that is what is puzzling me.

650. *Mr. Neogy.*—If it is interpreted to mean the Army Department then certainly the other departments of the Government might try to exercise that power without going up to the Finance Department ?

Chairman.—There is no question that it cannot be done without the concurrence of the Finance Department ; it simply is a question of form.

Mr. Brayne.—I think it will be found that in any case where a reappropriation by a department for specific expenditure from specific savings is made orders are issued by the department concerned.

Chairman.—I believe the actual form is that the approval of the Finance Department is obtained and then the order authorising the reappropriation is issued by the department concerned.

Mr. Young.—The Government of India in the Finance Department cannot address branches of the Army Department nor can the Government of India, Finance Department address the Government of India. Army Department. The only person who can issue the order is the Secretary in the Army Department ; it is the orders of the Governor General in Council in the Army Department.

Chairman.—Under the Home procedure where the departments are separate, a department cannot act until it has got the written authority from the Finance Department authorising reappropriation ; then it acts upon it and takes the necessary consequential steps. Here that authorisation of the Finance Department takes the form of a previous approval over the initials or signature of the financial officer concerned exercising the authority of the Finance Department.....

Mr. Neogy.—Which is the Financial Adviser.

Chairman.—It may be the Financial Adviser, or it may be the Secretary in the Finance Department.

651. **Mr. Neogy.**—But who is the actual authority in this particular case ?

Chairman.—I do not think there is any distinction ; the Finance Department, ordinary branch, is under Mr. Brayne as much as the other ; Mr. Brayne is responsible for anything that Mr. Macleod does.

Mr. Brayne.—Mr. Macleod sits on the military council and when various things are discussed he merely gives advice *prima facie* ; he can say there is nothing fundamentally wrong with this or that proposal or he may suggest something to make it more acceptable to the financial authorities ; he merely advises the Commander-in-Chief. But when a scheme comes up before him regularly from the Quarter Master General's branch or the Army Department and is pressed for the consideration of the Finance Department, he deals with it with the full powers of the Finance Department, as a member of the Finance Department.

Chairman.—And takes the orders of the Finance Member in important cases.

Mr. Brayne.—I have myself had to take an entirely opposite view on proposals which *prima facie* I had thought good.

Mr. Neogy.—Does that happen very often ?

Mr. Brayne.—Not very often ; but when one goes into a case more fully and discovers there are certain objections or that funds were not available, or in cases in which the Finance Member takes a different view, then such cases occur.

652. **Sir F. Gauntlett.**—There is one important point in audit which arises in connection with this very complicated question and that is, when the concurrence of a different department is required to an order which is issued by the Secretary in another department, the letter itself ought to state that the concurrence has been obtained ; it does facilitate audit considerably.

Chairman.—Yes ; you really ought to have for audit purposes an actual formal letter which can be forwarded to the Audit Department from the Finance Department.

Mr. Brayne.—This was discussed with the Army Department or Home Department and they said it was entirely wrong because the Government of India spoke with one voice.

Chairman.—But the Auditor General requires evidence of the fact.

Mr. Brayne.—He ought to assume that, I think.

Sir F. Gauntlett.—The point is an important one, and that is whether the Auditor General has any responsibility at all for auditing according to the internal rules of business of the Government of India. If it is accepted that he has no responsibility for that and that he has to accept any order issued by a Secretary as representing all sanctions that are necessary within the Government of India, then my position is quite clear.

Chairman.—I think that is the constitutional position, that the Auditor General has to assume that the Finance Department's sanction has been obtained for any expenditure which is duly authorised by an order of the Government of India.

Sir F. Gauntlett.—The difficulty, Sir, is that a book of financial powers has been issued in which specific powers are given to a department of the Government of India. So you get the same person speaking with two voices ; you get him voicing the order of that particular department under powers which have been given to that department, and you also get the Secretary speaking with the voice of the Governor General in Council, and it is impossible for audit to differentiate between the two voices.

Chairman.—I think failure on the part of a secretary to a department to obtain Finance Department's authority for something is not a matter for the Auditor General ; it is a matter very much of the Government of India's internal discipline.

Mr. Brayne.—As regards provincial Governments the powers of the Finance Department are definitely laid down ; in the case of the central Government these powers are only laid down by orders issued by the Governor General in Council as purely departmental orders.

Sir F. Gauntlett.—The only thing that I can say is that any entry in the Book of Financial powers giving powers to any department ought to be erased from the book altogether.

Mr. Brayne.—That is really a matter of arrangement between the Finance Department and other departments.

Sir F. Gauntlett.—But my officers are told they have to apply those rules and it is quite impossible for them to do so.

653. *Mr. Neogy.*—Who compiled these rules ?

Chairman.—The Finance Department. The only question is whether they should appear as financial rules or whether they should be merely internal rules.

Sir F. Gauntlett.—I think that this question should come in in the Report. I suggest a recommendation that, if it is accepted that a letter issued by a Secretary to the Government of India must be taken as carrying the full authority of the Governor General in Council, then those rules which are now found in the Book of Financial powers which give departments of the Government of India specific powers should be erased therefrom and brought into the confidential rules of business of the Government of India. I am perfectly certain that it will save my officers a tremendous amount of very conscientious trouble.

Chairman.—I think it is a point we may follow up ; of course one gets into very deep water once you begin to differentiate between different departments of the Government of India.

654. *Mr. Cocke.*—Could not the difficulty be overcome by some sort of convention under which the Secretary, Army Department would refer cases to the Finance Department ?

Chairman.—I do not think there is any difficulty except from the audit point of view. The Auditor General's point is whether the Audit officer should go behind the statement of Mr. Young and find out whether the

Finance Department had given sanction or whether he should be given a statement to that effect.

Mr. Young.—We always put in our letters that we have obtained the sanction of the Financial Adviser and of the Secretary of State in cases where that is necessary.

Chairman.—I can understand the Finance Department as a matter of expediency make it a rule of business that when the Army Department do send things to the Audit Department authorising additional expenditure they should put there that the sanction had been obtained. That would be an extra protection on the part of the Finance Department.

Sir F. Gauntlett.—That does not meet the case which was quoted by Mr. Brayne when he said there were other departments of the Government of India which raised the constitutional issue.

655. *Mr. Rangaswami Iyengar.*—I would put it this way : the question is whether the rules of business now in force in the Government of India secures this that in every case the sanction of the Finance Department has been taken, or whether you require a revision of the rules of business or whether you require a revision of the Book of Financial powers.

Mr. Brayne.—It very seldom happens that the department concerned does not go to the Finance Department ; I can remember very few instances indeed.

Sir F. Gauntlett.—I agree, but it is a question of theory.

Chairman.—I think it would be quite reasonable that the ordinary arrangement should be that it should be required by the Finance Department that there should be a statement that the sanction of the Finance Department has been obtained. The whole matter will have to be considered by the Committee.

656. *Mr. Neogy.*—Are we not going through the Appropriation accounts ? I wish to refer to paragraph 35. I want to understand this. On page 8 for instance it is said “ Occasionally, savings in the High Commissioner’s estimates are thus utilised against excess expenditure in India and *vice versa*, as a matter of practical convenience. It is immaterial after the total budget grant is fixed and sanctioned whether savings to meet new expenditure are indicated in India or in England.” In these cases, is the sanction of the Finance Department required ?

Mr. Brayne.—I think the difference is here between the military and the civil budget ; on the Civil side there is a separate account for the Secretary of State and the High Commissioner which are separately voted on by the Assembly where it is votable. On the military side there is nothing of the kind ; it is all one budget ; there is no question of reappropriating money from one grant to another which you get on the civil side.

657. *Chairman.*—Will not all this come out in the general memorandum on the powers of appropriation and reappropriation that the Committee have asked for ?

Mr. Brayne.—Practically the same rules apply.

Sir F. Gauntlett.—I do not think, Sir, that Mr. Macleod understood it in that sense ; the only question which was then under consideration was the distinction that was drawn between the powers of the Finance Department and the powers of the Army Department to utilise savings, and

the distinction was drawn between different kinds of savings and also between whether those savings were to be used for actual new expenditure. I do not think that Mr. Macleod contemplated reproducing or discussing what is put here in paragraph 35.

658. *Mr. Neogy.*—Sub-clause (6). It is stated that “ in cases in which savings in India are available to meet new expenditure in India by administrative authorities, the necessary reappropriation orders are issued, because the total of the Indian grant remains unaffected by such transfers ”. Is it under the new convention or has it been the practice all along ?

Chairman.—If savings are available and if reappropriations are duly sanctioned, the necessary orders are issued.

Mr. Neogy.—Does it mean that the necessary reappropriation orders are issued as a matter of course ?

Chairman.—No, certainly not.

659. *Mr. Neogy.*—Then later on, it is stated that when expenditure in India is incurred against savings in England the probability of which is ascertained beforehand and *vice versa*,—such occasions are comparatively few,—no formal orders of reappropriation are issued. What do you mean by formal orders ?

Chairman.—I suppose sanction is given for additional expenditure in England or in India as the case may be, but there is not reappropriation between English and Indian grant.

Sir F. Gauntlett.—I think it further involves the corollary that if at the close of the year reappropriations are found necessary in England, and if savings are not found available in England, then under sub-clause (9) reappropriations are obtained from India.

660. *Mr. Neogy.*—My point is why a reappropriation order is needed in a particular case and why it is not needed in a similar case ?

Sir F. Gauntlett.—I think it is merely an incomplete statement of what actually takes place. I think what I said before is correct, that eventually towards the close of the year the authorities in England watch the progress of expenditure against reappropriations under individual heads, and when they find that reappropriations are necessary, they do carry them out towards the close of the year. There is no reappropriation in detail between India or England early in the year. Late in the year they take up the question of the sums available in England and in India, and if they find that the total amount set aside for expenditure in England is not sufficient, then they transfer the same from India to England, but the authorities in England are at the close of the year putting their own house in order by issuing their own orders of reappropriation.

Chairman.—I think it will be desirable if Mr. Macleod includes this in the general reappropriation note.

Section I of the Report of the Auditor upon the accounts of the Secretary of State in respect of Military services.

Paragraph 3.

661. *Mr. A. Rangaswamy Iyengar.*—Are there any further receipts on account of British officers remaining at the Staff College at Quetta ?

Chairman.—I think that came up last year. Steps were taken to see that in future the Accounting officer should be informed of such cases.

Mr. Brayne.—Orders were issued that these cases should be reported because I think that such cases had not been reported.

662. *Mr. A. Rangaswamy Iyengar.*—Have we been able to get all the particulars from the Home authorities ?

Chairman.—The fact is that we have not been able to identify the particular cases and their details, but the matter has been followed up.

Paragraph 8

663. *Mr. A. Rangaswamy Iyengar.*—I should like to know what is meant by the “allowances were recoverable.” The figure is not given.

Mr. Macworth Young.—Some officers were allowed to have their gratuities on final confirmation in the civil departments.

Sir F. Gauntlett.—We have no information beyond what the Auditor has chosen to tell us.

Paragraph 9.

664. *Mr. A. Rangaswamy Iyengar.*—This case also came up in connection with the Burma case.

Sir F. Gauntlett.—But these recoveries are now being made.

Paragraph 13.

665. *Chairman.*—We only know what is stated here.

Mr. A. Rangaswamy Iyengar.—Surely the Army Department can inquire into this and see if they cannot improve upon it.

Chairman.—We do not know if the matter has been raised. We have not heard the result. That is the position.

Mr. Brayne.—That is a matter which is being dealt with by the India Office.

Mr. A. Rangaswamy Iyengar.—Do you suggest that you have no particulars to say what exactly is the position ?

Chairman.—All the particulars are in the hands of the India Office. We have not got more information than what is given here.

Mr. A. Rangaswamy Iyengar.—Don't you think you can call for information on that ?

Chairman.—We might say that the Committee would be interested to have particulars of this and to know the results.

Mr. B. Das.—Might I inquire if the money that will come will go to the Army Department or to the general revenues ?

Chairman.—It will go to the general revenues.

Paragraph 14.

666. *Mr. Neogy.*—I find we are undertaking a liability to the extent of about £15,300 for 6½ years. I should like to know whether the Indian authorities had any hand or voice in determining this particular share or liability ? The contributions were originally fixed upon the number of graves belonging to different nationalities and then an endowment fund was subsequently created. I should like to know whether the authorities in India have satisfied themselves that this is our proper liability on the principles laid down by the War Graves Commission ?

Mr. Young.—It is certainly proportionate to the number of graves.

Chairman.—I don't remember the details of the case, but it certainly came to us.

667. *Mr. Neogy.*—Did any body represent India at the Commission ?

Mr. Young.—The India Office represented this country. I was deputed for about a year for the Military Secretary. The Military Secretary at the India Office is normally the official representative.

668. *Mr. Neogy.*—Who will administer the funds of the endowment ?

Chairman.—The Commission itself.

669. *Mr. Neogy.*—Is India represented on the Commission ?

Mr. Young.—It was the Secretary of State for India and the Military Secretary used to be deputed, but as a matter of fact I used to attend all meetings for the Military Secretary.

Mr. Neogy.—Are only the graves of fighters of Indian nationality taken into account for determining the liability or the total number of troops that was sent out of India irrespective of nationality that is taken into account for fixing our contribution ?

Chairman.—The Indian Army graves are taken into account. I think this is perfectly straight and clear, and nothing has been done over our heads.

Sir F. Gauntlett.—With regard to the second point raised by Mr. Neogy whether the amount of claim from India is correct, I think that will be undoubtedly watched by the Auditor, Indian Home Accounts.

Paragraph 15.

670. *Mr. B. Das.*—I want to know whether Government realise every bit of the money spent when any army leaves the Indian shores ?

Mr. Brayne.—There is a regular arrangement between India and Hongkong or Singapore, and the recoveries are made by capitation rates. In cases where the forces are sent, the actual cost is charged.

671. *Mr. B. Das.*—Do you mean to say that when an army is in Africa or China, the War Office will pay its expenses ?

Chairman.—That is so.

Paragraph 17.

672. *Mr. Neogy.*—Have you got a copy of the India Office rules available in India ? Because we find that the provisions of India Office rules are more liberal than the English Small Pensions Increase Act, but so far as the particular point is concerned, our interests do not suffer because a less liberal scale has been given effect to. But I am sure that in the other Departments more liberal scales have been fixed by the India Office rules. This has nothing to do with the Army Department, but I will put this to the Chairman and I want to draw his attention to this fact. So far as the Civil Departments are concerned, they might be guided by the India Office rules and they might be treated on a more liberal scale than the English Act allows ?

Chairman.—I don't think the India Office rules affect the rules in India.

Mr. Neogy.—They might apply to people employed in England on behalf of India ?

Mr. A. Rangaswamy Iyengar.—The point is, we find that the India Office rules provide for pension on a much more liberal scale and it might lead to claims being raised in this country to bring up the pension rules to the level of the India Office rules.

Sir F. Gauntlett.—What class of officers or servants are contemplated by Mr. Neogy and Mr. Rangaswamy Iyengar ?

Mr. Brayne.—There are small pensioners, and I think it applies to them.

673. **Mr. Neogy.**—Do the India Office rules apply to men in civil employment, *e.g.*, do they apply to men who are employed in the India Office in England or in the High Commissioner's office ?

Mr. A. Rangaswamy Iyengar.—Our point is that attention has been drawn to the fact that the pensions drawn under the India Office rules are more liberal than those under the Small Pensions Act, and we would like to know whether really this is so ?

Mr. Neogy.—My suggestion is that this matter may be looked into.

Chairman.—I am not still quite clear about the point. It is something very minute, and if Mr. Neogy wishes me to look into the matter, I shall do so ; but there is really nothing in this small matter.

Paragraph 23.

674. **Sir F. Gauntlett.**—I have suggested to my Director of Audit that he should represent the matter to the Military Accountant General. The main action to be taken is to ascertain how the defects arose and to put them right.

Paragraph 30.

675. **Mr. B. Das.**—Regarding the payment for effective service, was it only started for the first time that year ?

Mr. Brayne.—It is the same thing as the capitation rates in respect of the Army.

Paragraph 33.

676. **Mr. Rangaswami Iyengar.**—The Auditor says :—

“ The amount, however, seemed excessive, since after allowing for the rise in prices, etc.,..... ”.

What I want to know is : is this merely a case of accepting what the War Office asks us to pay ?

Mr. Brayne.—No, I think the India Office contend any payment. It has to be passed on certain principles. Once those principles are accepted, of course, the thing is passed.

Mr. Rangaswami Iyengar.—Then the Auditor General says :—

“ I suggested that the claim ought in these respects to be reduced by about £25,000.”

Mr. Brayne.—I am afraid I have forgotten the details of it.

677. **Mr. Rangaswami Iyengar.**—Are you going to hold up these cases as against the 40 million claim ?

Chairman.—That is the real position in this case.

Mr. Brayne.—There is a considerable claim for sea transport during the war. India has only paid a proportion of it.

Mr. Rangaswami Iyengar.—You mean because you are disputing this, they are raising all these claims.

Chairman.—No, there are a whole lot of these claims. We have gradually brought the whole of this together into a single discussion ; we have brought them down to a figure to balance on either side and tried to get rid of them all at one fell swoop.

Mr. Rangaswami Iyengar.—Has it been settled ?

Chairman.—No, it has not.

678. *Mr. Rangaswami Iyengar.*—What is the prospect ?

Chairman.—I have expected an announcement any day last year. We are simply waiting for the final acceptance of the agreement that some were willing to accept but some people on the other side are not willing to accept.

Chairman.—Then there is the Report of the Auditor on the accounts of the High Commissioner.

Paragraph 2.

679. *Mr. Rangaswami Iyengar.*—This matter was commented upon in the last report and here again in November 1926 we are told by the War Office that endeavours are still in progress to dispose of the ribbon.

Mr. Young.—The thing can't be disposed of. Unless somebody wants to wear it.

Mr. Rangaswami Iyengar.—What is the meaning of endeavours are still being made. Have they really done anything ?

Chairman.—There is obviously no demand for it.

Mr. Brayne.—They are really waiting for a demand in some other quarter where they will be able to get rid of it.

Mr. Rangaswami Iyengar.—Until it becomes a nuisance to keep it.

680. *Mr. Neogy.*—May we turn to the High Commissioners Accounts, Military Services. Page 11. I have only one small point and that is in connection with explanation 5 about the causes of variations. "Recruitment to ordnance factories have exceeded the average of the past year". Does this indicate an increased amount of activity of the ordnance factories ?

Sir F. Gauntlett.—I presume it means they sent out rather more than the average. Whether it is due to increase or to more people having retired in that particular year.

Chairman.—Probably due to the fact that they had difficulty in recruiting to the extent required for some years after the war.

Mr. Neogy.—What is the exact class of people recruited ?

Mr. Brayne.—Foremen, overseers, etc.

Mr. Neogy.—I thought attempts were being made to train Indians. Is any progress being made in that direction ? That naturally ought to lead to a reduction in the recruitment.

Chairman.—We shall have to ask for a statement from the Master General and we will ask if he has any explanation of the extra number recruited here and anything he can say on the general subject of Indianisation.

The Committee adjourned for lunch.

Evidence taken at the 9th meeting of the Public Accounts Committee held on Wednesday, the 10th August 1927, at 2-45 p.m.

- | | | |
|---|---|---------------------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman.</i> | } | <i>Members.</i> |
| (2) Mr. H. G. Cocke. | | |
| (3) Maulvi Abdul Matin Chaudhury. | | |
| (4) Mr. B. Das. | | |
| (5) Mr. A. Rangaswami Iyengar. | | |
| (6) Maulvi Sayid Murtuza Sahib Bahadur. | | |
| (7) Mr. N. M. Joshi. | | |
| (8) Mr. G. Sarvotham Rao. | | |
| (9) Mr. K. C. Neogy. | | |
| (10) Sir Frederic Gauntlett, Auditor General | } | <i>Were also present.</i> |
| (11) G. Kaula, Accountant General, Central Revenues. | | |
| Mr. A. C. Lothian, Deputy Secretary, Foreign and Political Department. | } | <i>Witnesses.</i> |
| Mr. A. F. Emmer, Assistant Secretary, Foreign and Political Department. | | |
| Rai Sahib Chuni Lal, Foreign and Political Department. | | |

681. *Chairman.*—Let us take the North-West Frontier Province first. I think it is better to take the comments on page 350. What is the reason of the saving under Account I ?

Rai Sahib Chuni Lal.—These savings come under two heads, one under establishment and the second under the charges which are incurred by the Survey Department of the Government of India. It was thought in the first instance that we would be able to get some men from the Punjab but they were unable to give them, and also the part of the work to be done by the Survey Department of the Government of India was not carried out during 1925-26 to the extent anticipated. It is reported by the Director General of the Frontier Circle that the programme of 1925-26 was divided into two seasons, 1925-26 and 1926-27. The estimates under this head are prepared by the Survey Department.

Chairman.—All that relates to direct demands on the revenue.

Rai Sahib Chuni Lal.—Yes.

682. *Chairman.*—Here again I gather that the excess provision is due to over-estimate of the amount required for establishment under land revenue, mainly due to vacancies among Kanungos and Tahsildars. Is that a saving which you could not foresee ?

Rai Sahib Chuni Lal.—No. The settlement operations are not going on in the Peshawar district. It is not a fixed settlement.

Mr. Rangaswami Iyengar.—These kanungos and tahsildars are not a permanent establishment ?

Rai Sahib Chuni Lal.—In the settlement they are not permanent establishment.

683. *Chairman.*—We come to No. VIII, Police.

Rai Sahib Chuni Lal.—That was made in accordance with the past practice, but now we are making provision for actual pay, from 1926-27.

Account X.—Sub-head B.-1 (4).

Mr. Joshi.—I want to know why the installation of water supply and electric plant could not be postponed till the next budget, and why was not due provision made in the present budget ?

Rai Sahib Chuni Lal.—Provision was made in the budget. You are now talking of this Political account ?

Mr. Joshi.—Yes.

Rai Sahib Chuni Lal.—Under Political there were savings, there was no excess on the Political.

684. *Mr. Joshi.*—Against the appropriation of 3 lakhs you have spent 5 lakhs and the explanation of this is that you have spent money on the installation and upkeep of the water-supply and electric plant. When there was no actual provision in the budget why did you spend the money ?

Rai Sahib Chuni Lal.—That explanation is not quite correct. Page 367, B.-1 (4), there is an excess of 2 lakhs. There is a difference of 58,000 in the expenditure recorded in the books of the controlling officer and those of the Accountant General, Punjab. The balance of the excess of Rs. 1,42,000 is nominal. It represents the cost of wireless sets, water-supply and telephones for which provision had been made under B.-1 (6). You will find on the same page that there is a saving of Rs. 1,82,000. It is shown against a lump provision. It is not a lump provision. It is wrongly shown in this appropriation account.

685. *Chairman.*—On page 367-B.-1 (4) and B.-1 (6)—if you take the two together there is an excess of Rs. 18,000.

Rai Sahib Chuni Lal.—But there is Rs. 88,000 in the books of the controlling officers and Accountant General.

Chairman.—What do you mean by that ?

Rai Sahib Chuni Lal.—According to the controlling officer's books the expenditure is less.

Chairman.—Is that still in dispute ?

Rai Sahib Chuni Lal.—Yes. We have referred the matter.

Mr. Carson.—The account officer's figure is always accepted. The controlling officer's explanation is that so far from being an excess there is really a saving on this sub-head.

Rai Sahib Chuni Lal.—Yes. That may be true. I think some articles might have been supplied by the Military Department and they may belong to some other department. It may have been adjusted under this head, because in the case of Tochi scouts B.-5 (5) on page 369 against contingencies you will find that there is a large saving.

686. *Chairman.*—Your contention is that this charge ought to have been made there and not here ?

Rai Sahib Chuni Lal.—I am not quite sure.

Mr. Carson.—There are many of these regiments, scouts, militia, etc., and many of the supplies come from military arsenals and other places and they get mixed up and sometimes they are shown under S. W. scouts, under Tochi scouts and under Khurram militia.

Chairman.—So far as we are concerned, if we take the two together, there has been very little of excess over the provision. Any excess that occurs here is due to different classification.

Sir F. Gauntlett.—It is very much more difficult to reconcile these difficulties when the officers are 300 miles away.

Chairman.—So far as Mr. Joshi's original question is concerned, the excess is not due to having spent something for which sanction had not been given, but it is provided under one head rather than under another. There has been a corresponding saving under another head.

687. *Mr. Das.*—This installation of wireless—why is it charged to Political ? After 2 or 3 or 5 years will that be debited to the Post and Telegraphs ?

Chairman.—I do not think that that question arises here.

688. *Mr. Carson.*—B.-1 (6)—page 367.—There is lump provision for the initial charges of 16 additional companies.

Rai Sahib Chuni Lal.—The head is wrongly printed. These are initial charges for S. W. scouts. They are similar to those shown under head B.-5 on page 369, for Tochi scouts.

689. *Mr. Joshi.*—Why have they put it under two different heads ?

Rai Sahib Chuni Lal.—One is the question of S. W. scouts and the other is Tochi scouts.

690. *Mr. Rangaswami Iyengar.*—It has nothing to do with water-supply or electric plant to Jandola ?

Rai Sahib Chuni Lal.—Jandola is in connection with S. W. scouts.

691. *Mr. Rangaswami Iyengar.*—It is part of the expenses of the scouts ?

Rai Sahib Chuni Lal.—These are two different bodies—S. W. Scouts and Tochi scouts.

692. *Chairman.*—As regards Mr. Das's question what charges on wireless are incurred by you ?

Rai Sahib Chuni Lal.—These wireless sets were purchased and the establishments are also paid by the Political Department,—they are controlled by the Political Department.

693. *Chairman.*—Does the post office have anything to do with this ?

Rai Sahib Chuni Lal.—No.

In answer to Mr. Das the Chairman said that the scouts were charged to Political Department and the troops to the Military Department. It was a perfectly clear distinction which did not apply to wireless only.

Mr. Rangaswami Iyengar raised the general question of expenditure being accounted for under different heads from those they were estimated under.

694. *Chairman.*—Have steps been taken to secure in future that the estimate in the demand for grant is under the head under which expenditure will be accounted for ?

Rai Sahib Chuni Lal.—Now provision has been made.

695. *Chairman.*—A change has been made ?

Rai Sahib Chuni Lal.—Yes.

696. *Chairman.*—As a result of the recommendation by the Public Accounts Committee the general principle that provision should be made under the same head as it is accounted under has been accepted ?

Rai Sahib Chuni Lal.—Yes.

Page 356.

Sir F. Gauntlett.—I have a comment under B (4).

697. *Chairman.*—What is this Indian News Agency ? Why was not provision made in the budget ?

Rai Sahib Chuni Lal.—This provision was not made under some misapprehension, as no demand on account of the News Agency had been received since March 1922 and it was assumed that no claim would be preferred against this administration.

Page 357.

698. *Mr. Das.*—E.-7 and E.-11.—Some of these allowances have been exceeded.

Rai Sahib Chuni Lal.—Under head E.-7 the excess is due to payment of grain compensation allowance for which no provision was made in the budget.

699. *Chairman.*—Why was no provision made ?

Rai Sahib Chuni Lal.—At the time the estimates for 1925-26 were prepared the prices of food grains were cheaper than those for which grain compensation allowance is granted and therefore no provision was made. In March it was found that the prices had gone up.

700. *Mr. Rangaswami Iyengar.*—Grain compensation is generally given when the prices are so high as to warrant it.

701. *Chairman.*—At the time the estimates were framed the prices were at a level at which it looked as if no grain compensation would have to be paid ?

Rai Sahib Chuni Lal.—Yes.

702.—*Chairman.*—E.-11.—What is the explanation ?

Sir F. Gauntlett.—I think that merely means that in the demand they are all grouped together as contingencies.

Rai Sahib Chuni Lal.—There have been some changes in the description.

703. *Chairman.*—It is time we got rid of these continued changes in the estimates ?

Rai Sahib Chuni Lal.—This change was introduced after these estimates were prepared.

704. *Chairman.*—This is the last time that it occurs ?

Rai Sahib Chuni Lal.—I think so.

705. *Mr. Rangaswami Iyengar.*—We have been told that it is due to closer scrutiny of travelling allowance bills and exercise of strict economy over expenditure and also better supervision of Deputy Commissioners. Can you tell us to what extent this has improved the position? Why did you think it necessary to secure this better scrutiny? Was it your experience that the state of things previously was not satisfactory?

Rai Sahib Chuni Lal.—Because provision is generally made on the past actuals under contingencies and the controlling officers did not allow large expenditure in that year.

Mr. Lothian.—Control has been tightened up very considerably.

706. *Mr. Rangaswami Iyengar.*—Do you think there are possibilities of further scrutiny in the matter?

Mr. Lothian.—I should think there are always possibilities of further scrutiny.

Mr. Rangaswami Iyengar.—We should like to ask the administration concerned to do better next year.

Rai Sahib Chuni Lal.—Instructions on this point were issued in 1922 and then again in 1926.

Sir F. Gauntlett.—It is partly due to efforts which have been made both up here in the Government of India and the various Local Governments putting officers on special duty to go through all the contingent expenses and allowances and the extravagances which have been discovered by this detailed investigation have formed the subject of letters round through the administrative authorities to individual officers as to the way in which savings can be effected. There has been a general tightening up of contingent expenditure all over India. As you go through these Appropriation reports you will find general savings under contingencies.

Mr. Rangaswami Iyengar.—We should like to get at the circular because we can be more specific in our recommendations.

Rai Sahib Chuni Lal.—We have already issued instructions to heads of departments.

Mr. Rangaswami Iyengar.—There has been a scrutiny of contingencies and allowances and we would like to know what is being exactly done.

Sir F. Gauntlett.—The Government of India were invited to place an officer on special duty to go through each department in the Government of India and those reports were considered in detail by each department and orders issued within the department. Then in some provinces we have had officers on special duty and any general conclusions that can be drawn from these reports have been brought to the notice of the Local Governments.

Chairman.—This general action was taken partly on account of the Incheape Committee and partly following it up.

Sir F. Gauntlett.—Yes.

Page 358.—No comments.

707. *Mr. Neogy.*—Page 359.—Who are these readers to certain Honorary Magistrates? It does not mean that they are illiterate. (Laughter.)

708. *Chairman*.—Page 361.—Was that due to a deliberate effort to reduce expenditure—B.-2, 3, and 4 ?

Rai Sahib Chuni Lal.—That is on account of short vacancies and also on account of the fact that provision was made for average pay instead of actual pay.

709. *Mr. Neogy*.—Page 364.—F.-5, Secret Service Charges.—We have got a similar entry at page 367 under Political. I should like to know whether the audit gets any sort of certificate from any responsible executive officer.

Sir F. Gauntlett.—I visited Peshawar some 3 or 4 years ago in order to discuss more thoroughly this question of secret expenditure with the Chief Commissioner. We drew up then a set of rules which would govern the relation of audit to secret expenditure. Very secret expenditure is audited by a senior officer who visits Peshawar for the purpose. We cut as much as possible out of the heads under secret expenditure and for the rest, we arranged that a special officer should be sent to Peshawar in order to audit books. The Chief Commissioner accepted that scheme and it has been in operation ever since. It is not under those heads that difficulties arise—not in Peshawar.

710. *Mr. Joshi*.—You see the accounts but they are not published anywhere ?

Sir F. Gauntlett.—No. Every book is shown to me. I went myself and another officer with me and we went through the whole of the books one year.

711. *Mr. Rangaswami Iyengar*.—Do you require a certificate as you do in the case of other secret expenditure ?

Sir F. Gauntlett.—For a portion of it.

712. *Mr. Rangaswami Iyengar*.—Is there any prescribed form of certificate ?

Sir F. Gauntlett.—The whole question as regards secret service expenditure is under general discussion. There is laid down in the Auditor General's rules a rule which enables the Secretary of State to lay down rules limiting the extent of my audit. That was introduced so that he may issue orders with regard to secret service expenditure and I am pressing the Government of India to obtain those orders from the Secretary of State. Those orders have been followed, but they are not in official existence and I require official notice of Government. I did take up this question with the North-West Frontier Province some three years ago and we arrived at a very satisfactory working arrangement.

Chairman.—So far as the North-West Frontier Province is concerned, nothing arises, and we have already made a note of the general question.

713. *Mr. Joshi*.—Page 368.—What is the meaning of maliki allowance ?

Rai Sahib Chuni Lal.—These allowances are given to certain maliks, that is, heads of tribes

Sir F. Gauntlett.—Page 370.—I have a remark on that.

Mr. Chuni Lal.—The savings were due chiefly to the political situation. We have now reduced this provision; we have made a provision of Rs. 33,000 against one lakh made in 1925-26.

714. *Chairman.*—Referring to page 370 and the Auditor General's suggestions, have the North-West Frontier authorities taken note of all those points, and have you made a reduction of 66 per cent. in your provision?

A.—Yes.

715. *Mr. Joshi.*—Referring to page 370, I would like to know why expenditure D was not debited to the Railway Budget instead of to the political budget, as it was due partly to increased expenditure in connection with the opening of the Khyber Railway.

Mr. Chuni Lal.—This expenditure was in connection with the entertainment of these tribes on the occasion of the opening.

Chairman.—The answer is this was political and not railway expenditure.

Mr. Lothian.—Entertainment charges are a constant item incurred on account of the tribes,—they have nothing to do with sumptuary allowances.

Mr. Chuni Lal.—It was a misclassification. It is explained here that part of the expenditure which was really debitable to head (f) (2) other charges, was taken under Entertainments.

Sir F. Gauntlett.—It is a fundamental rule of classification that the classification depends upon the authority incurring expenditure. It may have been incurred on the opening of the Khyber Railway but was not incurred by the railway authorities, it was incurred by the political authorities.

716. *Mr. Rangaswami Iyengar.*—Turning to 375 (c), this has been due mainly to a payment to the Peshawar municipality for the maintenance of the Zoological garden. Was it an urgent matter?

Mr. Chuni Lal.—This grant has always been made in the past, but formerly it was debited to Political. It is not a new payment and we are now including this item in our proposals for new expenditure, in the next year. It will be placed before the Standing Finance Committee.

Chairman.—Are you sure there is no increase in the grant?

A.—Yes.

717. Q.—Where was it provided for in the year?

A.—It was not provided in this year but met from the political Budget.

718. *Mr. Rangaswami Iyengar.*—You paid this Rs. 10,000 for the Zoological Department for the first time this year ?

Sir F. Gauntlett.—The witness is endeavouring to show that in previous year it was paid out of other heads, recorded in the political section of the accounts. It was held that this Zoological garden was made on a larger scale simply for the sake of these tribes who come to Peshawar. So in the past this grant was given from political funds.

Chairman.—There is no doubt that this is an extraordinarily attractive part of Peshawar to those who come from the Frontier, and it is really educational expenditure and not political.

719. *Q.*—The maintenance of this Department has been going on,—only it was met from other funds and now you have put it down under Botanical Research ?

A.—Yes. I am not sure that it was always paid, but we have made inquiries from the Deputy Commissioner.

Chairman.—My recollection is that I was specially appealed to by the Chief Commissioner to make this grant.

Mr. Chuni Lall.—As a matter of fact the municipality cannot bear the entire expenditure.

720. *Q.*—Who pays the balance ?

A.—It is a grant by the Government to the municipality for upkeep. The municipality pays the balance.

721. *Mr. Rangaswami Iyengar.*—Therefore you say Government have been paying this municipality year after year even before this, at least five years before this, ever since it was constructed ?

Chairman.—I did specially agree to this grant,—it was agreed on political grounds.

Mr. Chuni Lall.—Now we are coming up to the Government of India to regularize it because so far it has not been sanctioned as a recurrent charge.

722. *Mr. Rangaswami Iyengar.*—Is it or is it not a fact that it was being paid by the Frontier Administration to the municipality year after year ?

Mr. Lothian.—We can find that out.

Chairman.—My impression is that if it was not a new charge this year, it was a new charge the year before.

723. *Mr. Cocks.*—On the next page you will find an increase by 50 per cent. What is the reason for this excess ?

Sir F. Gauntlett.—The actual explanation you will find in (a) to (e).

Mr. Chuni Lall.—There was a net excess of Rs. 35,000.

The actual excess under this head was Rs. 44,000.

The explanation is given in (e), and then a sum of Rs. 12,000 on account of the contribution recoverable from the Peshawar Municipality was wrongly credited under this head instead of to the head 12, Medical ; that you will find against (j) on page 376. So the real excess was Rs. 44,776 ; it occurred chiefly under the head Experimental Farms, Other Expenditure, Rs. 32,690. The excess was partly due to the fact that the Budget was underestimated and partly to an expenditure of about Rs. 10,000 having been incurred as a result of damage done by storms. Then in order to make it self-supporting larger expenditure had also to be incurred on revenue producing crops with the result that the income amounted to Rs. 35,000 against an estimated figure of Rs. 25,000 and the excess under the latter head was due to this grant to the Peshawar Municipality. The total excess was covered by savings under other heads.

724. *Mr. Neogy.*—Who is this Bukhtiar Khan (page 377) ?

Mr. Chuni Lall.—As far as I know he was deported, and these are his maintenance charges. The amount is only Rs. 210.

Chairman.—You do not want to advertise even in Appropriation Accounts such individuals more than is necessary.

725. *Mr. Joshi.*—Even though you had a Government press (page 377), you wish to get your work done in private presses ?

A.—Yes.

726. *Q.*—And you find that printing in Government presses is cheaper ?

A.—Yes.

Chairman.—We will now take page 52, paragraph 71 of the Report—Frauds and Embezzlements.

727. *Mr. B. Das.*—May I ask whether these frauds are still practised or they happened only in that year ? Have steps been subsequently taken ? Were there such cases afterwards ?

Mr. Chuni Lall.—The persons who were at fault have been convicted.

728. *Q.*—My question is whether these frauds only happened this year or they continue ?

Chairman.—This particular kind of fraud it is hoped to prevent by the action mentioned at the top of page 53.

729. *Mr. Joshi.*—There is a statement (page 72) that the Officer Commanding had an old standing personal ledger account at a sub-treasury. Are these officers allowed to keep their personal accounts at treasuries ?

Mr. C. W. C. Carson.—They keep regimental accounts.

Sir F. Gauntlett.—It is separate from an official account ; a personal ledger account is technically in the name of a particular officer, maintained at a treasury outside the actual Government accounts. That really ought to have been in italics. It does not mean his own personal account but a regimental account.

730. *Chairman.*—Was any action taken on the case mentioned in paragraph 73 ?

A.—The explanations of the officers were called for and they are under consideration. Those orders have been issued.

731. *Chairman.*—Paragraph 74. The Auditor General has a comment.

Mr. Chuni Lall.—I may say that the safeguards suggested by the Accountant General were duly adopted and an intimation to this effect was sent to him. The Civil Surgeon, Peshawar, reported that steps had been taken to comply with the rules of the Civil Account Code and that in his opinion such irregularities would not occur in the near future. As regards explanation, no explanation was called for from the Civil Surgeon in whose time this occurred as the total amount had been nearly recovered and he had been transferred to another place.

Sir F. Gauntlett.—That lack of action is likely to help or rather not to prevent that officer doing the same sort of thing in another province ?

732. *Chairman.*—As a general rule it is obviously desirable that a Civil Surgeon or anybody else who has contributed through his negligence to a fraud should at least be communicated with and asked to give an explanation. The mere fact that he has gone to another province is not sufficient.

Mr. Chuni Lall.—It was because the amount had been recovered and the head clerk was chiefly at fault.

Chairman.—I think we may make a comment that we do not think that it is right that in such a case you should not follow him up.

Mr. Kaula.—These did not occur all in the year under review. Some of them occurred in 1923 and 1924.

Sir F. Gauntlett.—It is rather curious that the voting charges of men and animals showed a saving of Rs. 48,000 owing to favourable rates, when we contrast them with the explanations we have just had why grain compensation allowance had to be paid in the Peshawar district ?

Chairman.—Of course prices in Baluchistan and Peshawar were influenced by very different causes.

733. *Mr. Neogy.*—I see no provision made in the Budget for building grants for schools [page 389 (b)]. How is that ?

Sir F. Gauntlett.—Possibly it is a general comment that in these political areas, if they are able to save money on what you might call compulsory heads like Political and Police, then the Commissioners would probably utilize those savings in the nation-building Departments ?

Chairman.—If they can save on the reserved services, we encourage them to spend on the transferred (laughter).

734. *Mr. Rangaswami Iyengar.*—You do not quite agree with the Auditor General's suggestion that the Chief Commissioner himself is empowered to make use of the savings in the manner indicated ?

Sir F. Gauntlett.—I meant of course that it was incurred under proper sanction.

Mr. Lothian.—The question under discussion is that of the financial powers of the various Local Administrations in regard to these grants-in-aid.

Chairman.—There is nothing more on page 390. Page 391.

735. *Mr. Rangaswami Iyengar.*—I think your explanation, Mr. Lothian, about these grants is that these new rules have curtailed the powers that you previously exercised and the result is that you have got to obtain reappropriation orders in each case from the Department, although it was within the powers you have been all along exercising?

Sir F. Gauntlett.—There is some confusion between orders of sanction and orders of reappropriation.

Chairman.—We go back to page 55, paragraph 76.

736. *Paragraph 77.—Mr. Rangaswami Iyengar.*—What about last paragraph where it is said “No disciplinary action can be taken against one of the officers in fault as he has already retired from service, while the other officer has been reverted to the clerical line.”

Mr. Lothian.—Reversion is a considerable punishment and it is not a very big case.

737. *Chairman.—Page 404, Ajmer-Merwara.*—The Auditor General has a general comment on the saving of 10 per cent.

Mr. Lothian.—Steps have been taken by the local administration to improve matters in future.

738. *Chairman.*—The whole question of over-budgeting has been taken up in respect of Ajmer-Merwara.

Mr. Lothian.—The attention of the Chief Commissioner was drawn to the considerable over-budgeting. He stated that regrettably the budget had not been scrutinised a second time and that particular care would be taken in this regard in future.

739. *Mr. Rangaswami Iyengar.—Page 406.*—With regard to the savings of Rs. 4,000 and odd under Service Postage and Telegram charges, was there anything unusual?

Mr. Lothian.—No. If you could isolate postage from telegram charges, you could estimate the first fairly exactly, but telegram charges are very fluctuating.

740. *Mr. Rangaswami Iyengar.*—Can you say that anything particular happened?

Mr. Lothian.—No.

Sir F. Gauntlett.—Page 407.—There is a remark on this page “Due to non-utilisation of the provision for leave salary.” It really all comes under the head of pay. Our experience in running a big department is that separate provision for leave salary is very seldom required. There are savings under the general head of pay to meet any possible excess under leave salary.

Chairman.—It is all a general question.

741. *Sir F. Gauntlett.—Page 410.*—I have a comment. It is not clear why provision for the contribution was not foreseen.

Mr. Lothian.—It was only decided in 1925-26 that this should be charged against the Central Government and it was accepted with retrospective effect.

742. *Mr. Rangaswami Iyengar.*—What about K.-2 ?

Mr. Lothian.—That was an omission. The grant was met from the Finance Department's reserve.

743. *Mr. Rangaswami Iyengar.*—Page 423.—What about Rs. 10,000 paid to Abu Municipality ?

Mr. Lothian.—It is a special grant in aid to the Abu Municipality, the need for which was accepted by the Standing Finance Committee.

744. *Mr. Rangaswami Iyengar.*—Page 428.—There has been a lot of payment out of reserves under this head. Does that mean it will go to the Standing Finance Committee ?

Chairman.—No. The total expenditure was so near the total amount that it looked as if in the absence of provision from the reserve we would be incurring excess.

Mr. Lothian.—Page 432.—The provision for leave salaries has been greatly reduced in subsequent years.

745. *Mr. Neogy.*—What is this excise compensation to Indore Darbar ? There is a saving ?

Chairman.—Probably on account of excise compensation.

Mr. Lothian.—I regret, I have no information.

746. *Chairman.*—It is non-voted. I think probably it is Political ; it is a varying payment under a treaty. I do not think we need pursue it.

Page 434.—There is a curious foot-note, J.-1. "The saving represents unallotted balance of the fixed Contract Grant that remained at the disposal of the local Administration.

Mr. Lothian.—The unspent balance of the Agent to the Governor General can be carried forward to another year.

Mr. Rangaswami Iyengar.—What is this contract grant ?

Mr. Lothian.—It is a grant which was instituted in 1907, when the Indore Abkari Fund and certain excluded local funds were abolished and their transactions transferred to Central Revenues. The contract grant is intended to cover expenditure formerly met from the above funds as also expenditure on supplies, services and contingencies under the head Political and certain other local expenditure in the form of grants in aid for education, medical service, etc. It is shown separately in the budget but is distributed among the different heads of account concerned.

Sir F. Gauntlett.—Most of these have been absorbed in the general revenues long ago.

747. *Chairman.*—Could we raise the question whether it is necessary to continue this contract grant ?

Mr. Lothian.—The question has previously been argued. It might however, be re-examined.

Chairman.—We will have this question re-examined.

Mr. Emmer.—The question of the renewal of the contract grant comes up every 5 years ; it will come up again in 1928.

Chairman.—No harm will be done by saying that the continuance of this grant in this form might be examined. Very likely there are good reasons for it.

748. *Mr. Rangaswami Iyengar.*—Page 438.—Notes like E-3 frequently occur. I want to know what it is.

Sir F. Gauntlett.—That is a pure point of technical accounting. It is simplification of the account procedure and there is no change.

Mr. Lothian.—Note H. Page 439.—It was not anticipated that the medical stores indent for 1926-27 would be supplied the previous year and no budget provision was made in the previous year. Stores were supplied much quicker than was anticipated.

749. *Chairman.*—Were they received earlier than required ?

Mr. Lothian.—Yes, and also earlier than they had bargained.

Mr. Emmer.—We expected them to come in April, but they came in February or March, when the debit was received.

750. *Mr. Neogy.*—Is not medicine purchased locally in India ?

Sir F. Gauntlett.—If they had been purchased from home, they would have come in the Home account.

Chairman.—I think it was all purchased in India.

751. *Mr. Neogy.*—I want to know whether there is any difference between the various classes of financial powers of the Government of India with regard to the various States.

Mr. Lothian.—I think the specific point you are referring to arose recently in an Aden Public Works case where the Bombay Government pointed out that it was anomalous that when acting for the Government of India they could not sanction the very small amount that was involved in the particular case and therefore they asked for extra powers.

752. *Chairman.*—They were spending money from the Central revenues and were subject to the same rules as the other Agents.

Sir Frederic Gauntlett.—There is a separate section in the Book of Financial Powers dealing with the powers of the Local Governments when acting as Agents for the Governor-General in Council. That book is really the Gospel for all these Public Accounts Committees.

753. *Mr. Neogy.*—Do these powers differ in any way from the powers enjoyed by the Agents to the Governor-General in Central India and Rajputana, or are they of the same nature ?

Sir Frederic Gauntlett.—They are higher powers.

Chairman.—Broadly speaking, the difference is a small one.

754. *Chairman.*—Page 459.—E. seems to show that supplementary grants were not necessary.

Mr. Lothian.—That the supplementary grants were not necessary is admitted, but the grant is scattered throughout India and beyond it and it is administered by many different local officers and comes under the audit of nearly every Audit Officer in India.

755. *Chairman.*—Your answer is that the nature of grant is such that your powers of following expenditure closely are not as great as you would desire.

Mr. Lothian.—Yes. The new rules which were instituted last year may, however, help somewhat.

756. *Chairman.*—What is the nature of the new rules ?

Mr. Kaula.—These are the Government of India's general rules about the control of expenditure.

757. *Chairman.*—Page 460.

Mr. Lothian.—The excess here is due to an adjustment of charges in connection with the Gyantse telegraph lines. The excess was uncovered as the debits were received at the close of the year. These charges though debitable to civil and political estimates are incurred by the Posts and Telegraphs Department. Budget provision is made by the political officer on the basis of the past actuals which are really satisfactory guides. The Accountant General, Posts and Telegraphs, has been in the habit of furnishing the Accountant General, Central Revenues, with an estimate but not until after the budget has been passed. At present the scheme is being considered whereby the Accountant General of Posts and Telegraphs can furnish us more correct estimates in time for inclusion in the budget.

Chairman.—Endeavours are being made to correct this difficulty.

Sir Frederic Gauntlett.—We have the same question of co-ordination here.

758. *Mr. Rangaswami Iyengar.*—May I take you back to page 458, C. 4. You have referred to a large number of items in regard to furniture. For instance, there is an excess in Mysore of Rs. 8,000 odd, which is counter-balanced by a saving in other Residencies. Is this item for the provision of furniture and maintenance a very large one ?

Mr. Lothian.—In the case of Gwalior it is a very large item because it was a new Residency and this was the initial furnishing grant.

759. *Mr. Rangaswami Iyengar.*—Is the Mysore item of Rs. 8,000 odd an annual item ?

Mr. Lothian.—The maintenance and renewal charges are presumably an annual item ?

Sir Frederic Gauntlett.—That is simply due to a provision under an incorrect heading.

760. *Chairman.*—Page 461.

Sir Frederic Gauntlett.—There is a large saving under the Public Works of Burma.

Chairman.—I think the Political Department will agree that the estimates for works expenditure are usually due to excessive optimism on the part of the engineers.

Mr. Lothian.—The conditions on the Burmese Frontier, where I believe most of this public works expenditure was intended to be incurred are very far from settled. You can scarcely apply the ordinary rules of British India to the frontier tracts.

Chairman.—But you can apply the general principle that engineers are optimistic in their estimates with the Frontier. However, there is nothing important in this and we need not pursue the matter further.

761. *Mr. Neogy.*—Page 463. There is an excess expenditure on State prisoners in Bengal and Burma.

Mr. Lothian.—We have addressed both the Burma and the Bengal Governments. We have not yet got the reply from Burma but the Bengal Government have replied. The excess is due to their surrender early in the year of a sum of Rs. 28,000 as no expenditure was anticipated.

Mr. Neogy.—Evidently they wanted to let off the prisoners much earlier than they were allowed to.

Sir Frederic Gauntlett.—That is an old question of not taking liabilities into account.

762. *Mr. Neogy.*—I want to know something more about Lighting and Buoying of the Persian Gulf (Item I). Why is it that we are required to pay more than before ?

Sir Frederic Gauntlett.—I think that it would be more appropriate to put questions about Lighting when Sir Geoffrey Corbett comes before us as he must know considerably about it. Technically, of course, it relates to the Political Department.

Chairman.—Sir Geoffrey Corbett will be able to tell us.

763. *Mr. Neogy.*—Page 466. What is this Military Commission to Persia ?

Mr. Lothian.—I regret I have no information in regard to this matter. It is old charge.

764. *Chairman.*—Was this a war or post-war charge ? I am pretty certain it is a war charge or a post-war charge. It is not a thing which will continue.

Mr. Lothian.—The accounts of Persia still contain a large number of items relating to war.

765. *Mr. B. Das.*—May I inquire whether India pays any charges towards the Consulate in Persia ?

Chairman.—They are divided—half and half.

766. *Mr. B. Das.*—Page 467. Regarding the Pensions to Heads of Tribes at Aden, may I inquire if even after the new Treaty India has to bear this expenditure ?

767. *Chairman*.—Does it come under the fixed Aden figure ?

Mr. Lothian.—That is a point I will look into.

Chairman.—The question is whether it is included in the lump sum settled for Aden or not.

768. *Mr. Rangaswami Iyengar*.—Page 475-F. Why were large number of grants made this year under this heading ?

Mr. Lothian.—There was a grant of Rs. 1,15,000 for a pumping station which could not be utilised and it was utilised for items (2) and (3). It is not out of the Government of India revenues.

Chairman.—This expenditure is not really out of the Government of India revenues ; it is really out of the revenues of Bangalore. I think the reason is to reduce the surplus. Three quarters of the surplus go to the Durbar and one quarter is retained by the Government. A part of it has to be spent locally.

Mr. Rangaswami Iyengar.—So that the revenues of Bangalore are more or less held in trust by the Government of India.

Page 60, paragraph 83.

769. *Mr. Rangaswami Iyengar*.—Is this expenditure complete or are you still going on with it ?

Mr. Lothian.—It is not complete ; at least it was not complete in the year to which this account refers.

Chairman.—There was a further expedition in the following year.

770. *Mr. Rangaswami Iyengar*.—Is this work still going on—the liberation of slaves ?

Mr. Lothian.—It was almost completed by a recent expedition, but there is still something to be done.

Paragraph 84.

771. *Mr. Rangaswami Iyengar*.—Don't you think this is a glaring case ; it cannot merely be a case of conforming to the rules ?

Mr. Lothian.—As a matter of fact, it is due to an unusually favourable contract. They got it as a result of advertising. Such a favourable contract might not again be obtained.

Mr. Rujagopalan.—The prices fluctuate violently from year to year.

Chairman.—As regards the last sentence of paragraph 84, that is a general question of contracts.

Page 154.

Chairman.—There is a large saving under Contingencies.

Sir Frederic Gauntlett.—It is nearly 50 per cent.

Mr. Cocke.—It is due to strict economy.

Chairman.—It is a satisfactory result of the labour of the new Assistant Secretary but the trouble of the satisfactory results is the light they throw on the past.

Page 203.

Sir Frederic Gauntlett.—This question of the Aitchison College has been before us practically every year. It is very difficult to get rid of it.

Mr. Lothian.—It has been settled now.

772. *Mr. Neogy.*—Are there no arrears outstanding ?

Mr. Lothian.—The arrears have recently been written off by the Government of India.

773. *Chairman.*—Unfortunately this is the result of an excess-vote once again. Have you now solved the problem of how to avoid excess votes ?

Mr. Lothian.—Each college is now paying its own staff.

Chairman.—So we have solved this problem and from next year this will not recur. We have had this college before the Committee during the last 5 years.

774. *Chairman.*—Page 91 (88).

Mr. Lothian.—It is a question of claims against the Durbars made by the Military Department in connection with the war. The claim against the Jaipur Durbar up to 1924-25 has been settled except a few items amounting to Rs. 4,000 odd and this will be settled shortly. The Gwalior Durbar account up to 1921-22 has been settled except one item of Rs. 11,000. Action is being taken to ensure its speedy settlement and also of subsequent claims.

Page 91 (89).—Claims have been raised by the British Government against the Polish, Esthonian, German, Russian and Italian Governments for expenditure on account of the internees at Ahmednagar during the war. The Polish Government has rejected its claim and it is understood that it will be shared between the Imperial and Indian Governments but no official intimation has yet been received. Certain of the other claims have been accepted by the foreign Governments concerned, and the remainder are still under negotiation.

775. *Mr. Kaula* referred to paragraph 7 on page 2 of the Home Auditor's Report on the High Commissioner's Accounts.

Mr. Lothian.—The Foreign and Political Department can scarcely accept this description of the case as correct. The officer applied to be taken into the Foreign and Political Department from the military in accordance with the usual procedure and while his application was being considered he was taken by His Excellency the Viceroy as his Surgeon. The officer asked after this that his application for the Foreign and Political Department should still stand and he was accordingly shown as on deputation on their list from the date he took over charge as Surgeon to the Viceroy. These are the facts and there is nothing erroneous in that.

776. *Chairman.*—When this leave was originally granted what procedure was followed to see that correct leave was given ?

Mr. Lothian.—The Accountant General Central Revenues, was consulted in the ordinary course and he regarded the officer as on civil employ and gave him the leave.

Mr. Kaula.—That is so.

Chairman.—The responsibility, in so far as there was a mistake, if it was a mistake, was in a sense with the Accountant General, Central Revenues.

Mr. Kaula.—That is so ; ultimately it was decided by the Finance Department that it should have been otherwise.

Chairman.—The real crux of the position is that he never joined appointment and therefore technically was never actually in civil employ. It was a purely technical error ; there was every reason to suppose that he was in civil employ, except the absolute compliance with all the technical form. If the officer had put in an application there would have been a transfer from military to civil.

Sir F. Gauntlett.—I think the whole difficulty arises from the fact that he was notified for the Foreign and Political Department but never joined it ; and on that it was assumed that he was in civil employ whereas he could not be regarded so technically.

After some discussion the Chairman remarked that he did not think it was a case really worth pursuing.

Mr. Kaula.—In any case from the audit point of view the general rule is clear that in a case like this hereafter the Accountant General, Central Revenues, will not certify leave under the civil rules.

The Chairman thanked the witness who then withdrew.

The Committee then proceeded to discuss the Home Accounts.

777. *Mr. Neogy* wanted to know whether there was any further information with regard to paragraph 16 of the Auditor's Report regarding the form of the certificate given for secret service expenditure. He read out the form used in England and suggested it should be adopted in the case of the certificates given by the Secretary of State for India.

The Chairman said that the information was being obtained by the Home Department.

778. *Mr. Neogy* inquired what the position was with regard to paragraph 21 where the Auditor had raised the question of exchange.

Chairman.—We have no information on that ; it is a matter largely for the Reparations Commission.

Sir F. Gauntlett remarked he had a comment on paragraph 23.

Chairman.—I think the Auditor General's statement is rather an over-statement ; and agreement has been come to or rather an offer has been made which has not been finally accepted ; it really amounts to nothing, I am afraid.

779. *Mr. Rangaswami Iyengar* referred to paragraph 30 which dealt with the form of submitting supplementary demands for grants to the Assembly.

Sir F. Gauntlett.—It is ordinarily the practice in India to distribute the grant over individual heads.

Mr. Kaula.—Two years ago details were not given ; now they are.

Chairman.—We are always up against the difficulty of the token vote ; I do not remember this case particularly, I am afraid.

780. *Mr. Neogy.*—Item 5 page 7. Appropriation Account of Secretary of State. In connection with the colonisation scheme, no provision was made for it. How were the charges met ?

Chairman.—This was the year in which the question of British Guiana was settled and eventually it was decided to send a man to British Guiana.

781. *Mr. Neogy.*—The decision was taken in the Assembly ?

Chairman.—Yes, Kunwar Maharaj Singh was the officer who was deputed.

782. *Mr. Neogy.*—Why was not any provision made for it in the Budget, because it was we who made the suggestion for the deputation ?

Chairman.—He drew the money in England.

783. *Mr. Neogy.*—What are the considerations that determine as to whether an officer should draw money from the Secretary of State or from the High Commissioner ? What is the distinction ? Because the High Commissioner acts as the Agent of the Government of India, and this deputation was undertaken at the instance of the Government of India.

Chairman.—We can find out if you like why this was drawn from the Secretary of State and not from the High Commissioner. Possibly we can get an explanation from the Education, Health and Lands Department.

Item 15, ibid.

784. *Mr. Neogy.*—What are the considerations that generally determine such grants in aid as the one given for the publication of the work "Dome of the Rock, Jerusalem" ? The amount is not very small. I don't know whether it is in our province to question the propriety of this expenditure. I think we will find out from what department we can get the information about the Dome of the Rock.

Chairman.—We will now take the Auditor's Report on the accounts of the High Commissioner for India.

Paragraph 3, Home Auditor's Report on the High Commissioner's Accounts.

785. *Mr. Joshi.*—Is the responsibility of the shipping companies taken away now for what is called negligent navigation. I don't understand whether the responsibility is taken away now or it is imposed.

Mr. Neogy.—So far as the amendment of the Act goes, it won't affect our position.

Paragraph 5 ibid.

Sir F. Gauntlett.—I had ascertained the matter and found that it related to Burma and I passed it to Burma. I have asked the Auditor to include specific cases in the Annual Report. The general question is however, beyond our province because it does not concern the Central Government.

786. *Mr. A. Rangaswamy Iyengar.*—I think this item is far too important for us to pass over, because I know that in certain other provinces the same trouble has arisen.

Chairman.—We cannot take up questions relating to Provincial Governments.

787. *Mr. A. Rangaswamy Iyengar.*—I want to know whether it is open to a Department under Central Government to say that unless you supply the goods of a particular form we are not going to take responsibility. That is the question.

Chairman.—I think you had better raise it on a specific case.

Sir F. Gauntlett.—Might I suggest that the High Commissioner is the Agent of the Government of India and of the Provincial Governments, and that if any action is taken it must be taken by the Government and not by the Government's Agent who is there merely to carry out orders.

Chairman.—I would strongly recommend to keep this specific case aside. It is extraordinarily difficult to take up a case with which we are not concerned.

Sir F. Gauntlett.—Might I suggest that if the question is going to be put up, it should be put to the department that deals with stores.

Mr. A. Rangaswamy Iyengar.—I am not taking the particular case.

Sir F. Gauntlett.—The position is that the High Commissioner has been ordered to send a detailed list of every single case in which the lowest tender is not accepted. That list is received here, and I presume it is scrutinised carefully.

Chairman.—I would suggest that this should be taken up by the Burma Public Accounts Committee, and we will have plenty of opportunity to raise a specific case. But I would rather not take up the general question on a specific case like this.

Mr. A. Rangaswamy Iyengar.—My point is that matters of this sort are bound to occur in connection with large development works in this country.

Mr. Joshi.—My point is that had the total value of these 75 cases been given, it would have given us a clearer idea.

Mr. Neogy.—So far as the Central Government is concerned, the amount can be easily ascertained from the statement placed on the table of the Assembly.

Chairman.—There are considerable opportunities for the Assembly for raising this point.

Mr. Joshi.—If the Home Auditor gives these cases every year, we may suggest to him that he should also give in his Reports the total value.

Chairman.—I think the statement that is laid on the table of the Assembly every six months ought to be sufficient, because all the information is available there.

Paragraph 17 ibid.

788. *Mr. Neogy.*—I want to draw attention to one point. It is stated here "While it is recognised that in the absence of definite information regarding the leave programme the estimate for Leave Salaries, etc., must to a considerable degree be conjectural.....".

Sir F. Gauntlett.—This is rather an important case, because leave salaries paid in England come to quite a large figure, and now that they have been consolidated, it ought to be possible to make quite a large lump cut out of the estimate to estimate much more accurately.

Chairman.—We will draw attention to that.

789. *Mr. Joshi.*—I want to know what is meant by "modifications in voted grants sanctioned by other authorities". What are the other authorities? I want to know the meaning of the heading.

Chairman.—That is what we used to do in our accounts, modifications being a substitute for reappropriations within the grant.

Sir F. Gauntlett.—I think it is almost impossible to discuss these questions of modifications on this document, which is an incomplete statement of the grant. In many cases the grant is for expenditure both in England and in India, and the extent to which the grant has been spent for proper purposes and the extent to which the reappropriations within the grant had been properly made can only be studied from the consolidated statement in the big volume.

Chairman.—All this really means that the excess of expenditure compared with the original grant has been covered by reappropriation.

The Committee adjourned till 11 A.M. on Thursday the 11th August 1927.

Evidence taken at the 10th meeting of the Public Accounts Committee held on Thursday, the 11th August 1927, at 11 a.m.

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|---|---|---------------------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman</i> . | } | <i>Members.</i> |
| (2) Mr. H. G. Cocke. | | |
| (3) Maulvi Abdul Matin Chowdhury. | | |
| (4) Mr. B. Das. | | |
| (5) Mr. A. Rangaswami Iyengar. | | |
| (6) Mr. N. M. Joshi. | | |
| (7) Mr. G. Sarvotham Rao. | | |
| (8) Mr. K. C. Neogy. | | |
| (9) Sir Frederic Gauntlett, Auditor General. | | |
| (10) Mr. C. W. C. Carson, Controller of Civil Accounts. | } | <i>Were also present.</i> |
| (11) Mr. G. Kaula, Accountant General, Central Revenues. | | |
| (12) Mr. T. K. Rajagopalan, Officer on Special Duty. | | |
| (13) Mr. D. C. Campbell, Director of Commercial Audit. | } | <i>Witnesses.</i> |
| Mr. J. D. V. Hodge, Deputy Secretary, Home Department. | | |
| Mr. A. G. Clow, Deputy Secretary, Department of Industries and Labour. | | |

790. *Chairman*.—We will begin with Grant No. 31-Home Department—page 155. What was the reason for the excess vote in this case ?

Mr. Hodge.—The leave of one of the Honourable Members of Council, Sir Muhammad Habibullah, who took leave in India.

Mr. Rangaswami Iyengar.—Even then, I think, Sir, Mr. Hodge has got to explain why it was not covered by supplementary estimates sanctioned by the Finance Department.

Mr. Cocke.—When did the Honourable Member go on leave ?

Mr. Hodge.—He took three months' leave in the course of the year. I have not got the exact date.

Chairman.—He went on leave from the end of August to the end of December. I suggest, Mr. Hodge, if you can't give us these facts, you might get them for us. There is an excess of Rs. 11,500 on the non-voted pay head which was not covered by special sanction in spite of the fact that you did actually for some reason obtain a supplementary grant of Rs. 6,600, seeing that there would be an excess on this particular sub-head. You might perhaps be able to give us a note on that afterwards.

791. But now we come to what is still more important from our point of view—there is an excess of Rs. 19,539 under tour expenses which we have to recommend to the Assembly for the purposes of excess vote. Can you explain first of all, why the expenditure was in excess of the provision and secondly why no supplementary grant was obtained ?

Mr. Hodge.—In the first place one of the reasons for the excess will be the haulage of the saloons used by the Honourable Members in going on leave. That comes under the head “tour expenses”.

Chairman.—Is that unusual ?

Mr. Hodge.—Two Honourable Members went on leave.

Sir F. Gauntlett.—Might I remark, Sir, that this trouble has arisen under this head both in regard to the Council and the Viceroy every year for the last three years. The trouble is that there has always been an excess and it has always been explained by the debit coming in after the close of the year. It rather looks as if no estimate is formed of what each particular journey is going to cost.

Mr. Hodge.—The figure of Rs. 60,000 was simply taken on the average of the previous years.

792. *Chairman.*—I suppose it is a fact that Members do not tour with reference to the amount of the tour grant but with reference to what they think is desirable for touring purposes.

Mr. Hodge.—That is so, and we base our estimates on previous averages.

Mr. Bangaswami Iyengar.—You mean to say every average has been exceeded for the past three or four years.

Sir F. Gauntlett.—Every year under this head, both for the Viceroy and for the Council, there has been an excess.

Mr. Bangaswami Iyengar.—Can you frame an average which cannot be exceeded in this way ?

Sir F. Gauntlett.—I think one might say that it is impossible to frame a very accurate estimate but it ought not to be impossible to form some idea during the course of the year what each particular tour is going to cost.

Chairman.—What happens is that tours are arranged during the course of the year with reference to requirements. For instance, I had to go down to Calcutta and Bombay in connection with the Reserve Bank Bill this year, quite irrespective of any provision in the tour grants, without asking what effect it would have on the tour grant and I think quite rightly. And I don't think one ought to take this into account.

Mr. Neogy.—But we could expect a supplementary grant to be brought in during the autumn session ?

Chairman.—Quite. It would be undesirable to lay down any strict rules that the tours of Honourable Members ought to be arranged carefully with reference to the provision in the budget. The money ought to be arranged with reference to the tour. An excess over the provision merely shows that there was an underestimate. I see that in the following year in respect of this expenditure we still provide Rs. 80,000 for tour expenses. It may be that we could improve on the estimating. That is the first point. The second question is why was there no supplementary demand ?

Mr. Hodge.—Well, Sir, we get monthly statements of expenditure under this head from the Accountant General and for this year the statement of expenditure up to the end of February which we got in April showed that the expenditure under these heads of salaries and tour expenditure was well within the sanctioned grant ; we got a statement up to the end of March towards the end of May and then we found out that these demands had been exceeded.

Mr. Rangaswami Iyengar.—You mean to say that this tour took place between February and March. I think this brings up the whole question of large debits being adjusted at the last minute.

Mr. Hodge.—What happened in this case, was that the figures up to the end of February showed that expenditure under each of the two heads under salaries and tour expenses was well within the sanctioned grant but the statement that we got later disclosed the fact for the first time that those figures were exceeded.

Chairman.—That is to say, the statement of expenditure covering the period of March only that you received in April or May must have amounted to more than Rs. 22,000. Of course, obviously it relates not to the actual expenditure incurred in March but to the expenditure incurred in the previous month.

Mr. Rangaswami Iyengar.—I fancied Honourable Members did not do much touring in February.

Chairman.—This Bill which came in May was obviously in respect of the December-January touring at latest.

Mr. Rajagopalan.—The same problem has arisen in connection with His Excellency the Viceroy's tour grant and we are just now making arrangements for getting quarterly statements of all journeys and getting them valued so as to take them under the liabilities.

Chairman.—The quarterly statements won't help you much.

Mr. Rajagopalan.—Yes, Sir, the last quarterly statement would come in in December and we could apply for a supplementary grant. The Military Secretary has kindly agreed to give us a quarterly statement of His Excellency's tours.

793. *Chairman.*—You are, in reference to the Viceroy, getting the tour programme quarterly in advance and trying to value the journey in advance ? Do you do anything of that sort for Members and Secretaries ?

Mr. Hodge.—Well, we have a system of watching but not necessarily of quarterly returns. They are rare in the first part of the year but towards the end of the year they become more frequent. I remember last cold weather fixing when these returns should come to us.

Chairman.—Would it involve a great deal of trouble if you took something like a rough valuation of the cost of these tours.

Mr. Hodge.—We will try, Sir.

Mr. Cocke.—I don't think it has been explained as to why this particular figure was exceeded.

Chairman.—As regards this year which we are dealing with now, you say you didn't get these final figures till the end of May. Was that before you had instituted this system of closer control ?

Mr. Hodge.—I think it was, Sir.

Chairman.—And do you know why the figures came in so late ?

Mr. Kaula.—The Accountant General gets the debits from the railways for the tours of Honourable Members all over India and the distant railways' accounts take a long time to reach the Accountant General. This is bound to be the case so long as this credit system obtains.

Mr. Cocke.—Why not get the Honourable Members to pay cash ?

Chairman.—As a matter of fact, I always do.

Mr. Kaula.—Now that we have a pay and accounts office, the railway people could send it to the Pay and Accounts Officer and he could pay by cheque to the railway people.

Mr. Rajagopalan.—It is easily done so far as the Pay and Accounts Officer is concerned, but I am not sure about the railways.

Mr. Rangaswami Iyengar.—Is it because the railway people delay sending in their bills ?

Mr. Kaula.—Each railway in India has to send an account. The accounts have to pass through other accounts officers. That is one of the reasons for the delay.

Chairman.—Also, it is not entirely a simple calculation. The railway people have got to work out the bill according to mileage, and to recover the haulage and so on and any extra fares that may be paid for persons taken inside. It is not entirely a simple bill.

Mr. Neogy.—And more than one railway may be concerned in a single tour, and it takes a long time for them to calculate their charges.

Chairman.—I imagine we shall get more out of trying to get the estimate in advance than trying to get the account in in good time. Even if the account is rendered in good time towards the end of March, it won't help.

Sir F. Gauntlett.—The whole question is that the preparation of this bill is treated as a matter of routine. The preparation is taken up during the course of the month after that in which the tour has been made. It is then put into the exchange account, which reaches the account office some time after the end of that month. That exchange account goes to another office through which it has to pass and eventually in the second or third month it trickles into the office of the Accountant General of Revenues.

Chairman.—I doubt if it is important enough to upset that machinery in order to meet it, if we can meet it, by the system of estimating in advance. Do you think it is going to be reasonably simple to make each calculation.

794. *Mr. Rangaswami Iyengar.*—You were saying we should not go into the question of fixing any limit or trying to control the Honourable Member's action. Without trying to control it very much, would it not be best to see whether we might not well have some kind of maximum with regard to these tours and if there are savings, so much the better.

Chairman.—That means over-estimating.

Mr. Rangaswami Iyengar.—It would probably be an under-estimate because once it comes under our control we shall know what to do.

Chairman.—Yes, but then we shall have to restore it.

Mr. Rangaswami Iyengar.—No, Sir, but this excess grant has to be disallowed on account of tour expenses because unless we clearly explain what the position is to the Assembly we will find ourselves in trouble there.

Chairman.—Yes, we shall find your support useful.

I think we have got the explanation fairly fully. I will try and sum it up because we have got to get this down eventually.

Mr. Rangaswami Iyengar.—I should want particulars more fully so that the House may not be in doubt. I would like to say that really the trouble was due to the railways.

Chairman.—We will set out the whole case at considerable length.

Mr. Rangaswami Iyengar.—We are now only guessing.

795. *Chairman.*—I think it is more than guessing. The bills coming in late from the railways are facts and not guesses. The position is this as regards tour expenses. First of all, the figure is an estimate based on past actuals which are necessarily very little guide to what may happen in any particular year. Secondly, we do not think that it is desirable that the tours should be arranged strictly with reference to provision; rather the provision ought to be arranged with reference to the tours as a matter of principle. So that there is no inherent evil in exceeding an estimate except that you want to try and avoid excess vote. As regards the actual excess it was not foreseen by the Home Department who were quite reasonably misled by the fact that their bills up to the end of February did not show any signs of excess. The Bill in May showed a large excess and on exploring the reasons they found that it takes many months for bills to trickle through from the railways to the Accountant General. In order to avoid such an excess vote in the future we are informed that arrangements can be made and will be made to evaluate the probable cost of the tour in advance in good time so as to enable a supplementary estimate to be presented.

Mr. Cocke.—There is one point that occurs to me. The Home Department knew perfectly well that these things were coming in three or four months' time. Some estimate might have been made.

Chairman.—May I add that this relates to 1925-26 before the arrangements for watching expenditure were as complete as they are now.

Mr. Kaula.—And further that there is a Pay and Accounts officer now who will help them to watch.

Sir F. Gauntlett.—I think there is one point that Mr. Rangaswami is suggesting throughout and that is the budget estimate ought to be prepared with some reference to the probable tours during the following years.

Chairman.—It is practically impossible to prepare the estimate with reference to probable tours.

Sir F. Gauntlett.—That I think is Mr. Rangaswami's point.

Chairman.—I don't think that any Member has any reasonable idea of what sort of touring he is going to do.

796. *Mr. Rangaswami Iyengar.*—Do you mean to say that the Assembly should be absolutely powerless in regard to any amount of touring that Honourable Members should undertake? Suppose you undertake three times the tour that you did in the previous years, do you think that the Assembly should be acquiescent.

Mr. Neogy.—I don't see how the power is taken away from the Assembly so long as we can criticise the excess.

Mr. Rangaswami Iyengar.—The trouble is if it is an excess vote, the expenses have been incurred.

Mr. Neogy.—But we are not bound to sanction any excess vote.

Mr. Rangaswami Iyengar.—Still, the money has been spent.

Chairman.—If it comes as a supplementary vote you are quite reasonably entitled to ask what is the extra touring which took place.

Mr. Rangaswami Iyengar.—That is why I think that in all cases you must make an estimate and give a reason for the extra touring.

Chairman.—An estimate may be based on past actuals but this touring cannot be foreseen in advance. The supplementary grant can be reasonably explained and the Assembly will probably not feel any particular difficulty in sanctioning it. But it ought not to come as an excess. I think this is all on the Executive Council. I take it that the Committee will recommend this excess vote. We might have a statement of the reasons why there was an extra amount of touring this year. I don't think your explanation that two Members went on leave can have much significance because the fact certainly of my going on leave was that I did less touring in a sense.

Mr. Hodge.—Two other Members took their places and they had to be brought and they may have done some touring. The Members are named as Mian Fazli Husain and Mr. Ley.

Chairman.—To explain the excesses it will probably be necessary to get the whole of the tour list and compare it with the previous year.

797. *Mr. Joshi.*—I want to know about the appointment of the special officer, how it was urgent and why it could not be foreseen.

Mr. Hodge.—Well, Sir, the special officer in question was Sir Frederick Whyte.

Mr. Joshi.—What was the nature of the special duty?

Mr. Hodge.—He was put on special duty to prepare a note on Federal Constitutions, I think. The decision was taken, I should say, in August about the time that his successor was appointed.

Mr. Joshi.—But could not a supplementary vote be taken?

Chairman.—It was made up out of the savings within the vote by re-appropriation. The condition of the grant was that it should be made out of the saving within the vote.

Mr. Neogy.—What was the amount paid to him for this special duty?

Chairman.—About two months' pay, I think. An amount aggregating Rs. 9,000 was sanctioned by the Finance Department.

Mr. Neogy.—I suppose the Home Department is satisfied that they have got the proper value for the money ?

Mr. Hodge.—It is a matter of opinion.

Chairman.—We got what we paid for, a book on Federal Constitutions and that is available to the public.

Mr. Neogy.—Was that the result of the special duty ?

Chairman.—Yes.

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798. *Mr. Neogy.*—There is an excess under the Staff Selection Board and the explanation is that the necessity could not be foreseen that they would have to hold an examination for the recruitment of candidates for the Government of India offices. I want to know how many people were actually recruited as a result of that examination.

Mr. Hodge.—I will have to find out.

Mr. Neogy.—The amount is rather heavy.

Mr. Hodge.—We took it to the Standing Finance Committee.

Mr. Neogy.—I want to know what is the cost of recruitment per head ?

Chairman.—Mr. Hodge will get us this information, the number of candidates and the number actually recruited.

Sir F. Gauntlett.—Is it not the case that the Staff Selection Board had to remain in operation until the Public Service Commission began to function ?

Chairman.—The Public Service Commission came in much later than was originally anticipated in the budget.

799. *Mr. Joshi.*—C—Bureau of Public Information—there is a saving. I think that saving ought to have been foreseen.

Mr. Hodge.—To start with, the Director went on leave or rather on deputation. An assistant officiated for him and got a lower rate of pay. No assistant was appointed in his place, but an officer on special duty on Rs. 450 a month. That meant a considerable saving of Rs. 8,000 and odd. There was also a saving under pay of establishment. The full provision for leave salary was not utilised. The permanent stenographer went to another office and a man on cheaper pay was employed in his place, and as assistant resigned and in each case the new man drew lower pay and in that way Rs. 2,500 was saved on expenditure. A third source of saving was on conveyance allowance, that is conveyance allowance between Raisina and Old Delhi, and as some of the men lived in Old Delhi it was not necessary. There was also a saving of about Rs. 1,000 on supplies and services. Then there was a saving of over Rs. 7,000 in purchase of publications from Local Governments. As a matter of fact, a very large provision was made for this amount provisionally because it was a new arrangement and it was not known at the time what the Local Governments were going to charge for those publications. The Government of India themselves cut down the provision by a considerable sum of Rs. 8,000 but even so the full amount was not necessary. But let me emphasise that we were budgeting for a new charge and we had no means at the time of saying what it was going to come to.

Chairman.—The only one which could be foreseen at the time the budget was prepared was the question of publications, but that was a charge of which they were not in possession of data necessary to make an accurate estimate.

800. *Mr. Joshi.*—Was the Director given latitude to purchase such publications as he wanted.

Mr. Hodge.—These publications had always been taken in by him, but the system of payment was introduced for the first time.

801. *Mr. Neogy.*—All the provincial publications are taken in or are they selected ?

Mr. Hodge.—I do not say all, but a large number were taken in. I cannot give you a definite answer, but I can say by far a greater number of them.

Chairman.—I suppose the position is that all publications on certain subjects are necessarily taken in.

Mr. Hodge.—Yes. I think by far the greater number of provincial reports—I think it is probably a safe guess to say, all of them.

Chairman.—It would be an exceptional report on a particular subject probably that would not be taken in ?

Mr. Hodge.—Yes.

802. *Mr. Neogy.*—Do the different departments of the Government of India get the reports of the various provincial Governments in the departments corresponding to theirs ?

Mr. Hodge.—We do in the Home Department, as for instance, jails and police.

Mr. Neogy.—Are you charged for that by the Provincial Governments ?

Mr. Hodge.—I expect so. I cannot say offhand. There is a general system of payment.

Mr. Neogy.—Newly introduced ?

Mr. Hodge.—Introduced about the time of the accounts that we are now considering.

803. *Mr. Joshi.*—Do the Government of India charge the provincial Governments for the reports which they send to them ?

Mr. Hodge.—I do not know.

Chairman.—I think they do now. We are trying to get our relations commercialised.

Sir F. Gauntlett.—In respect of reserved subjects over which the Government of India still has powers of superintendence, direction and control it is a question whether a provincial Government is entitled to charge for documents which it is bound to send.

Chairman.—I gather that they do not charge in regard to reserved subjects.

Mr. Neogy.—Why should you make a difference in the case of this particular branch of your department, the Bureau of Public Information ?

Mr. Hodge.—These people whose only work is public information exercise no superintendence or control.

Mr. Neogy.—They are very much in the same position as an outsider ?

Mr. Hodge.—They are a subordinate or attached office.

Mr. Neogy.—So far as the provincial Governments are concerned, they are like an outsider ?

Mr. Hodge.—Yes.

804. *Mr. Joshi.*—I want to know why the creation of a new indexing section could not be foreseen.

Mr. Hodge.—It was a matter of considerable urgency and we covered the expenditure by re-appropriation. I think probably the view taken at the time was the sooner we introduced it the better. It was an urgently needed reform.

805. *Mr. Rangaswamy Iyengar.*—Could you not have foreseen it ? When did you discover it, after or before the budget ?

Mr. Hodge.—I cannot tell you offhand. We did, not foresee it. Whether we could not have foreseen that—I do not know.

Chairman.—Mr. Hodge would not dispute the general principle whether money is voted or non-voted it is desirable not in any way to incur new expenditure, except when very urgently needed, in the course of the year ?

Mr. Hodge.—Yes.

806. *Mr. Joshi.*—Was the sanction of the Standing Finance Committee obtained for this expenditure ?

Chairman.—No. It is non-voted.

807. *Mr. Neogy.*—D. 5.—Secret Service contingencies. Do I take it that the whole of the amount is not subject to audit ?

Mr. Hodge.—As a matter of fact, we are drawing up special rules. I think the Auditor General knows the position more thoroughly than I do because I have not dealt with the file.

Mr. Neogy.—Does the audit draw distinction between secret expenditure under the Political Head and under the Home Department, because the Auditor General said yesterday that so far as the Political department expenditure is concerned the secret service expenditure is subject to audit.

Sir F. Gauntlett.—It was the success in Peshawar which led me to take up the general question and to attempt to get the other departments to accept a scheme somewhat similar to that which had been introduced in Peshawar.

Mr. Neogy.—And you have not yet succeeded with the Home Department, I take it ?

Sir F. Gauntlett.—No.

Chairman.—The matter is under reference with the India Office for further information at the moment.

808. *Mr. Neogy.*—I find that these expenses are described under various terms. Here it is called secret service contingencies. In some

other place it is described as secret expenditure and in some other place again it is called secret expenses and there is a fourth name given, secret service fund. Does this difference in nomenclature indicate any difference in the kind of charges or is it all of the same character by whichever name you call it.

Chairman.—The word secret is common to all and that is probably the most important word. I imagine it will be perfectly possible to introduce a single term, secret service, for them all. I think they differ in kind—these various payments, but the essence of them all is that they are secret service.

809. *Mr. Rangaswamy Iyengar.*—Is it possible for the Finance Department generally to say what the total of the secret service expenses comes to ?

Mr. Neogy.—In India as also in England.

Chairman.—Before we can do that, one has to reach a definition of what is a secret service and the whole question is under consideration.

Sir F. Gauntlett.—Perhaps Mr. Kaula may answer another question whether any expenditure which is not subjected to audit is exhibited separately in these accounts.

Mr. Kaula.—Wherever possible, we have tried to distinguish between audited and unaudited services. It will be noticed here it is said “ unaudited ” which means that the expenditure is not subject to audit.

Chairman.—You do get a certificate ?

Mr. Kaula.—We get a certificate only that so much has been spent under this grant. The certificate is not in any prescribed form yet.

810. *Mr. Rangaswamy Iyengar.*—May I know whether the certificate is merely that the expenditure has been incurred or that in your opinion it has been properly incurred ?

Mr. Hodge.—I do not know what the form of certificate is.

Chairman.—As a matter of fact, the whole question of secret services is a single question and we have the position that it is under reference and we are going to have a full statement on the subject next year.

811. *Mr. Neogy.*—Supposing the Home Department comes up to the Finance Department for sanction of any particular expenditure in the ordinary way and supposing that sanction is refused, is it open to the Home Department in the existing circumstances to undertake that very expenditure and charge it to the secret service fund ?

Mr. Hodge.—It is highly improper.

Chairman.—I think that under the Rules of Business the Secretary in the Home Department would certainly regard it necessary to obtain the sanction of the Government of India before incurring expenditure which the Finance Department had refused to accept in any form. The case would not arise.

Mr. Neogy.—But there is nothing to prevent such a thing happening ?

Mr. Hodge.—It is unthinkable.

Mr. Neogy.—There is nothing to prevent it theoretically ?

Mr. Hodge.—If the Finance Department is concerned, no department incurs expenditure without their concurrence, and still more, if their con-

currence has been withheld, it is inconceivable that any department should make any expenditure in such circumstances.

Mr. Rangaswami Iyengar.—It is a possibility in present circumstances ?

Chairman.—I do not think that the question is put in the right form, Mr. Neogy, because it has no reference to the question whether it is audited or not, or the kind of certificate. Mr. Rangaswami Iyengar says it is a theoretical possibility in the case of secret service. If the essence of a secret service arrangement is that some responsible officer is entrusted with the duty of certifying in some form or other that this was necessary expenditure, I suppose in theory you cannot ultimately get away from the possibility, the theoretical possibility if you have any secret service money at all ; in practice it is unthinkable.

Mr. Neogy.—Who operates on this fund at the present moment ?

Mr. Hodge.—The Director of Intelligence Bureau.

Mr. Neogy.—And is any subordinate officer allowed to operate on it ?

812. *Mr. Joshi.*—May I ask whether the Finance Department approves of this secret service money ?

Chairman.—The Finance Department approves of the total grant and it is not concerned with individual cases.

Mr. Joshi.—And if it has to be increased, can it be increased by re-appropriation ?

Chairman.—Only with the approval of the Finance Department.

Sir F. Gauntlett.—I think the answer is that as the general rules governing re-appropriation do not mention secret service at all, the rules pertaining to re-appropriation to or from secret service expenditure are exactly the same as the rules pertaining to re-appropriation to or from any other head.

Chairman.—I think we shall really deal with the subject better next year when we have got the full statement.

813. *Mr. Neogy.*—I want to ask something under G. Why is this shown under Home ? Why was this journey undertaken ?

Sir F. Gauntlett.—That comes under grant 70, page 335.

Mr. Hodge.—They are entitled to a free compartment and accommodation for servants when travelling in India.

Mr. Neogy.—If they are on duty ?

Mr. Hodge.—They would not be if they were not. Returning from duty or on leave I think they are entitled to it.

Mr. Kaula.—This particular item was sanctioned by the Secretary of State.

Grant 41.

814. *Chairman.*—There is an excess of Rs. 108.

Mr. Hodge.—I have no explanation to give.

Chairman.—Is this the Advocate General, Bengal ?

Mr. Hodge.—We pay them an annual contribution of Rs. 46,000 inclusive of fees for counsel and contingent expenses which roughly amount

to Rs. 3,000 a year on account of work done by their law officers for the central departments. This arrangement terminated on the 31st March 1926.

Mr. Neogy.—Only Bengal ?

Mr. Hodge.—Only Bengal because I suppose the Advocate General is our law officer as well as the Local Government's.

Mr. Neogy.—Does he continue in that position even now ?

Mr. Hodge.—I think so.

Mr. Rangaswami Iyengar.—You are referring to the termination of the arrangement in 1926. What is the present arrangement ?

Mr. Hodge.—I do not know. I do not deal with that subject.

Chairman.—We must have some explanation of the excess, because that has to be recommended to the Assembly and voted. An excess vote is a thing which we always enquire into and the departments should know in advance that they will be asked to explain the excess. We will come back to that when we have got the information.

Grant No. 42.

815. *Mr. Joshi.*—Why is Baroda Cantonment Police only mentioned ?

Mr. Hodge.—I cannot tell you.

Chairman.—There is an excess grant here too. Have you any explanation for the excess grant ?

Mr. Hodge.—Taking it one by one, we had an excess grant of Rs. 2,481 from the Finance Department to cover the excess in the case of Bombay. In the case of Bengal we had a similar grant of Rs. 8,000. In the case of the United Provinces there was a considerable saving.

816. *Chairman.*—There was a supplementary vote by the Assembly in 1926, the reason for the excess sum we required being that the Finance Department came to an agreement with the provinces in the course of this year as regards the charge for special guards in places where there was treasure. We presented a supplementary estimate and that was sufficient to cover the additional sums required, if you treated the sum that was appropriated out of the reserve of the Finance Department as doing away with the necessity of a supplementary vote. The excess was due to an agreement arrived at during the course of the year by the Finance Department on this scheme of the provinces for special payments for these special services. That went to the Standing Finance Committee and was voted by the Assembly, but it was assumed that a grant from the reserve need not be taken into account.

Grant No. 60.

817. *Chairman.*—This excess is also due to the same general reason as regards grant out of the reserve of the Finance Department.

Grant No. 75.

818. *Mr. Joshi.*—A.-1.—There is an excess due to entertainment of extra establishment (page 395). I want to know whether this excess could not be foreseen.

Mr. Hodge.—I have no information on the point that I can give you at the moment. I can secure it from the Chief Commissioner.

819. *Chairman.*—It is really difficult to know all the details about a thing which happened two years ago. We recognize the difficulties, and we do not intend by our remarks any reflection on your knowledge. But I think the simplest way is to have a member of the Department present when we are going through these things.

Mr. Hodge.—We have taken a lot of trouble in getting ready and all these notes have been collected in the office and prepared but my experience of the last two or three years is that what is asked is always something that is not foreseen.

Mr. Rangaswami Iyengar.—Would it not be possible to follow the procedure which was adopted with regard to the North-West Frontier Province and have an officer of the Delhi Administration here ?

Mr. Hodge.—All this is ancient history and he will have to look up the point.

Mr. Rangaswami Iyengar.—Our difficulty is that when we go through a case where there has been extra expenditure we should want to be satisfied in each case why it was incurred.

Mr. Hodge.—We should be prepared to work as urgently and as much as can be ; but it is very difficult to do so under these circumstances.

Mr. Joshi.—When Departments receive the Appropriation Report and these notes and comments of the Accountant General, do they generally make a report to the Government of India on all these remarks ?

Mr. Hodge.—Speaking of my own Department, we take them one by one, missing out what is considered negligible. We do our best to get ready. I have been telegraphing round to Delhi and to the Andamans and trying to collect information, and that is summed up in these notes but it is not really satisfactory.

820. *Chairman.*—It is quite impossible to concentrate on questions likely to come along. I have mentioned to Mr. Hodge that an excess vote, however small, is a thing which has got to be asked about. My colleagues will recognize that we are not in any way blaming Mr. Hodge, and we might consider as a result of our experience this year whether it would not be a very good thing that we should discuss a little amongst ourselves as to what is the best procedure. But at present when Mr. Hodge cannot give the answer, if any member wishes to press it, what Mr. Hodge could I think do is to take a note of this and bring us this information as we will have him before us again.

Sir F. Gauntlett.—I might mention that is very common in England. Of course they sit once a week and there it is really much easier. They do discuss points somewhat amongst themselves—I do not know the extent but I am only quoting now from the actual record——in the presence of the Treasury Officer and the Auditor General what sort of general points they are going to take, but when they come to the detailed estimates, they go through them sub-head by sub-head. But of course there is also this further difficulty that the departmental officer is probably 20 years in the Department at home, and it is a different system.

Mr. Joshi.—May I ask the Accountant General when making this report to inquire into the urgency of these cases and also why the matter was not foreseen ?

Chairman.—This is a matter for the Finance Department and the Department concerned.

Sir F. Gauntlett.—Might we not put to the witness, Sir, that the Committee does apparently view with jealousy any new charge incurred, especially when it leads to an excess under a head, not merely the grant.

Chairman.—I think we might say an item which was not foreseen at the time is *prima facie* one on which questions are likely to be asked. He will find out the facts as to what happened in that case.

821. *Chairman.*—(b). (1) and (2) : what about the excess ?

Mr. Rajagopalan.—The Treasury Officer stocks opium. He used to pay for it in arrears. Now he has to pay on stocks as he receives them. It is due to the commercialization of the opium accounts.

822. *Chairman.*—P. 397 : any special explanation on (g) ?

Mr. Hodge.—There has been a steady increase in these charges which are based on average for the last two or three years before this. The difference between the year under consideration and the previous year was no less than Rs. 15,245. This is due to an increase in the number of witnesses examined, an increase in the number of cases committed to the sessions and an increase in the number of witnesses summoned from long distances. The same increase for the previous year falsified the provision which was made on averages,—and of course the matter is not in the hands of the Local Government, it depends on the prerogative of the Crown and the orders of the Lahore High Court.

823. *Chairman.*—Account No. 5, page 398 (d)—Railway Police.

Mr. Neogy.—There is a note which says that the contribution from the railways could not be realized because these two railways had been taken over by the State. How is that ? Was the matter taken up with the Railway Department ?

Chairman.—This is the general case of watch and ward. There was an arrangement under the old railway contracts with these Railway Companies for division of the charges for police into Watch and Ward and Crime and Order. In the contracts drawn up they were liable to pay 7|10 or some such figure. Then the matter was revised and the division between Watch and Ward and Crime and Order was altered and the amount that was actually payable by the railways for the watch and ward portion was less than the sum they were liable to pay under their contract so that there was an extra payment which was credited to Local Governments in those cases, Delhi being one of the Local Governments. When the Railways were taken over by the State they became liable to pay on the watch and ward portion and no more, so that the extra payment ceased to be received and had to be met by the Local Government. Everyone of the Local Governments protested against the withdrawal of what was really a casual receipt.

Mr. Rangaswami Iyengar.—Are there not separate arrangements for watch and ward in some of the railways ?

Mr. Hodge.—I have never heard of such a thing.

824. *Mr. Joshi.*—Page 402, head (d) (1) : why was no budget provision made ?

Mr. Hodge.—I am afraid I cannot answer for agriculture.

825. *Chairman.*—Mr. Joshi, this is one of those ' Chief Commissioner ' cases where a little more latitude is required. We will note to ask the Department of Agriculture. If under the head of Delhi a sum is required for veterinary charges or payment to a local body for the management of a garden, does that become an Education, Health and Lands question from the point of view of the Government of India ?

Mr. Hodge.—I have never seen such cases in my Department.

Mr. Rajagopalan.—I think the Chief Commissioner addresses the Department concerned.

Mr. Hodge.—We do not see such cases in the Home Department.

Mr. Rangaswami Iyengar.—Would it not be better as in the case of the Frontier Province to have somebody from the Chief Commissioner's office up to simplify the position of Mr. Hodge ?

Chairman.—It would be very desirable, if it can be arranged in future years, that an officer should come and assist you about the Delhi expenditure as a whole.

Mr. Cocke.—If this expenditure is all under the Home Department but actually dealt with in detail by various Departments, who watches the expenditure ?

Mr. Hodge.—I do not think we watch it as a whole, we watch what we are concerned with.

Mr. Rajagopalan.—The Chief Commissioner administers the whole grant ; he has got powers of reappropriation. Supposing there is an excess, the Chief Commissioner is the officer you would hold responsible. He is under the Home Department generally, but if for instance he wants to increase the pay of the Surgeon, he goes to another Department.

Chairman.—Under the arrangements that were made for closely watching the progress of expenditure, who is the officer for closely watching the progress of expenditure ?

Mr. Rajagopalan.—The Pay and Accounts Officer for the Delhi Administration and he advises the Chief Commissioner month after month and not the Home Department.

Chairman.—Of course as a Committee we have to rely in the first instance on one or other of the Departments of the Government of India, and the Home Department is the Department that is responsible for this vote in the Assembly.

Mr. Kaula.—Under the instructions that I have received, I look to the Home Department to control the whole of the expenditure.

Chairman.—That is the position we have to insist on. It is the Home Department of the Government of India to whom we look primarily for control of the whole of the expenditure under any given vote.

Mr. Cocke.—Should not this statement come to the Home Department also ?

Chairman.—I doubt very much if we get any monthly statement of expenditure on education, for instance.

Sir F. Gauntlett.—In other words, if there was an excess under this grant, it is the Home Department that will have to defend it in the Assembly.

826. *Mr. Neogy.*—Is this practice in respect of Delhi in these matters different in any way from the practice in regard to the North-West Frontier Province ?

Chairman.—It is not in essence but in effect it is, because for a part of the year at any rate the Departments of the Government of India are on the spot and the Chief Commissioner gets direct access to the Education Member or Secretary, whereas in the case of Baluchistan and the North-West Frontier Province the Foreign Department almost jealously guards the gate of entry.

Sir F. Gauntlett.—In practice, don't the Foreign Department say that all correspondence should be through them ?

Chairman.—Might it not be advantageous from the Public Accounts point of view if for instance all correspondence regarding Delhi came through the Home Department ?

Mr. Neogy.—And if for instance the Educational Commissioner were to be addressed by the Chief Commissioner, would he be addressed through the Home Department ?

Chairman.—He would be addressed in his capacity as Educational Commissioner for Delhi, but I think we might suggest that the Government should consider whether as we believe is the fact in the case of the North-West Frontier Province and Baluchistan, all correspondence relating to expenditure in Delhi should be concentrated in one Department.

Mr. Cocke.—And that the Home Department will have this progress report watched in future ?

Mr. Hodge.—I will consider the question.

Chairman.—You cannot tell us definitely whether you do that at present ?

Mr. Hodge.—I am quite sure we do not keep any watch on education.

Chairman.—If that is your definite evidence, then clearly I think we should have to make such a recommendation, if you will confirm what you have said.

Andamans and Nicobar Islands. Page 77.

Mr. Hodge.—Well, Sir, I am sorry to say there is the same difficulty with me about forests.

827. *Mr. Joshi.*—Was this grant-in-aid for a hospital (page 414) for a private hospital ?

Mr. Hodge.—It is certainly a Government hospital.

Mr. Joshi.—What do you mean by a grant-in-aid ?

Chairman.—Sir Frederic, is there a convention as regards the use of the word ' grant-in-aid ' ?

Sir F. Gauntlett.—Where there is a head Medical, I cannot understand why expenditure on a grant-in-aid to a hospital should not appear under Medical rather than under any other head. That is my difficulty.

Chairman.—I think we might ask the Accountant General to look into this question both in this particular case and also in general.

Chairman.—Going back to the question of Delhi, I see that the Chief Commissioner is definitely one of the authorities responsible for controlling expenditure. He in this statement is the authority responsible for the progress of expenditure. The same of course is the position in Baluchistan, it is the Chief Commissioner and not the Foreign Department.

Chairman.—(d) (4). Marine supply.

Mr. Hodge.—The saving was due to the purchase of coal. Under (f) (2), I think we are spending rather more now.

828. *Mr. Neogy.*—What is the large saving under (h) due to ?

Mr. Hodge.—It is due to a new contract on fresh terms. The terms were previously expressed in sterling which worked out at a considerably higher rate than our new contract which was made in September 1925.

Chairman.—The whole question was frequently and at length before the Standing Finance Committee.

829. *Mr. Joshi.*—There is the Marine Department. What is the business of this Marine Department.

Mr. Hodge.—Looking after the port ; ships are going to and fro. We have launches there and there are several launches belonging to the Government in the Islands.

830. *Mr. Cocke.*—The works were rendered possible due to savings under H. 2.

Mr. Hodge.—Yes. Money was found by re-appropriation.

Chairman.—In addition to that there was a definite undertaking given by the Chief Commissioner to the effect that savings would be effected to the best of his ability under other heads during that year.

Page 419.—Account IV.

831. *Mr. B. Das.*—There is a voted expenditure of Rs. 2,023.

Chairman.—We find this heading in nearly all the Local Administration Accounts and we got an explanation from the Central Board of Revenue.

Sir F. Gauntlett.—It may be that it was only recently taken on the expenditure side of the account. In any case, it is a little difficult to estimate when the amount is so small. Refund is always very difficult to estimate, and if it is a very small amount, as in the Andamans, it might get overlooked in the preparation of the estimate.

Sir F. Gauntlett.—One ought to estimate that every year there will be some amount of refund. Mr. Lloyd did explain how extremely difficult it was to know how much revenue was going to be refunded.

Chairman.—I think we can leave it at that.

832. *Mr. Neogy.*—In connection with “ the Maharaja ”, a statement of accounts was promised but has not been forthcoming.

Sir F. Gauntlett.—I am afraid that case has been badly held up. It certainly has not been allowed to die.

833. *Mr. B. Das.*—The profit and loss account of the dairy farm shows a loss of Rs. 17,957.

Chairman.—Can you explain or justify the reason why there should be a loss ?

Mr. Hodge.—Cattle had foot and mouth disease. Another reason is that the produce of the farm and slaughter house was also used for feeding convicts.

Mr. Rangaswami Iyengar.—You do not mean to say that you would not charge it in the accounts ? If it is a profit and loss statement, you must cost it.

Sir F. Gauntlett.—That is a question we are taking up, whether it will not be desirable for Mr. Campbell's office to take over the inspection of the Andamans.

Chairman.—Perhaps you would like, Mr. Hodge, when you come again, to see whether you can add anything.

Mr. Hodge.—I did try ; I looked up the old reports. I cannot give any detailed information without referring to the Chief Commissioner.

834. *Mr. Rangaswami Iyengar.*—Are you in a position to say whether this loss is purely accidental owing to foot and mouth disease or whether this loss has been a constant factor in the working of the farm.

Chairman.—Is it a recurrent loss and if so is there reasonable justification in other directions for working at a loss ?

Mr. Hodge.—I shall try to furnish the information.

835. *Mr. Joshi.*—Is the statement about the " Maharaja " overdue ?

Chairman.—I do not think it is overdue. It is under discussion this year. It will be due next year. Can you say as a matter of fact whether this account will be ready for 1926-27 report ?

Mr. Kaula.—The inspecting officer went there. He has submitted his report.

Sir F. Gauntlett.—I think we can promise the report by next year.

Chairman.—Mr. Joshi desires a note. We look forward to the receipt of the report. I think we can leave it there.

836. *Mr. Neogy.*—There is some reference in Appendix VII.

Chairman.—That is one that I wanted to go to, because we postponed it, the question of the officer who drew his increment. The position is that the Deputy Commissioner has put in a representation purporting to exonerate the Treasury Officer and himself from some at any rate of the charges that were suggested against him in last year's report. The question we have to put ourselves is the one at the bottom of Appendix VII. I think it is fully explained. I do not know if the Committee want here and now to come to a conclusion.

Mr. Joshi.—The blame is on the audit. I should like to know from the Accountant General.

Mr. Neogy.—Was it anybody's duty to inform him about the minimum limit attached to the post ?

Chairman.—Under the Civil Account Code, the audit officer is concerned with the pay slip. The story as given by the Deputy Commissioner is accepted as being just what happened. We can modify our strictures, without entirely withdrawing them. That is all on that point.

Paragraph 113.

837. *Mr. Hodge.*—The whole case is really stated in this paragraph. But it was the duty of the Secretary to acknowledge periodically the permanent advance and it was the duty of the audit officer to see that he got this.

Mr. Kaula.—There was a failure of audit there.

Mr. Hodge.—I do not think there is much more to be added.

Chairman.—We will ask you, Mr. Hodge, to come again ; I am not quite sure when. It may be next week. But it is quite possible there may be a hurriedly called meeting in the course of the Session.

Mr. Hodge.—Shall I bring the answers to these questions ?

Chairman.—Yes. You can tell us what the position is.

838. *Chairman.*—What is the position about railway warrants ?

Mr. Hodge.—Local Governments are at liberty to follow either the cash system or the warrant system as they prefer, but if they follow the warrant system, they must be prepared to pay the extra cost.

Chairman.—By Local Governments you mean in Governors' provinces ?

Mr. Hodge.—Yes. I was looking at the matter from the point of view of Governors' provinces.

839. *Chairman.*—As regards Delhi, for instance, what is the rule ?

Mr. Hodge.—I think they follow the Punjab system as in everything else. The Punjab system is a compromise between the two. They use the warrant in urgent cases. In non-urgent cases and petty cases they pay cash.

Mr. Rangaswami Iyengar.—Has the abolition of the warrants been considered ?

Mr. Holyo.—We have considered it again and again from 1917 or earlier. It has been repeatedly considered and we have again come to the conclusion that Local Governments must do what they think fit, provided that they pay the extra cost of the warrant system.

Mr. Rangaswami Iyengar.—The point that affects us is that the warrant system leads to a good deal of fraud.

Mr. Hodge.—The likelihood of fraud is more or less the same in both cases.

Sir F. Gauntlett.—It is just as easy to defraud with paper as it is with rupee.

The witness withdrew after being thanked by the Chairman.

Mr. Clow called in and examined.

480. *Chairman.*—Have you any statement to make ?

Mr. Clow.—I am afraid it is an unfortunate case. The case is quite fully explained here by the Accountant General, Central Revenues. At the time when the second advertisement was issued, there was actually no rate sanctioned. The advertisement was seen by three gazetted officers in our Department of whom I was one and by three gazetted officers in the Finance Department and was passed by them. It is simply one of those cases where you run a certain risk of this happening owing to the practice of the Government of India which is maintained on other grounds of continually changing officers. None of the officers (at any rate in our department) who saw it on the second occasion were officers who dealt with it on the first occasion. The case came up to me with a draft advertisement. The rate was the rate drawn by every officer, European and Indian, in that class. There was no reason to assume that the pay was wrong. The mistake was discovered before any officer was appointed, but we took the view that having advertised for officers and having selected an officer it was hardly fair to say that we could not offer him the post unless he accepted a lower rate of pay. The only other remark is that when the pay was fixed at 500—30—950 we told the Secretary of State that we anticipated considerable difficulty in recruiting Indian officers on the scale. We got his permission at the same time to offer a minimum pay of Rs. 750 in the case of Indian candidates, who had exceptional qualifications. The officer we got was one holding the appointment of Mine Manager. As we are competing with the commercial world, it is not very easy to get officers on a lower rate of pay.

Chairman.—That is all that we can do. We can draw attention to it.

Indian School of Mines.

841. **Mr. Ncogy.**—Has the department been fully developed ?

Mr. Clow.—No. We have been working last year with two professors and a principal against a principal and 4 professors. We hope to have the full staff from this October. But we will not have the full complement of students until the present first year students reach the third or fourth year.

Mr. B. Das.—The Board of Governors never met last year. Mr Gaya Prasad Singh' said that he was not invited.

Mr. Clow.—I do not think that is accurate.

Page 303.

842. **Sir Frederic Gauntlett.**—Mr. Badenoch did not put the foot-note page by page but put them all at the end of the statistical portion and the question was that it was found to be inconvenient by the Committee. The question was raised whether piecing it out like what Mr. Kaula has done would be more expensive.

Mr. Clow.—It would be slightly cheaper if the letterpress were separated from the statistical work. What exactly will be the amount, I cannot say.

Chairman.—Would it involve considerable delay ?

Mr. Clow.—I should not think it would involve a delay provided the manuscript is ready at one time.

843. *Mr. Neogy.*—We would like to have a clearer explanation of B. 1 (1). It is difficult to follow the note given at the foot of page 303.

Mr. Clow.—The explanation is given below. The original grant was reduced to Rs. 29,67,000.

Mr. Joshi.—You could not get the paper in India ?

Mr. Clow.—We are getting the paper in India. The rates put on by the Tariff Board on paper make it more economical to purchase paper in India, except the very special types of paper. Our purchase in England has been going down steadily. The price of paper was falling steadily until the tariff was put on.

Page 305. 7. F. Stores.

844. *Mr. B. Das.*—I think that is an over-estimate which is due to the small purchase of stores.

Mr. Clow.—That is an over-estimate but I cannot say what it is due to. Possibly it is due to the fact that we have been reducing our stocks and therefore need not buy so much stores. That is a pure supposition. Three or four years ago, when the Inchcape Committee reported, we were undoubtedly holding large stocks of types and things of that sort, in excess of our requirements.

Page 306.—Items 1 9 and 1 10.

845. *Mr. Joshi.*—Do you purchase your types from outsiders or do you have your own foundry ?

Mr. Clow.—I am not quite sure ; I think we do both.

Mr. Joshi.—Would it not be cheaper to have your own foundry ?

Mr. Clow.—We had a type foundry. Monotype and linotype machines make their own types. As to the hand setting, I am not quite sure. We are not in a position to make all the types that we want.

Page 309.

846. *Mr. Neogy.*—I do not understand exactly what the arrangement is with regard to Item U. 1—Stationery, Printing and Book-binding for the India Office.

Mr. Clow.—I also do not know. It is not dealt with in our department.

Chairman.—Some portion of the cost is recovered from the British Treasury.

Mr. Neogy.—There is a reference to the India Office Press. Is it controlled from here ?

Chairman.—That is the Press in the India Office.

Page 310.

847. *Mr. Clow.*—It is rather an important point. The point is, so far as I can judge is, that the Bengal Government's estimate of demand was several lakhs in excess of the demand in the Bengal Legislative Council.

Sir Frederic Gauntlett.—The explanation raises the question whether the Central Government can include in its budget as a receipt the sum budgetted for by the Local Government.

Chairman.—If you take the question a little wider, we certainly do not accept the estimates of the Provincial Governments. For example, as regards the amount which they are going to draw from their balances, we cut down their estimates by a crore or more. That is a question of estimation. But it is a matter of very frequent occurrence.

Mr. Clow.—We do not really deal with these figures. I imagine it is due to some flaw in the system somewhere.

Sir Frederic Gauntlett.—The Bengal Legislative Council has to vote the amount to be paid under this head and if you estimate that you were going to receive more than that, it is a little difficult to say where it is coming from.

Chairman.—Who supplies for the purposes of the budget the information on which we base this estimate of receipts from the Bengal Government ?

Mr. Kaula.—The indenting officers and the Controller of Stationery.

Chairman.—Are they not also in correspondence with the Finance Department of the Bengal Government ?

Mr. Rajagopalan.—Presumably they are.

Chairman.—We might mention this in our report.

Page 313.

848. *Mr. Rangaswami Iyengar.*—You have put down the amount credited on account of actual cost of depreciation for 1924-25 calculated on the value of the plant, machinery and furniture. Can you tell us the exact percentage which you use ?

Mr. Clow.—I cannot.

Sir Frederic Gauntlett.—Mr. Campbell will tell you that the rates of depreciation would vary according to the nature of the asset.

Mr. Rangaswami Iyengar.—You have got first of all plant, machinery and furniture, so there must be different rates for these different things.

Mr. Campbell.—There are no standard rates of depreciation for the machinery. They can very easily vary from 5 to 20 per cent.

Mr. Rangaswami Iyengar.—Take, for instance, the printing machinery : there must be an average standard for it ?

Mr. Campbell.—In a few cases we did take the average rate : it is about 10 per cent., otherwise we judge each individual case.

849. *Mr. Das.*—I want to know whether the 10 lakhs that was recovered from the Military ought not to have been shown as a surplus in the final account.

Chairman.—No, because they had to supply it.

Mr. Kaula.—There is an excess in the Posts and Telegraphs and also under Railways. So the sum is practically reduced.

850. *Mr. Joshi.*—How much percentage of depreciation is charged on types ?

Mr. Campbell.—In many concerns they re-value every year. They do not have a definite percentage rate for every year. They write off the difference.

Sir Frederic Gauntlett.—I might say that these rates were fixed just before or just after Mr. Campbell arrived in the country and he was not directly concerned with the actual rates which were adopted. What happened was that all the Press Superintendents were called together and the whole thing was threshed out in consultation with them.

Page 316.

851. *Mr. Cocks.*—The amount shown for the deficiency in stock taking is rather small.

Mr. Rangaswami Iyengar.—So far as the stock taking is concerned, it was simply given up.

Mr. Clow.—Since then we have been going on with it.

Sir Frederic Gauntlett.—Might I call the attention of the Committee to Appendix XV in which these accounts have now been audited and the audited figures are given.

Chairman.—If the members are going to ask many more questions, I think we had better take up this subject after Lunch.

The Committee then adjourned for Lunch till 3 P.M.

Evidence taken at the 11th meeting of the Public Accounts Committee held on Thursday, the 11th August 1927, at 3 p.m.

PRESENT :

- | | | |
|--|---|---------------------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman.</i> | } | <i>Members.</i> |
| (2) Mr. H. G. Cocke. | | |
| (3) Maulvi Abdul Matin Chowdhury. | | |
| (4) Mr. B. Das. | | |
| (5) Mr. A. Rangaswami Iyengar. | | |
| (6) Mr. N. M. Joshi. | | |
| (7) Mr. G. Sarvotham Rao. | | |
| (8) Mr. K. C. Neogy. | | |
| (9) Sir Frederic Gauntlett, Auditor General. | } | <i>Were also present.</i> |
| (10) Mr. C. W. C. Carson, Controller of Civil Accounts. | | |
| (11) Mr. G. Kaula, Accountant General, Central Revenues. | | |
| (12) Mr. T. K. Rajagopalan, Officer on Special Duty. | | |
| (13) Mr. D. C. Campbell, Director of Commercial Audit. | | |
| Mr. A. G. Clow, Deputy Secretary, Department of Industries and Labour. | } | <i>Witnesses.</i> |
| Rai Bahadur J. P. Ganguly, Under Secretary, Department of Industries and Labour. | | |
| Mr. A. Brebner, Superintending Engineer, Simla Imperial Circle. | | |
| Mr. J. S. Pitkealthly, Chief Controller of Assam. | | |

852. *Mr. Clow.*—Some member before lunch asked me a question about the type foundry.

Mr. Joshi.—I did.

Mr. Clow.—The foundry has now been abolished. It used to manufacture old fashioned type and was not suited to our requirements. As I explained before the monotype and linotype machines make their own type ; and we use the monotype casters to make type for hand-setting ; but we have to buy a certain amount of show-type.

853. *Mr. Joshi.*—I want to know whether Government still have to go to contractors for their printing forms when they have got their own Press.

Mr. Clow.—We do not employ contractors now to the extent that we used to but we still get our postal and telegraph forms printed at a press in Calcutta as our own Presses are fully occupied.

Mr. Joshi.—I asked that question because I notice you send to contractors paper and stationery worth nearly 8 lakhs of rupees.

854. *Mr. Joshi.*—I should like to know the difference between the various kinds of issue of these stores. Some are issued to Departments free—some Departments have book adjustments and other Departments make payment.

Mr. Clow.—Ordinary Departments like the Finance are entitled to get their requirements from us free, no payment is made. A Department like the Army Department or a Provincial Government pays us ; and commercial Departments pay us for the supplies they get from us.

Mr. Joshi.—In the case of the Central Government it is book adjustments and others cash payment ?

Mr. Kaula.—Central Government non-commercial Departments are supplied free ; Central Government commercial Departments have book adjustments though certain of the Railways prefer to pay in cash.

Page 317.

855. *Mr. Neogy.*—Here I see the Auditor considers the figures to be absolutely worthless and the Audit actually returned the papers unaudited.

Mr. Kaula.—It is only fair to state that as this was the first year the local people probably did not know how to present their accounts.

Sir F. Gauntlett.—The explanation which will be found in the note of the Examiner of Press Accounts (Appendix XVI) is that the Auditor refused to audit this account because it starts with a value of books in stock on 1st April 1925 that is only arrived at by working backward from the stock on the 31st March 1926. Obviously the Auditor can only accept the account if every transaction during the year is recorded as correct which he has to certify as having happened. Now that the value of the stock has been taken on the 31st March 1926 he will be able to certify next year.

Page 322.

856. *Mr. Joshi.*—There is a loss of nearly 2 lakhs of rupees. What is this loss due to ?

Mr. Clow.—It is really a loss in accounting. This is not a commercialised Department, and the " loss " is based on the assumption that the same rate that we charge to Local Governments can be regarded as chargeable to Central Government Departments.

Sir F. Gauntlett.—It is entirely based on the prices fixed for the year. Now that those prices have worked down to a loss of 2 lakhs of rupees odd, the prices fixed for the next year, I assume, will be fixed rather higher.

857. *Mr. Cocke.*—Is any commission charged -

Mr. Clow.—We charge a commission on issues to paying Departments and Local Governments.

858. *Mr. Rangaswami Iyengar.*—In regard to these accounts I want to refer to another thing,—the value of books in stock which is referred to at Appendix XVI. The Examiner of Government Press Accounts makes certain observations there. The whole of this question, not only the question of the stores but also of the value of the books in stock, is a matter of made up figures. In regard to the value of the books at the Government Central Press in Calcutta as well as the value of the stocks, they have not been properly verified.

Mr. Clow.—I don't think it was verified until the time when we had this stock-taking by the Auditors but a proper stock-taking has since been made, I think.

Mr. Rangaswami Iyengar.—If you refer to Appendix XVI again you will see that this stock-taking was incorrect, as it was said to have been taken by irresponsible day extra men and dufftries.

Mr. Clow.—The Publication Branch I know was working with a very inadequate staff then.

Mr. Rangaswami Iyengar.—I want to know whether you have arrived at a proper valuation now, so that you may at least know if next year's accounts are correct.

Sir F. Gauntlett.—I am afraid I do not know much about the details of the Central Publication Branch. This is the statement of the Auditor sent down to examine the position ; and it is the first intimation I have received. Of course it has got to be put right.

Chairman.—We cannot do more than draw the attention of Government to this statement and ask them to look into the matter.

Mr. Rangaswami Iyengar.—Are you not in a position to say whether it has been put right ?

Mr. Clow.—I do not think I have seen this Appendix before ; but speaking from memory I think there has been a proper stock-taking since the accounts were made up.

Mr. Rangaswami Iyengar.—The stock-taking seems to be merely perfunctory, with dufftries apparently to do the work.

Chairman.—I think we have discussed the point enough. I think we had better draw the attention of Government and ask them to take steps to put it right. I think it is recognised on all hands that we have not reached the position we desire to reach in regard to this.

Mr. Rangaswami Iyengar.—We must know whether the accounts are accurate ; and if they are not, they ought to be made accurate, and in the meanwhile we can only regard the figures as merely approximate.

859. *Mr. Cocke.*—I see there is a sum of Rs. 8,871 shown as " Audit charges ". How do you get it ?

Mr. Rangaswami Iyengar.—There is an examiner who seems to be engaged solely in dealing with these Printing and Stationery charges and it should be quite easy for him to determine the total cost of this establishment over the year and determine from that what should be charged to any particular account. Rs. 8,000 is a high figure to pay.

Mr. Clow.—The ordinary professional auditor charges a percentage and it would probably come to more.

Sir F. Gauntlett.—After all the gross transactions are nearly a crore of rupees and Rs. 8,000 is not too much to pay on a crore of rupees.

860. *Chairman.*—We now turn to paragraph 40, page 33 of the Report, which deals with a discrepancy of Rs. 16,000 between the Stamp Office and a Government of India Press in the accounts of postage stamps. *Mr. Clow.* have you any explanation to give on that and particularly as to whether any orders have been issued ?

Mr. Clow.—I do not quite follow what orders are referred to at the end of the paragraph. The matter was investigated by Government, orders were issued dismissing the cashier and forfeiting his security, writing-off the loss and paying certain sums that were due to other employees. The Auditor General also prepared a long report which was submitted to the Finance Department and which we saw for information.

Sir F. Gauntlett.—In your opinion, Mr. Clow, all the orders that were necessary have been issued ?

Mr. Clow.—Yes.

861. *Mr. Neogy.*—Don't you consider this to be a serious matter ? Sub-clause (3) of the paragraph says :

“ There was no indication that any supervision was exercised by any responsible officer of the Stationery Office over the issues of stamps to, and their receipts from, the Press as the registers maintained were in a very unsatisfactory state and the original records from which the monthly returns to the Director General, Posts and Telegraphs, and the Accountant General, Bengal, were compiled did not bear any impress of any check by any one ”.

Mr. Clow.—It is a little difficult. Take the ordinary officer who comes into an office. You probably know how this money was lost. Stamps were issued from one office to the Cashier for making up into booklets. The cashier had to account for the stamps he received in the form of booklets he returned, but as his balances were never checked he was able to utilise the stamps he received from a subsequent order to supply the booklets required for a previous order, until there came a serious gap in the orders and he was asked for the booklets of the stamps received ; the delay led to an enquiry as the result of which it was found he had not in his possession the stamps he should have had. Now the ordinary officer who is not a financier coming into a Department is apt to assume that the checks in force are ordinarily sufficient, and that appears to be what happened in this case. The losses, so far as we can judge, went back over a period of 7 years at least. The actual officer under whom the affair probably started did not satisfy Government that he was fully competent and retired in connection with another case.

Mr. Rangaswami Iyengar.—Is it not the case that Superintendents of Stamps have to furnish security bond ?

Mr. Clow.—It was not in the Stamps and Stationery Office that the loss took place. It took place in the Government Press where the Cashier furnished a security bond.

Mr. Neogy.—Has there been any improvement in the supervision of the Department since ?

Mr. Clow.—The work is now done at Nasik. Except for overprinting surcharges, I do not think the Government Press now have anything to do with this work.

Sir F. Gauntlett.—I may say that the Examiner of Press Accounts regarded himself as responsible for the check on the technical part of the Press and not responsible for this binding up of the booklets, because it was not part of the press work proper. In the same way the Accountant General, Bengal, thought that as the stamps had gone away from an office

under his control into a Press, for the time-being it was not his business and so there was no close scrutiny on either side. That of course has now been put right.

Mr. Neogy.—Have you assured yourself that everything is all right in other Departments ? The state in which the records were found by the Audit is said to have been very unsatisfactory.

Chairman.—The records of this particular case.

Mr. Rangaswami Iyengar.—Are these booklets being prepared elsewhere ?

Mr. Clow.—They are being prepared at Nasik now.

863. *Sir F. Gauntlett.*—Mr. Clow, you were asking about the orders referred to at the end of this paragraph 40. You will see that a scheme of local audit has been submitted to the Government of India, but the orders of the Government of India have not been received on that scheme.

Mr. Clow.—I think that concerns the Finance Department.

Sir F. Gauntlett.—Of course when we say the orders of the Government of India we do not say who is responsible for the issue of those orders.

Mr. Clow.—The report was sent to us by the Finance Department for information.

Chairman.—Very well, we will follow that up.

Page 49, paragraph 68.

864. *Mr. Clow.*—This was undoubtedly a case where owing to a flaw in the rules an officer was able to get a thing done in a somewhat irregular manner. I may say in the first place that there was no loss to Government over the transaction. There was a saving of Rs. 7,000 as against the sum necessary had it been carried through in the ordinary manner through the agency of the Local Government.

Mr. Rangaswami Iyengar.—How do you make out there was a saving ?

Mr. Clow.—We have the figures here. The estimate sanctioned by Government finally was Rs. 59,310, on which an excess is anticipated of Rs. 661 plus departmental charges, making a total of Rs. 72,565. The estimate framed by the Local Public Works Department was Rs. 65,882, on which they would have been entitled to departmental charges of Rs. 13,835, making Rs. 79,717. I do not think the Controller ever explicitly said that the total payments for the work had been made. He made clear to us when he wrote on the 20th April 1925 the fact (which the Audit Officer observed a few months before) that the work was not fully paid for and our sanction was given after that. The work was supervised by the Executive Engineer of the Local Government and except that the Controller should have had the sanction of the Department of Industries and Labour at the time, not of the Finance Department, his action was correct according to the rules.

Sir F. Gauntlett.—Except that administrative sanction for work which is estimated to cost Rs. 2,000 can hardly be regarded as sanction for a work that is going to cost Rs. 60,000.

Mr. Clow.—As I say he should have had the sanction of the administrative Department.

865. *Mr. Cocke.*—You think his action otherwise commendable ?

Mr. Clow.—No. As a matter of fact the officer ran a considerable risk because after the machinery had been installed there was a serious danger that the local electrical authorities would refuse to give us the load that was required. It was only owing to the good offices of the Local Government who intervened that we were able to secure it.

866. *Mr. Neogy.*—Your idea of an emergency measure seems to be that it need not be completed even in 2 years.

Mr. Clow.—There has been delay on account of lifts and minor things but the main part of the work was completed very promptly, I believe.

Chairman.—The officer in question was engaged in overhauling the whole Department ?

Mr. Clow.—Yes.

867. *Mr. Rangaswami Iyengar.*—Would you have acted as this officer did ?

Mr. Clow.—Had I personally been Controller I should have safeguarded myself by getting the sanction of the administrative Department concerned.

Mr. Rangaswami Iyengar.—Assuming that this Controller thought there would be a saving, do you think it is a right example to follow to start a work and then say “ Here is a saving ”.

Mr. Clow.—I did not put forward the fact that there had been a saving as a complete answer to the case put forward by the Accountant General, Central Revenues. This was not stigmatised by him as a case where Government has lost money but as a case of unauthorised expenditure.

Paragraph 69, page 50 of the Report.

868. *Mr. Clow.*—I am not prepared to accept this as a complete statement of the case. I think I can say that if the Controller had come up before the 31st March 1925 when this officer's pay was raised, and had given us the facts of the case we should probably have sanctioned the grant of rent free accommodation to the officer in question. It was after his pay was raised and in view of the fact that the rise in pay had taken account of all the circumstances that we thought he had no claim to rent free accommodation. If we could have the officer back it would pay us because since he left the quarters have had to be condemned as unfit for this particular officer. We have had to put in a watchman on Rs. 50 a month in addition to giving him these quarters free.

869. *Q.*—Are you satisfied that the quarters could not be made fit ?

Mr. Clow.—Mr. McWatters personally visited the quarters which are in Dhurumtola, a very unsuitable locality and satisfied himself on the point. The officer happened to be a bachelor who did not mind ; an officer with a family could not be asked to occupy the quarters.

Mr. Neogy.—The question of a man being a bachelor or a married man does not concern the fitness of the house.

Mr. Clow.—The average bachelor is willing to put up in a quarter that a married man cannot take.

Internal Emigration—page 252.

869. *Mr. Neogy.*—Will you refer to the note at the bottom of page, A.4 ? Why was half the sum realised from the Tea District Labour Association ?

Mr. Clow.—I think because we reduced the extent of our medical provision ; as you will see from the note just above—A.3—we closed down two hospitals.

Mr. Clow then withdrew.

Page 164.

870. *Mr. Joshi.*—I want to know what was the additional work and urgency for an additional Secretary for about 2½ months.

Mr. Ganguli.—There was special work to be done.

Sir F. Gauntlett.—Mr. Parsons eventually succeeded Mr. Ley as Secretary when Mr. Ley became Member and there may have been some special work.

Mr. Ganguli.—There was some special work, I am certain, which could not be foreseen. Mr. Ley was required to go to Calcutta over some inquiry. There was a dispute between Messrs. Lal Chand and Sons and Government and Mr. Ley had to go to adjudicate as Lal Chand and Sons were entitled to have him as arbitrator.

Chairman.—The position is constantly arising that there is a gap of a month or two and very often there is some special work which might be done then, and it really is in the interests of Government that you should marry so to speak those two opportunities.

Sir F. Gauntlett.—In the alternative Mr. Parsons would have had to return to me and I might have put him on as Accountant General in a distant province and might have had to bring him back.

Chairman.—The rules regarding leave and reversion are a difficulty. But in this case there was a special work that Mr. Ley had to do.

871. *Sir F. Gauntlett.*—There was an over-estimating under contingencies in this case ?

Mr. Ganguli.—There was an over-estimate under non-voted pay of officials, Rs. 4,712. We really had a saving of over Rs. 23,000 and part of it was utilized in various small items, and this saving is due to the fact that though we abolished the appointment of Deputy Secretary, Public Works, we replaced him by a Consulting Engineer and his cost was provided in the civil works budget.

Chairman.—That was a definite economy following on the Inchcape Committee proposals ?

Mr. Ganguli.—Yes.

Sir F. Gauntlett.—By way of a general comment on this grant (Meteorology), I may say it indicates an inadequate knowledge of the progress of expenditure.

872. *Chairman.*—What are your arrangements for watching the progress of expenditure ?

Mr. Ganguli.—The Director General, Observatories, is entirely responsible for controlling the expenditure. In this case most of the items to which the Auditor General refers are book adjustments.

Sir F. Gauntlett.—The old question of liabilities !

Mr. Rajagopalan.—I may say the Pay and Accounts Officer deals with it, and we have taken care from 1926-27 to take into account all liabilities as far as possible. In the first-year the question of liabilities was not really attended to as properly as could have been done.

Page 256.

873. *Mr. Rangaswami Iyengar.*—What about drug manufacture ?

Mr. Ganguli.—I think it is under the Central Board of Revenue.

874. *Chairman.*—The Committee would like to ask you, Mr. Pitkeathly, questions as to how far the Indian Stores Department is becoming self-supporting.

Mr. Pitkeathly.—I might explain that on the purchase side of the Department our purchases have increased from Rs. 2,59 lakhs in 1924-25 to 2 crores 66 lakhs in 1925-26 and 3 crores last year. We have shown an increase of roughly 50 per cent. over the previous year. On the inspection side, the value ran up from 2 crores 13 lakhs in 1924-25 to 5 crores in 1926-27. The revenue we have earned from inspection has increased from Rs. 5,98,000 in 1924-25 to 11 lakhs in 1926-27. The revenue earned on the purchase end has increased from Rs. 2,59,000 in 1924-25 to Rs. 3,98,000 in 1926-27. Our general revenue has increased from Rs. 7,73,000 in 1924-25 to Rs. 14,58,000 in 1926-27. Compared with 1924-25, there was a rise of 26 per cent. in expenditure and a rise of 40 per cent. in revenue. Last year our expenditure was Rs. 14,72,000, a rise of 15 per cent., our revenue was Rs. 14,58,000, a rise of 36 per cent. : that is to say in the last two years our expenditure has gone up by 41 per cent. against an increase in the revenue of 76 per cent.

875. *Mr. Neogy.*—In 1926-27 you paid your way ?

Mr. Pitkeathly.—We didn't altogether. The difference between our actual outgoings and our revenue was only Rs. 24,000 on the wrong side, but I may explain that it does not take into account certain indirect pensionary charges, depreciation and interest on capital.

Mr. Rangaswami Iyengar.—It nearly paid its way ?

Mr. Pitkeathly.—I cannot say that. I expect that the deficit is somewhere about Rs. 2 lakhs and 3 lakhs including all the indirect charges, but the position is improving year by year.

876. *Mr. Rangaswami Iyengar.*—We should like to know in what way in your opinion you can not only make it pay its way but make it give some return.

Mr. Pitkeathly.—I doubt very much if the Indian Stores Department will ever be a self-supporting Department in the strict sense. One has got to keep in mind the fact that the object of ~~establishing the Department was to assist Indian industries~~. Much of its work is non-remunerative ; for instance, we scrutinise the home indents, prepare bi-monthly stores lists, we examine them to see whether they are fit to go on the stores list, for all of which we get nothing ; and also, owing to the backward state of some of the industries in India we have to do a good deal of educative work,—and all that you can hardly measure in terms of money.

877. *Mr. Rangaswami Iyengar.*—Can you not separate this part of work from the purely business part of your work, on account of the fact that it is really one of the services of Government ?

Mr. Pitkeathly.—We could do that, and then it would show a truer position of the Department.

878. *Mr. Cocke.*—What sort of proportion would that be ?

Mr. Pitkeathly.—Somewhere between a lakh and two lakhs a year.

Mr. Cocke.—What is the percentage of the whole ?

Mr. Pitkeathly.—I think about 5 per cent.

879. *Mr. B. Das.*—Can Mr. Pitkeathly give us some figures to show if the railways have increased their purchases through the Indian Stores Department ?

Mr. Pitkeathly.—There has been an increase of roughly 50 per cent. in the railway purchases during 1926-27. We bought in 1925-26 on behalf of State Railways 33 lakhs and in 1926-27 we bought 70 lakhs. For Company railways we bought 8 lakhs in 1925-26 and 5 lakhs in 1926-27, altogether we increased 50 per cent.

Chairman.—This is not strictly relevant.

Mr. B. Das.—In the Assembly we were told that there was a conference between Sir Charles Innes, the Railway Member, and Mr. Pitkeathly so that the Indian Railways would make as far as possible their purchases through the Indian Stores Department.

Chairman.—We must not get too far away into policy.

880. *Mr. Rangaswami Iyengar.*—Have you any suggestions to make, Mr. Pitkeathly, which you can advise this Committee to make in their report so as to make your Department more profitable than it is ?

Mr. Pitkeathly.—I might explain that this matter is under consideration at the present moment in the Government of India. A proposal has been put forward that we ought to institute a standing committee to deal with the co-ordination of purchases for various Departments. This proposal has been accepted by a number of Departments, and if it materialises, this is one of the particular points the Committee will examine. I may say that as far as the railways are concerned the inspection work we are doing for them is increasing every day.

881. *Mr. Joshi.*—You are getting about Rs. 2,66,000 out of one per cent. commission on purchases. On which purchases ?

Mr. Pitkeathly.—On the purchases made on behalf of the Government of India and also of the provincial Governments and quasi-commercial bodies.

882. *Mr. Joshi.*—Your Department requires more work ; if you are doing more work, you can reduce the rates and the country will gain ?

Chairman.—The demand for reducing the rate won't arrive until you have balanced on the existing rate and paid your way.

883. *Mr. Cocke.*—Do you have it brought up against you at all by Departments of Government that they could have bought more cheaply direct than through the Stores Department ?

Mr. Pitkeathly.—We have had several cases of that sort. They say they can buy cheaper themselves when they take into consideration the two per cent. commission. But we hold that inspection costs one per cent. and

in many cases they may buy cheaper because they have no cost of inspection. In some cases we purchase only, and in other cases we inspect only. For the army we do the purchasing and they do the inspection themselves.

Page 41 of the Report, paragraph 54 : Contracts.

884. *Mr. Ganguli.*—We wrote to the High Commissioner, and he is not doing any more contract of that sort.

Page 88, item 50.

885. *Chairman.*—‘ Final orders have not yet issued ’. What is that case ?

Mr. Ganguli.—Certain purchases according to the Audit Officer, were made by the Chief Controller in violation of the Indian stores rules. The Indian stores rules lay down that there must be a strict comparison of prices between the rates quoted by the High Commissioner in England and the rates in India. The Audit Officer, Indian Stores Department, holds that there has been a violation of the stores rules, and the Chief Controller holds that there has not been any violation, and the case is under discussion, and we hope to settle it within the next few weeks.

Paragraph 5 of the Home Auditor's Report on the High Commissioner's Accounts.

883. *Mr. Neogy.*—A case is referred to here in which a particular Government refused to accept an article unless it was manufactured by a particular firm and although lower quotations were available the High Commissioner felt himself absolutely powerless and purchased it at a higher price. Is it your experience that such specifications of definite manufactures are made generally by people who make their purchases through you ?

Mr. Ganguli.—A number of cases of this sort you will find given in the half-yearly statement placed before the Assembly.

Mr. Neogy.—That is so far as the High Commissioner is concerned : what about the Stores Department ?

Mr. Pitkeathly.—There is an inclination now and then to do that but I don't complain as a rule. In some cases we find the executive engineer and others have examined the project and recommended a particular type of machine. I think he is then perfectly justified in indicating a preference for this particular type of machine. As a rule he leaves it entirely to us.

884. *Mr. Rangaswami Iyengar.*—I want to draw your attention to this case, to ask you whether there are cases like this in your department.

Mr. Pitkeathly.—No, I have not. Every tender is published in the Indian Trade Journal. The Director of Supplies would very quickly pull us up in a case like this.

Mr. Rangaswami Iyengar.—I am referring to the fact that a department may say that even if you certify, they are not prepared to agree to it unless it is a particular type. •

Mr. Pitkeathly.—If a Department insisted against my advice on a particular brand of a particular article, I would report the matter to the Local Government. Or if the Central Government were concerned, I would take the orders of the Government of India before complying.

Mr. Neogy.—Are there very many cases of this description ?

Mr. Pitkeathly.—I have had a few isolated cases where they have indented for particular types and in every case I have examined it and found there were very important reasons for doing so.

Mr. Neogy.—Do you find them obdurate ?

Mr. Pitkeathly.—No, I think they are always open to reason.

Mr. Brebner called in and examined.

Page 139.

885. **Sir F. Gauntlett.**—I have a comment on 139, Sir. It is not obvious why the supplementary was asked for under D. 1, (2), unless it was for a new service. The same applies under D. 2, (2).

Chairman.—Do you remember what the supplementary was for ?

Mr. Brebner.—I am afraid I cannot, Sir. I was not dealing with it at the time.

Chairman.—I am rather inclined to think it was a case of a new service. Are the arrangements for watching the progress of expenditure on this vote now satisfactory ?

Mr. Brebner.—So far as I understand from Mr. Harris, this subject was discussed last year before this committee and I understand any decisions come to then have been given effect to.

886. **Sir F. Gauntlett.**—There is one further comment, Sir. On page 139, the provision for establishment is based on average pay instead of actuals. I called attention to that in the North-West Frontier Grant and apparently it obtains here also.

Chairman.—We are drawing the attention, Mr. Brebner, of everyone who comes before us to the question of over-estimating establishment charges generally partly due to making provision either on an average or on sanctions rather than on actual experience.

Page 141.

887. **Mr. Das.**—It is mentioned that the expenditure was dependent on the number of officers on leave from Provincial Governments, who have earned leave under the Central Government. Cannot we get proper estimates from the Provincial Governments and bring it down to actuals ?

Chairman.—I think this brings up the general question of over-estimating on leave salaries.

Sir F. Gauntlett.—A particular point here, Sir, is that when an officer has served for a time in the Government of India and returns to the province, the next time he goes on leave, part of his leave salary has to be borne by the Government of India. So that it is peculiarly difficult for the Government of India to keep track of the officers who have gone back to the province and may be going on leave.

Page 143.

888. **Mr. Joshi.**—In the stores account there is a closing balance of 2 lakhs 42 thousand. It seems that the requirement for the year is about 70,000. So that they keep a much larger stock in stores than is necessary.

Chairman.—What kind of stores are these, Mr. Brebner ?

Mr. Brebner.—I cannot say, Sir, in detail. I think it is mainly building material.

Chairman.—*Prima facie* does not Mr. Joshi's comment strike you as being correct ?

Sir F. Gauntlett.—I also have a comment on the note for store account. You will see the percentage of establishment to works charges is over 80 per cent.

Mr. Brebner.—We have under consideration a proposal that these officers should take over roads and buildings as well as irrigation. If that comes about, it will reduce the cost undoubtedly.

Chairman.—Yes, we might comment on this, that the percentage seems very high.

Mr. Cocke.—There is a large balance of stores. Can you tell us if it is serviceable material which has been brought forward year after year ?

Mr. Brebner.—There are very strict orders about getting rid of articles that are not serviceable.

Mr. Cocke.—It does not look as if Rs. 75,000 worth of material ought to have been purchased.

Sir F. Gauntlett.—The trouble is entirely on the Swat Canal.

Mr. Joshi.—We were told that the Public Works Code sanctions only one year's stocks.

Mr. Brebner.—That may be but then you very often purchase material and for one reason or another you don't use it and you may not be able to get rid of it immediately. It may pay you to keep it and dispose of it gradually.

Chairman.—You do keep a close watch on the building up of unnecessarily large stocks ?

Mr. Brebner.—Undoubtedly ; it is a matter which is constantly under examination.

889. *Sir F. Gauntlett.*—But with your practical experience, Mr. Brebner, would you say that it is necessary on the Swat Canal to have over four years' stock ?

Mr. Brebner.—I should say it is more than likely that a very large proportion of this sum is made up of big items—it may be gates and things like that, for which they have no immediate use.

Grant 67. Page 273.

890. *Chairman.*—That grant is very close to the vote, which is probably unusual in civil works.

Mr. Kaula.—On the voted side.

Page 275. Explanation E.-1.

891. *Mr. Joshi.*—Why was the supplementary grant asked for when no grant was spent ?

Sir F. Gauntlett.—It has to be balanced against the voted.

Chairman.—If you look at the explanation, you will find that it was decided in the course of the year that expenditure on these civil roads of military importance should be treated as a voted charge.

892. *Mr. Joshi.*—Then I want to ask you why these military roads intended for military purposes were not put into the military budget.

Sir F. Gauntlett.—These are civil roads of military importance.

Mr. Joshi.—Then why do you make them non-voted ?

Chairman.—They are made voted. That is the cause of the saving on the non-voted. There is a corresponding excess in the voted portion.

Sir F. Gauntlett.—It was decided to treat the expenditure as non-voted but only commencing with the accounts of 1926-27. That is to say, this year it was eventually decided to keep it as voted, but it becomes non-voted from next year.

Mr. Rangaswami Iyengar.—If it becomes non-voted, then Mr. Joshi's point arises.

Sir F. Gauntlett.—I think one answer to Mr. Joshi is that while the Governor General is given the power of determining whether a particular form of expenditure is to be regarded as voted or non-voted, the Auditor General has the power of determining the classification within the accounts.

893. *Mr. Rangaswami Iyengar.*—But the point surely is that if roads of military importance are now under the orders of the Governor General non-voted, then the proper place to budget for them is the military budget.

Sir F. Gauntlett.—With all due respect to Mr. Rangaswami, the principle of classification is that the classification has to be determined by the department which administers the roads. The military do not administer these roads—the roads are administered by the civil.

Chairman.—As a matter of fact, we have had this before the Standing Finance Committee too. Roads have been divided into civil roads, civil roads of military importance, and military roads.

Mr. Rangaswami Iyengar.—Then, may I know, Sir, on what grounds this has been made non-voted, if it is not military expenditure ?

Chairman.—It is political.

Mr. Rangaswami Iyengar.—Then it ought to go into the political budget. The point is, Sir Frederic, I quite appreciate that the Governor General has the power to declare whether it is voted or non-voted, but I want to know on what basis the Governor General declared it non-voted ?

Sir F. Gauntlett.—Let me first of all get the facts right. Mr. Aravamudha Ayyangar has pointed out to me that these particular roads have been the subject of prolonged discussions in the Government of India and he assures me that it has been decided to distribute the cost between the military and the civil.

Mr. Rangaswami Iyengar.—But still it does not get away from the trouble. Why should it be non-votable if it is not military ?

Chairman.—The decision of the Governor General is final.

Mr. Rangaswami Iyengar.—We know it is final but we must try to understand it, Sir.

Chairman.—The general explanation is that these are regarded as political.

Mr. Rangaswami Iyengar.—If they are political they should go into the political.

Chairman.—No, certainly not. They are roads. They come under civil works.

Mr. Rangaswami Iyengar.—Surely, if the work is executed by the civil works department and expenditure is put in the budget, you ought simply to make a declaration that this is votable ?

Mr. Neogy.—I find roads are included under the political head also. There are roads mentioned there.

Mr. Kaula.—The administration there rests in the hands of the political officers. This rests in the hands of the civil.

894. *Mr. Rangaswami Iyengar.*—I don't want to press this matter but really it seems to me it may lead to developments. For instance, there are trunk roads. Supposing questions are raised in regard to certain military roads and you want to make them non-voted. Those are matters which may easily develop.

Chairman.—I don't think anybody doubts that this division between voted and non-voted is a most extraordinarily difficult one from the point of view of the work of this committee. That one grants readily but I don't think there is any principle involved in this that is going to give anyone any trouble.

Sir F. Gauntlett.—Might we not profitably leave this to the Statutory Commission ?

895. *Mr. Das.*—I would like to put a small question on G.-1—Consulting Engineer, Government of India. Does the Consulting Engineer advise the Government on every work of the Government of India ?

Mr. Brebner.—I should not think any engineer is competent to do that.

896. *Mr. Das.*—Do the Government of India take the advice of Consulting Engineers of provincial Governments or do they always employ their own Consulting Engineer ?

Mr. Brebner.—They do take advice from the Chief Engineers of Local Governments, whenever they need it.

Mr. Das.—Do they pay for it ?

Mr. Brebner.—No, not at present.

Mr. Das.—Do they employ their architects ?

Mr. Brebner.—Yes.

Mr. Joshi.—Are North-West Frontier province, Baluchistan—are all these Local Governments ?

Mr. Brebner.—Yes.

897. *Mr. Joshi.*—Nearly one-tenth is the reserve. Do you require such a big reserve as 10 per cent. of your total grant ?

Mr. Brebner.—No, not quite.

Mr. Kaula.—My impression is that the reserve has been cut down very much.

Chairman.—The unallotted grant is not really a reserve.

Page 276.

898. **Mr. Rangaswamy Iyengar.**—On this question of establishment has the Auditor General been able to find out the total percentage which this establishment bears to the expenditure on civil works ?

Sir F. Gauntlett.—It has not struck me as being so surprising as to comment upon it.

899. **Mr. Das.**—G.-5 (1) (1). The extra expenditure is 2,59,000 and the note says, "Partly due to *pro rata* charges having been adjusted in supplementary accounts for March 1926 at a higher rate than that provided for in the budget". How can they increase the rate without going to the Assembly ?

Mr. Brebner.—We do not know the rates. That is our whole difficulty. The rates are struck at the end of the year.

Mr. Das.—You did not go to the Assembly again for this ?

Chairman.—There is a lapse of non-voted to the extent of Rs. 1.24 lakhs which partly accounts for the excess of voted.

Mr. Joshi.—Is it not an objectionable procedure to increase the voted by such a large grant from the non-voted ?

Chairman.—I have no doubt it is exactly the same question we were on before—civil works of military importance. As I have explained, it was not a question of increasing the voted grant.

Page 277.

900. **Mr. Neogy.**—G.-5 (2). That is *pro rata* charges on additional works.

Mr. Rajagopalan.—That is merely due to the lapse under Delhi works grant. We had a certain establishment and the cost of that establishment had to be distributed over the capital works as well as the revenue works. The capital expenditure was 60 lakhs less than we estimated for and the revenue works had to bear a greater proportion.

901. **Mr. Rangaswamy Iyengar.**—It does seem to me, reading the whole thing, having regard to the establishments in the provinces which deal with crores of rupees of expenditure—that the establishment charges are pretty stiff. Can you tell me what the total establishment charges bear to the total expenditure ?

Mr. Brebner.—These establishment charges are largely establishment charges of the provinces, because the work is done for us by the provinces and it is all based on *pro rata* distribution. With the exception of the North-West Frontier Province we practically everywhere employ the agency of the Local Government. All these other establishment charges are Local Governments.

Mr. Kaula.—Mr. Rangaswamy Iyengar's question is answered by a reference to page 282, the figures are given there.

Sir F. Gauntlett.—That is considerably below the average all over India. The percentage in Delhi is very small.

Chairman.—The percentage we pay to the provinces is the highest.

Page 279.

902. *Mr. Neogy.*—The saving under (1) was due mainly to an adjustment on account of the city extension scheme which was not contemplated before the close of the year but carried out in the supplementary accounts under orders of the New Capital Committee. Is the New Capital Committee in a position to order the extension of the old city also ?

Mr. Rajagopalan.—There was a scheme under contemplation but it was never carried out, but some expenditure had been incurred on that and it was lying under suspense. It had to be adjusted. We had money under 41 Civil Works and so we adjusted it there.

Page 280.

903. *Chairman.*—Have you raised this point, Sir Frederic, in your letter at all ? There is an excess of gross expenditure and a saving on the net.

Sir F. Gauntlett.—No.

Chairman.—Civil works of military importance, voted as well as non-voted—that seems to be the greater part of it.

Chairman.—If the provision had been made at the time the budget was framed on the same basis as that on which the accounts were compiled, there would have been very little saving on gross expenditure under non-voted and there would not have been an excess of gross expenditure under voted.

Mr. Kaula.—There would have been savings both under voted and non-voted.

Sir F. Gauntlett.—Very roughly, it would have been 7 lakhs saving on the non-voted and about 9 lakhs saving on the voted—both gross.

Chairman.—I am not sure that this is a case in which to take up this question of gross and net. The case we want to take up is the case where there is an unexpectedly large receipt which turns over-spending into a saving under net.

Page 283.

904. *Mr. Joshi.*—There are no budget grants from item No. 20 to No. 53. They are all unforeseen. Do you mean to say that there are so many unforeseen works every year ?

Mr. Rangaswamy Iyengar.—It may have been major works not specifically provided for in the estimates ?

Sir F. Gauntlett.—I think Mr. Rangaswamy's description is correct.

There was some more discussion after which the Accountant General, Central Revenues was requested to reconsider the form in order to make it more self-explanatory.

Page 291.

905. *Mr. Joshi.*—Providing new furniture, carpets and curtains at Belvedere. There was no budget provision. Was it unforeseen and urgent ?

Chairman.—That went before the Standing Finance Committee. Is it not the case that Lord Reading wanted to buy some furniture in England ?

Mr. Brebner.—When Lord Reading went home about the beginning of summer the question came up and we put it up before the Standing

Finance Committee and they agreed to an expenditure up to a certain sum being incurred.

Chairman.—It was not foreseen because as a matter of fact Lord Reading had not decided to go home before the budget was prepared.

Page 292.

906. *Mr. Das.*—There is an excess expenditure of Rs. 6,87,000 on the voted side. That is one point and the second point is that the Punjab Government were paid Rs. 52,000. Why did not our Consulting Engineer do it ?

Mr. Brebner.—It really required somebody who would go and stay in Kabul to do it. They got a man who went up and spent some weeks there in getting out designs. We have no staff to do that sort of work. In this case we employed an architect of the Punjab Government.

907. *Mr. Neogy.*—What is the distinction between British Legation and New British Legation ?

Chairman.—I imagine they amount to the same thing.

Mr. Rangaswamy Iyengar.—It is the new house of the British Legation and not the New British Legation.

Page 483.

908. *Mr. Joshi.*—Why is it that there is such a small grant ?

Chairman.—It is only for purposes of productive works in the North West Frontier Province of which there are very few.

Mr. Neogy.—There are unproductive works too.

Sir F. Gauntlett.—I may explain that all capital charges are brought to account in the capital section of the account in detail ; then lump sums are transferred to the revenue account in respect of those unproductive canals which have to be met from revenue.

Page 42. Paragraph 56.

909. *Mr. Brebner.*—A revised rule was sent to the Secretary of State a few months ago. The main difference is that in assessing rent there is now a limit of 6 per cent. overall for maintenance and repairs, whereas before there was no limit. There are also other minor changes in it so that we will only be able to charge an officer rent for the period the house is allotted to him.

Mr. A. Rangaswamy Iyengar.—In fixing the monthly rent you take the charges that will be leviable for the occupation of 12 months and therefore for the period that the house is not occupied you get nothing out of it ?

A.—We get nothing.

Paragraph 57.

910. *Mr. Rangaswamy Iyengar.*—Can you tell me what percentage you charge on the investment of furniture ?

Mr. Brebner.—For officers we charge one per cent. per month.

Mr. Rangaswamy Iyengar.—One per cent a month gives you 12 per cent. a year, and it means 8 years' life ?

Mr. Brebner.—Some have a much longer life.

911. *Mr. Rangaswamy Iyengar.*—Do you think that 6 per cent. for depreciation is a fair allowance for furniture ?

Mr. Brebner.—The usual rate for furniture is about 7½ per cent, but probably in this case 6 per cent. would be alright. We only supply solid plain furniture, and nothing else.

Paragraph 58.

912. *Mr. Rangaswamy Iyengar.*—I do think that if the Government modify their rules in regard to occupation of buildings by Members so as to limit the period to the actual period of occupation, it would be very much better. At present they are charged on the whole annual rent ?

Mr. Brebner.—Not quite as much.

Mr. Rangaswami Iyengar.—Do you think the rates you charge are quite fair in comparison with those which you charge for officers ? Especially in regard to Longwood, it seems to me that if you make the rents fairer than at present, probably the quarters will be in greater demand.

Chairman.—As regards Longwood, the question was raised last year by the Public Accounts Committee, whether you could let out those quarters which are reserved for Members of the Legislature to outsiders in the off season ?

Mr. Brebner.—We have attempted to do so this year. Latterly practically all the quarters reserved for members of the Legislature have been let to officers subject to their vacating at 24 hours' notice.

913. *Mr. Rangaswami Iyengar.*—I really want to ask you whether, having regard to the fact that you let out these quarters during the off season, you will not be able to reduce the rents for Members when they occupy these quarters during the session ?

Mr. Brebner.—Still there is a large deficit.

Mr. Neogy.—So far as the Delhi quarters are concerned, some of the quarters meant for the Members of the Legislature are let out to ruling princes, and I believe that the department charges them fancy rents.

Mr. Rajagopalan.—We charge them economic rents.

Chairman.—I think we might say that action has been taken to reduce the loss on Longwood quarters by letting them out during the off season but that still there is a deficit.

Paragraph 59.

914. *Mr. Brebner.*—With regard to this, I may say that as time goes on assistants entering the Secretariat will go in for these quarters. They are not given the option of taking the house allowance and so they are obliged to take the quarters that we offer them. If they refuse to take the quarters, then they forfeit the allowance.

Paragraph 60.

915. *Chairman.*—Are any orders issued under this ?

Mr. Brebner.—As a matter of fact, I suggested to the Finance Department that this matter might be left over until we had the views of this Committee. The point I wished to make was that all our quarters are let out to Government officials and therefore they all get the benefit of the 6 per cent. limit and there is no point in revising their rents. In the second place, with all respect to the Accountant General, his figures are somewhat misleading, because the expenditure he has given is very largely expenditure on special repairs which generally take place at long intervals. Take for instance, Honourable Members' Houses. In all these cases by far the greater part of the expenditure is on account of what we call special repairs which are only carried out at longer intervals of 5 or 6 years or in some cases once in 10 years. I have got figures of what we spent on the

quarters in Simla for 1925-26. I will first take the European quarters at Kaithu. The actual amount spent was Rs. 5,525 while the actual amount recovered in the assessed rent is Rs. 4,000, that is to say, a difference of about Rs. 1,500. For the other European quarters the actual amount spent is Rs. 1,500 and the amount recovered in the assessed rent is Rs. 1,427, so the excess is only Rs. 73. These figures relate to ordinary repairs only. Then I have got special repairs too.

Mr. Rangaswami Iyengar.—In any case it leaves the capital without any return ?

Mr. Brebner.—In calculating our rents we allow so much for interest, so much for special repairs and so much for ordinary repairs. In view of the fact that all occupants of these buildings are entitled to the benefits of rule 45, the question I wished to ask was whether there is really any point in revising the rent.

Chairman.—I do not think there is really much in this.

Paragraph 64.

916. *Mr. Neogy.*—Have the revised rules been received in the Audit office ?

Mr. Brebner.—This set of rules is in force now. These have been accepted by Government.

Paragraph 66.

917. *Mr. Rangaswami Iyengar.*—Can you not make any improvement on this ?

Sir Frederic Gauntlett.—I had a comment on this paragraph that so long as the distribution obtains, it is quite impossible to arrive at any accurate estimate of the eventual distribution unless you have an accurate estimate of the works expenditure, and it is mainly because the works expenditure is so badly estimated that these eventual distributions of establishment expenditure are so markedly different from the original estimates.

Mr. B. Das.—That makes your works more expensive than the Provincial Governments.

Chairman.—No, it is the other way round.

918. *Mr. Rangaswami Iyengar.*—Don't you think you can make some improvement ?

Mr. Brebner.—We have accepted in two provinces the Local Governments' offer of a fixed percentage. Some of the provinces asked for more, and we could not accept their proposals.

919. *Mr. Joshi.*—In paragraph 59, I had just missed one point. There is a reference to undesirable tenants and to quarters not being made available to all and sundry. Does it refer to any Government officials or to private people.

Mr. Brebner.—This refers to private people.

Mr. Neogy.—If a large number of quarters built for European clerks remain unoccupied, is there any objection to their being rented to Indian clerks ?

Mr. Brebner.—Certainly not. If Indian assistants choose to occupy unorthodox quarters, they are allotted to them. In fact, there are some unorthodox quarters which are occupied by Indian assistants, now.

The Committee adjourned till 12 noon on Friday the 12th August 1927.

Evidence taken at the 12th meeting of the Public Accounts Committee held on Friday, the 12th August 1927 at 11 a.m.

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|--|-------------------|
| (1) The Hon'ble Sir Basil Blackett, K.C.B., K.C.S.I., <i>Chairman.</i> | |
| (2) Mr. H. G. Coke. | } <i>Members.</i> |
| (3) Maulvi Abdul Matin Chowdhury. | |
| (4) Mr. B. Das. | |
| (5) Mr. A. Rangaswami Iyengar. | |
| (6) Mr. N. M. Joshi. | |
| (7) Mr. K. C. Neogy. | |
| (8) Sir Frederic Gauntlett, Auditor General | |
| (9) Mr. C. W. C. Carson, Controller of Civil Accounts. | |
| (10) Mr. G. Kaula, Accountant General, Central Revenues. | |
| (11) Mr. T. K. Rajagopalan, Officer on Special Duty. | |
| (12) Mr. D. C. Campbell, Director of Commercial Audit. | |
| Mr. G. S. Bajpai, Deputy Secretary, Department of Education, Health and Lands. | } <i>Witness.</i> |

Mr. Bajpai was called in and examined.

920. *Mr. Joshi.*—I want to ask with reference to the foot-note at page 136, whether the purchase of a new Super Heater Boiler could not have waited till the next year ?

Mr. Bajpai.—As a matter of fact when the Budget for the year 1925-26 was drawn up we did not anticipate that the Economic section would be working under the high pressure that it did. The authorities had engaged establishment and they wanted to keep the section working day and night, practically.

Mr. Joshi.—Couldn't you ask for a supplementary grant ?

Chairman.—It went before the Standing Finance Committee and it was not necessary to obtain a supplementary grant because there was a saving.

Grant No. 33.—Department of Education, Health and Lands—page 158.

921. *Mr. Joshi.*—Before we pass on I want to ask a general question of Forests, and that is whether the accounts are being commercialised.

Mr. Bajpai.—I think that is a general question to be taken up in connection with the proposal for the audit of receipts. We have no commercialised arrangement at Dehra Dun.

922. *Chairman.*—We will take that on the Andamans Forests, if the Committee agree. Talking on the question of audit of receipts can you tell us what is the present position in the Andamans ?

Mr. Bajpai.—The present position is that the question has not been considered at all. The only thing we did consider was the question of commercialisation of accounts more with a view to the cost of production of timber and other things being ascertained. A system of accounts which was prepared by Martin and Co. who are the agents for the sale of this timber, was introduced in the Andamans with effect from the 1st April 1925. Recently in consultation with the Accountant General, Central Revenues, we have prepared a form which will be incorporated hereafter in the Audit Report to show the commercial result of transactions. I may also add for the information of the Committee that any transaction which passes through Martin's is audited, whether it is on the side of receipt or expenditure, six-monthly by the Accountant General, Bengal. On the question of the audit of receipts, if the Committee want me to say anything now I will do so.

923. *Chairman.*—As we have got on this subject I propose that we should regularise the question and keep the Forests together, dealing with both Forests and Forests in the Andamans now. What were you going to say, Mr. Bajpai ?

Mr. Bajpai.—I was just going to say, in regard to the audit of receipts that we have not considered this question before ; because the bulk of the sales take place through our agents, Martin and Co., in Calcutta, and there both receipts and expenditure are audited in the ordinary way. If the Committee want us to undertake this audit of receipts for the very, very limited sales that do at present take place in the Andamans, we are quite prepared to consider the question in consultation with the Inspector General of Forests.

924. *Mr. Rangaswami Iyengar.*—You do not think you are likely to have any receipts under Forests on any large scale either in the Andamans or elsewhere ?

Mr. Bajpai.—Elsewhere we have no forests ; except perhaps in the the North-West Frontier Province with which I am not concerned ; the Foreign and Political Department will be in a better position to answer that question. The only area which is directly under us and for which we are responsible is the Andamans. As I say, practically all the sales at the present moment take place through Martin's. With the development of our scheme of colonisation and the emergence of the Islands into the sphere of civilisation it is possible more sales will take place ; But I cannot say that substantial sales in the islands are likely at present.

Chairman.—So far as the Andamans Forests are concerned, your answer is that you are perfectly willing to take up the question ; but owing to the fact that for the present at any rate the bulk of the sales is done through private agency, it is a comparatively small area over which the audit of receipts will operate ?

Sir F. Gauntlett.—As a general principle it is almost impossible to commercialise the accounts department and to audit those commercial accounts without taking up the audit of receipts.

Chairman.—I see the difficulty.

925. *Mr. Joshi.*—I wanted to know the total revenue from these Andaman Forests—have you got it here ?

Mr. Bajpai.—I have nothing beyond what is contained in the accounts, but I may mention generally for the information of the Committee, that hitherto we have been living in hopes of revenue.

Chairman.—Can you tell us what is the figure of the receipts at present ?

Mr. Bajpai.—No, Sir, I couldn't.

Mr. Joshi.—They are spending more than they get ?

Mr. Bajpai.—As I said, we have been living in hopes of revenue.

Sir F. Gauntlett.—It is impossible to compare receipts and expenditure unless the accounts are really on a commercial basis. There may be a great deal of this expenditure which if the accounts were commercialised would be shown as capital expenditure. On the other hand, depreciation charges and numberless other things have to be taken into account. It is impossible to go by a mere comparison of receipts and expenditure in finding out what the business result is.

926. *Mr. Joshi.*—For the present at any rate it is not a revenue-making department but a spending department.

Chairman.—No, that is not the point. On the figures actually before us, it is not possible simply by comparing the receipts figure with the expenditure figure to say whether it is or is not making money, but undoubtedly it is being operated with a view to making money, though, as *Mr. Bajpai* has told us, so far at any rate as 1925-26 is concerned the profits were in expectation rather than in actuality.

Mr. Bajpai.—I may also say, speaking from a certain amount of experience of a similar position in the United Provinces—that there also, to begin with, we had more expenditure than revenue because capital expenditure was necessary in order to get the organisation properly functioning ; and the same applies to the Andamans. We have got to set up our machinery and get it working properly before we can expect any returns.

927. *Chairman.*—Have you not got commercialised accounts for the Andamans ?

Mr. Bajpai.—These have been introduced with effect from this year. The *pro forma* account is probably going to appear in the Audit and Appropriation Report for 1926-27.

Page 417.

928. *Mr. Das.*—Note A.-3(3) says “ Due mainly to the following not having been purchased although provided for (1) Band Saw Mill, (2) Mechanical Transport, (3) Band resaw for Calcutta yard of Messrs. Martin and Co., (4) installation of wireless in North Andamans ”. What does this mean ?

Mr. F. Gauntlett.—The point is why should the Government be buying stores for a private company ?

Mr. Bajpai.—So far as that is concerned ; we undertake, according to the terms of the agreement, to maintain this yard and supply all machinery.

Mr. Rangaswami Iyengar.—It is your property ?

Mr. Bajpai.—Yes. We provide the land, we set up the buildings and provide the machinery.

Mr. Das.—At Calcutta ?

Mr. Bajpai.—Yes.

929. **Mr. Cocke.**—They get a commission on the sales ?

Mr. Bajpai.—Yes they do get a commission on the sales.

Mr. Cocke.—The Staff is your own ?

Mr. Bajpai.—I have no defence to offer for that. It is rather the timber for which we pay ; and clerks, accountants, salemen's etc., are maintained and paid by the company.

930. **Mr. Neogy.**—But why was a large provision made but not utilised ?

Mr. Bajpai.—I have no defence to offer for that. It is rather the practice of the Chief Forest Officer in the Andamans to make provision on a large scale for these things.

Chairman.—Was it not particularly due to the fact that there was a slump in timber in the year in question and it was decided to go slow ?

Mr. Bajpai.—Yes that is one explanation offered.

931. **Mr. Cocks.**—Have you any figures as to the value of these forests in the Andamans—I mean what is likely to happen in the future ?

Mr. Bajpai.—I can merely say that our Inspector General of Forests hopes that the Andamans will be the most valuable asset of the Government of India in regard to forest produce, so far as the directly administered territories are concerned ; but I do not know whether any actual estimate of the total value of the forests has ever been made.

932. **Chairman.**—Have you ever had anything like a complete survey of the Forests ?

Mr. Bajpai.—Yes ; the whole area capable of exploitation and development has been mapped out.

Mr. Rangaswami Iyengar.—May I know if you are developing the Andamans Forests from a business point of view or are merely carrying on the work on account of the settlement there ?

Mr. Bajpai.—I think the Forests in the Andamans are being developed exclusively from the commercial point of view.

933. **Mr. Rangaswami Iyengar.**—And your chief consideration is to develop them in expectation of a profit. You expect profits in due course ?

Mr. Bajpai.—Yes.

934. **Mr. B. Das.**—May I enquire if the Railway Department are buying wood from the Andamans for the manufacture of first and second class carriages ?

Mr. Bajpai.—Martin's are the agents and they will be able to say whether any timber is supplied to the Railway Department or not.

Mr. Das.—I find from your report that the Andamans supply some walnut and other woods and I want to know whether the railways are taking advantage of these woods.

Mr. Bajpai.—I dare say : there are several kinds of woods—rosewood, padank, etc.

935. *Sir F. Gauntlett.*—I think Mr. Campbell would be able to give a further answer to what Mr. Cocke asked just now about the valuation of forests. This question has been gone into in some detail in Madras.

Mr. Campbell.—Madras is the only province where we have got a reliable estimate of the forests, because away back from the year 1860 or 1870 they have kept proper block accounts for each area they have been regenerating. Every year they regenerate certain areas. They have got the costs for each area right up to date. That is why in Madras we have got the best commercial accounts for forests of any province in India. We commercialise in small divisions ; we find that much more satisfactory than commercialising large surveys. We find it more satisfactory to keep it down to small blocks.

Chairman.—Are they remunerative ?

Mr. Campbell.—Three out of four are showing a net profit after making allowance for depreciation and for charges such as a charge for stationery and certain other minor charges which non-commercial concerns are not charged. The figures are given by the Auditor General.

Sir F. Gauntlett.—I may say with reference to what Mr. Campbell said just now, that we do not attach any specific value to the block of timber standing in these areas, except the actual cost which has been incurred on regenerating those areas.

Chairman.—We will go back now to the Department of Education, Health and Lands, Grant 33 at page 158.

936. *Mr. Neogy.*—There is no explanation with regard to the saving under C. and E.-2.

Mr. Bajpai.—I shall deal with C. first. The bulk of the saving was under travelling allowance. What happened was that a number of our clerks, at the end of the Delhi season instead of coming up to Simla, went on leave, and their travelling allowances for coming to Simla have to go into the accounts for the next financial year.

Chairman.—It is a very small matter and perhaps the Auditor General did not think it worth mentioning.

Mr. Bajpai.—With regard to E.-2, there are three explanations which I think the Committee are already familiar with. The first is the number of vacancies, the second is that some people got leave without pay, and the third is the non-utilisation of leave salary which is provided for under this head.

Chairman.—The saving is not a very large one.

Mr. Bajpai.—Only Rs. 3,000.

937. *Mr. Neogy.*—With regard to contingencies, we find that many other Departments have saved a little and this is the only Department in which it has increased.

Mr. Bajpai.—The explanation of the increase in our Contingencies is given here. What happened was, as members of the Committee who also happened to be members of the Legislature at the time, are aware, that we were carrying on negotiations with British Guiana with regard to colonization. We had to get some information by telegraph to place before the House.....

Chairman.—That is D.—“ the excess was due to some lengthy foreign telegrams ”. We are now dealing with E.—Contingencies.

Mr. Bajpai.—I beg your pardon. The explanation here is that we had made provision for a meeting of the Members of the Historical Records Commission which assembles every year. When we were framing the Budget we did not anticipate that an Exhibition would be attached to this Historical Commission, an exhibition of manuscripts, pictures and other things. This expenditure was incurred I think for the carriage of the exhibits and the provision of furniture, etc.

938. **Mr. Neogy.**—It says “ partly to increased share of charges for the Commerce Department Record Room at Council House Street, Calcutta.” Are you required to pay rent for any space you occupy there ?

Mr. Bajpai.—Yes, the building belongs to the Posts and Telegraphs Department or rather the Department of Industries and Labour who are in charge of it, and they charge all other departments of the Government a *pro rata* share of the rent.

Chairman.—That is one of the results of commercialising the Posts and Telegraphs . We now come to page 179.

939. **Sir F. Gauntlett.**—Before we pass on I would like to say with regard to one or two questions Mr. Neogy has asked that the volume of the report already contains 500 pages and it has been said to be too big, without adding explanations on every small variation in the accounts.

Mr. Neogy.—The total saving in this case was Rs. 200 and we might be allowed to examine the details.

Chairman.—There is no objection to that. Sir Frederic simply asked a question as to whether it is necessary to go into every casual variation of no importance. We will now pass on to Grant No. 44—Survey of India.

940. **Mr. Joshi.**—I want to ask for information ; there is some reference here to the Bonnie Brae Estate.

Mr. Bajpai.—The Bonnie Brae Estate is property which we wished to acquire for our offices in Shillong. Provision was made for the purchase of this estate when the Legal Remembrancer discovered a defect in the title ; so we thought the best thing would be to acquire the land under the Land Acquisition Act. By the time these proceedings were over the Grant had lapsed.

Mr. Neogy.—Do you pay rent at present ?

Mr. Bajpai.—We were paying rent for the premises then occupied. It was a private house, but now I think the land has been acquired and we are going to put up our own offices.

941. **Mr. Cocke.**—What is the explanation for all these savings under ‘ General ’ ?

Mr. Bajpai.—The position, as I daresay the members of the Committee have discovered for themselves, is that there have been excesses under voted heads under D. which are set off by savings under corresponding sub-heads under E. There were certain parties working for Provincial Governments and the explanation offered is that when the Surveyor General had actually launched his operations, he found that the various Provincial Governments were not prepared to work up to programme and therefore he had to switch them on to the work of the Central Government. It was for

this reason, suggested last year that D. and E. should be combined, and that has been done now. I may also mention for the information of the Committee that Sir Frederic Gauntlett has been good enough to express satisfaction with the better result shown this year ; I may add that we as a Department are not yet quite satisfied !

Sir Frederic Gauntlett.—In that case I withdraw my remarks !

Chairman.—Next we come to the Store Account at page 186.

942. *Mr. Das.*—I have a question to ask here. You will find under 1 (iv) that some instruments were returned as useless.

Mr. Bajpai.—That is not the position. By “ instruments no longer required ” are meant instruments which have been actually issued to the various Government Departments, and returned by them to the Mathematical Instruments Department as not required by them.

Mr. Das.—But do you find them useful ?

Mr. Bajpai.—Of course ; they are available for re-issue.

943. *Mr. Das.*—I am satisfied. On the next page 187 there is an entry “ Materials in stock for the manufacture of instruments Rs. 2,16,136.” Don't you think that is a very large item ?

Mr. Bajpai.—The demand varies from year to year and we have got to be prepared for all emergencies, as it were. You cannot generalise from the results of one year.

Chairman.—Are you satisfied that that is not an unnecessarily large amount of material to have in stock ?

Sir F. Gauntlett.—It might be compared with item (III) on page 186, on the credit side, Rs. 2,25,449. Practically it is one year's supplies.

Chairman.—Then we go back to the letter press at page 36, paragraph 44.

944. *Mr. Rangaswami Iyengar.*—What is the present position ?

Mr. Bajpai.—The present position is that the Surveyor General is not quite satisfied with the allotment that has been made for the provision of storage accommodation ; but he is quite willing to introduce these commercial accounts, which have been prepared in consultation with the Accountant General.

Chairman.—You think you will have a proper account by the end of the year ?

Mr. Bajpai.—I do not know whether there will be a proper account in the Report for 1926-27 ; but I think there will be in 1927-28.

945. *Mr. Cocke.*—With reference to paragraph 45, is this not a serious matter, a clerk being entrusted with disbursement who is also looking after the accounts ?

Mr. Bajpai.—As the Committee will have observed from the explanation here, or rather the statement of the action taken, we censured the officer in question and issued special instructions to the Surveyor General that it should not be repeated. The officer concerned has been asked to refund Rs. 1,200.

Mr. Rangaswami Iyengar.—The point is we are told that it is not due to any defect in the system and, yet you find the clerk, who was usually

entrusted with the disbursement, was able to appropriate the excess amount in spite of the system ?

Mr. Bajpai.—I don't think so. The position is that if the supervising officer had exercised the check which he is required to exercise, this thing would not have happened.

946. *Chairman.*—That means the system does permit of the same clerk being entrusted with the preparation of the monthly bills and the disbursement of the money ?

Mr. Bajpai.—That is perfectly true.

Chairman.—Is that a system which you think is satisfactory ?

Mr. Bajpai.—But the supervising officer is supposed to check the disbursement from time to time.

Mr. Rangaswami Iyengar.—The point is not that. The point is whether the same man should be entrusted with both duties ?

Mr. Bajpai.—Theoretically it is open to objection but for ever so many years it seems to have worked without any damage.

Chairman.—Now that it has not worked, is it still being continued ?

Mr. Bajpai.—In one case only has it not worked ?

Chairman.—It is a general principle, I believe, throughout the Government that as a rule the same officer should not be entrusted with both duties.

Sir F. Gauntlett—Where you have an office in which there is more than one responsible clerk, it certainly should be carried out.

Mr. Kaula.—There are no regulations anywhere about it. The only case in which it arises is in regard to stores. The clerk who prepares the bills for stores should have nothing to do with disbursements.

947. *Mr. Rangaswami Iyengar.*—But take the extreme case. Do you think the man who is in charge of the cash should also be responsible for the account ?

Mr. Kaula.—Personally I agree with you. I don't allow the clerk who prepares a bill to effect the disbursement.

Mr. Campbell.—It is just a case of control. Work should be supplied for as many people as are concerned. In connection with wages, a dozen men are engaged in connection with bills and the checking of statements.

Chairman.—That, of course, in a large office. In a small office it is more difficult.

Mr. Rangaswami Iyengar.—You mean to say there is only one man.

Mr. Bajpai.—There is only one.

Chairman.—Special provision is obviously necessary

Grant No. 47—Botanical Survey :

948. *Mr. Joshi.*—I want to know whether the department can't produce its own cinchona bark here.

Mr. Bajpai.—We are trying to produce our own bark, and for that purpose we acquired this plantation in Mergui in Burma ; but the existing purchases are made in connection with the agreement entered into with

Howards in 1918. This agreement does not come to an end till 1928. So under the terms of the agreement we have been buying this bark.

Mr. Rangaswami Iyengar.—Are not the Madras cinchona farms able to produce very much more than they do ?

Mr. Bajpai.—The reason why we are not asking them to produce up to their full limit is that we have got this contract. So far as I know, there is no intention of continuing this contract beyond 1928.

Mr. Rangaswami Iyengar.—We might refer to it.

Chairman.—As a matter of fact, we have referred to it. We had a discussion on the last occasion.

Mr. Rangaswami Iyengar.—We may express our opinion that after this contract it won't be renewed.

949. *Sir F. Gauntlett.*—There is a very large saving on this head. There was a still larger saving last year.

Mr. Bajpai.—That is the explanation ; that under the terms of the agreement we may either have to buy the maximum of 28,000 pounds or the lower limit which is 8,000 pounds. And we do not know when we are drawing up our budget how much we shall be required to purchase.

950. *Mr. Rangaswami Iyengar.*—We might express the hope, Sir, that it won't be renewed.

Chairman.—I would suggest that we have not had the evidence before us. I think the Government's view is that we understand this contract has given a certain amount of trouble and will not be renewed. It will be better than expressing an opinion. It is a long story and there are of course quite strong arguments on the other side. But I think the balance of the argument is in favour of not continuing the contract. We can say we understand the contract will not be renewed.

Mr. Bajpai.—The Committee might like to have their attention invited to the fact that at the time when this contract was made the world price of every commodity was very high and we got better terms from Howards than anywhere else.

Page 194.

951. *Chairman.*—There is a saving again under provincial Governments expenses for the same reasons.

Mr. Bajpai.—The savings under Bengal have a special explanation of their own. What happens is that they convert our bark into quinine sulphate and then sell it. Any amount which is acquired by sale goes towards the reduction of the amount we have to pay them for the manufacture. The more the sales, the greater the amount available for the revision and improvement of the factory.

Chairman.—Is that correctly shown, if it is the net figure ?

Sir F. Gauntlett.—No, Sir, I should have preferred both to be shown.

Chairman.—The position is that you pay the provincial Government the nett result.

Mr. Rangaswami Iyengar.—You think the provincial accounts will show the full statement ?

Chairman.—It is a question for the provincial accounts then to show it. I think this is correctly shown here.

Page 195.—Store Account.

952. *Sir F. Gauntlett.*—I think I might remark, Sir, that Mr. Campbell has recently had an officer at Mungpoo and I think he has also been there himself and we hope to get the accounts at Mungpoo on a commercial basis from 1928.

Chairman.—What about the other one ?

Mr. Campbell.—Naduvattam is commercialised now, Sir.

953. *Mr. Das.*—I find the quantity in stock is 120 million pounds.

Mr. Bajpai.—It ought to be 120,000 pounds because our contract with Howards is to buy not more than 28,000 pounds a year. I don't see how this could run into millions. I will be able to verify the matter. I shall find it out from my department.

954. *Sir F. Gauntlett.*—There is one point that remains, whether it is millions or thousands, and that is the size of the stock.

Chairman.—Yes, whether it is millions or thousands, do you need a large stock in hand ?

Mr. Bajpai.—Yes ; we are building up a big stock because of the possibility of the termination of the agreement. But I am certain it is not millions.

Mr. Kaula.—It will be noticed that the accounts were not audited.

Grant 48—Zoological Survey.

955. *Chairman.*—The next vote is 48—Zoological Survey. We draw the attention of the witness once again to the over-estimation of the leave salary and over-estimation of pay of officers and establishments,—strictly pay of officers in this case.

Page 199.—Explanation E.

956. *Chairman.*—A very large saving. It is said to be due to the smaller extent of the Director General's library and the non-utilisation of the provision for publications.

Sir F. Gauntlett.—I might draw your attention to the figure under H. It rather looks as if money, instead of being spent on the library, was being spent on the purchase of antiquities.

Mr. Bajpai.—Well, part of it was utilised, Sir, but the real reason for our not being able to spend the whole of the sum was that the publication of the monograph on Sanchi was not completed. It has been published since.

Chairman.—And a very fine monograph it is.

Sir F. Gauntlett.—And the money was possibly used under H.

Chairman.—We definitely authorised reappropriation from D. to H.

Mr. Bajpai.—And the explanation of that is that the Director General of Archæology generally utilises any savings there might be, to purchase antiquities which are of national value. The actual amount spent depends on what is left over at the end of the year.

Mr. Neogy.—With the sanction of the Finance Department.

Mr. Bajpai.—Yes.

957. *Mr. Das.*—Regarding the archæological museum at Taxila, isn't it intended to build a museum at a bigger centre ?

Mr. Bajpai.—Well, from time immemorial Taxila has been known as one of the museums of India ; it has been the centre of Buddhistic activities, cultural as well as religious.

Mr. Neogy.—You must not judge of the importance of places by their present smallness.

Mr. Das.—How about building a museum at Patna ?

Mr. Bajpai.—There is one already which the Local Government have built.

Grant 51.

958. *Chairman.*—There is an excess vote here. All accounted for by C-4 ?

Mr. Bajpai.—What happened was that we sanctioned, I think, quite early in the present century an annual grant of Rs. 5,000 a year to the Asiatic Society of Bengal, in Calcutta, which issues historical publications from time to time. During the year 1923-24, I think the Society were enabled to send in an application for grant because the Secretary had died and the affairs of the Society were in some confusion. The following year they came up with a request ; not merely for a grant for that year but for the previous year also. So the Government of India decided to make a lump grant of Rs. 10,000 and pay it during the year. It was treated as a special case. The actual application for the grant was received at the time when the budget was framed. The matter was taken to the Standing Finance Committee.

Chairman.—So far as the excess vote is concerned, it is one that was covered out of the reserve and was regarded at that time as a perfectly legitimate method of covering excess.

Bose Research Institute.

959. *Mr. Neogy.*—My impression is that this institute gets a fixed allotment of a lakh a year. How is it they were paid less ?

Mr. Bajpai.—The explanation of that is that a certain firm to whom the Research Institute had advanced some money went into liquidation ; and certain sums that were received from the liquidators were credited to Government instead of to the Institute.

960. *Mr. Neogy.*—Are you going to pay it back to the Bose Research Institute ?

Chairman.—I suppose the position is that Government originally made good the loss. Why should Government get the benefit of the dividends from the firm of liquidators ?

Mr. Bajpai.—I think we objected to Sir Jagadish Bose having spent the money like that and not having made sure of the financial solvency of the firm with which he was dealing.

Chairman.—I suppose the money was paid out by the Government in the first instance.

Mr. Bajpai.—The money is to be spent on the Institute and not meant to be given to insolvent firms.

Sir F. Gauntlett.—It raises the rather important question of following up the grants in aid.

Grant 52, Education.

961. **Mr. Das.**—I only object to the grant of Rs. 13,000 to the Calcutta University.

Mr. Neogy.—It was not provided for in the beginning.

Chairman.—The Rs. 13,000 will be paid. It was really in connection with the Minto professorship of economics that this grant was made. We have been paying it since 1910, but it was in the year 1923, that the question of the legality of this grant by the Government of India to institutions which were really provincial was taken up; and we had to go to the Secretary of State to obtain his sanction to these grants. There are a number of other grants like this. There is for instance a grant of Rs. 3,70,000 which we pay to the Countess of Dufferin Fund.

Chairman (To Mr. Das).—You must raise an objection in the Assembly.

Page 204.

962. **Chairman.**—This excess amount is covered by the Aitchison College and the reserve. That is easily explainable.

Sir F. Gauntlett.—It is not completely covered by the reserve, Sir.

Grant 53, Medical Services.

963. **Mr. Neogy.**—The non-publication of maps and charts requires explanation.

Mr. Bajpai.—It was not a measure of economy at all. Our Public Health Commissioner thought he would put in certain charts in the report. Finally he found the provinces were not able to furnish him with any maps and so the money lapsed.

964. **Chairman.**—Under A.-5 contingencies, there is a big saving.

Mr. Bajpai.—The explanation is given in the report. The Director General was not at fault although he might have scrutinised the thing more carefully. It was the Controller of Printing and Stationery who asked him to include this amount under contingencies, and he did it.

Page 206.

965. **Mr. Das.**—I would like to know what service it does to the country—this X-Ray Institute.

Mr. Bajpai.—The bulk of the work of course is done for the military and Army Department. They have their own station hospitals and so on. They send patients there for treatment, and in addition to that, all the stores required by the various military hospitals are supplied by this Institute. As regards service to the country. Anybody is at liberty to go and get treatment. The second service it does to the country at present is that there are two instruction classes held every month, 28 seats being reserved for the military and 22 for private people and nominees of Local Governments. I would like to point out to the committee that at the time that this X-Ray Institute was formed in 1906, there was no such thing as

reserved and transferred subjects, and the Government of India had responsibility for all.

966. *Chairman.*—I think D.-4 is an important item.

Sir F. Gauntlett.—There is a special note on that in page 207.

Chairman.—Have you anything to add to that ?

Mr. Bajpai.—The Director General says that Rs. 27,700 is the total expenditure, and that only two-thirds of this is debitable to central revenues and one-third to the military. In other words, instead of showing the share of the civil administration, the whole expenditure has been shown here.

Mr. Joshi.—The point (at page 207, note at the bottom) is that the statement given by the Director General did not agree with the actual expenditure recorded in the accounts.

Mr. Bajpai.—The Director General says the total expenditure was Rs. 25,000 and that only two-thirds ought to be debited to this head. The matter was under reference and there has been no decision reached.

Mr. Joshi.—Is the Accountant General satisfied as to this explanation ?

Mr. Kaula.—If he was satisfied this note would not have been here. We are waiting for orders.

Page 209, Store Accounts.

967. *Mr. Bajpai.*—I think, Sir, the Committee wanted to inquire from us generally as to what we had done in this matter.

Chairman.—That arises really on paragraph 49 of the letter press page 39.

Mr. Bajpai.—The wish expressed by the Committee on the last occasion was that, if we were not likely to require any of these obsolete or obsolescent apparatus, for our own use, we might as well give them away. Recently a letter has been issued to Local Governments containing a list of these obsolescent stores. We have inquired whether there are any institutions to which they can be given away.

Mr. Rangaswami Iyengar.—You have tried to dispose of these unserviceable stores ?

Mr. Bajpai.—We really have to give them away.

Chairman.—Well, we expressed the view that it is better to give them away.

Mr. Rangaswami Iyengar.—I know there are some private institutions in Madras who would be glad to get them.

Mr. Bajpai.—I don't think we would give them away for profit.

Mr. Neogy.—Are regular accounts kept of stores ?

Mr. Bajpai.—Yes.

Mr. Neogy.—He says here " no regular accounts were hitherto maintained ". That is the position stated in this report.

Mr. Bajpai.—That is because originally they kept no sort of accounts of the value of stores. They merely maintained a list of stores.

968. *Chairman.*—I want to follow up the question of getting rid of obsolescent stores. Does nobody want them ?

Mr. Bajpai.—The question of giving away of stores has been taken up very recently. Before that we wanted to sell these things. We sent round lists to Local Governments and any medical institutions who might want to purchase them and, generally, we drew blanks. We could not sell them. When this committee decided that we should give them away, we issued a letter to Local Governments. I think the value at the current rate of exchange of these obsolescent stores is Rs. 2,90,000. On receiving replies from Local Governments, we shall proceed to distribute this stock.

969. *Mr. Neogy.*—How is it that in one year the value of this has gone from Rs. 53,000 to Rs. 3,87,000 ?

Sir F. Gauntlett.—There is a note about that. The one is a mere declaration and the other is what is thought to be a surplus or obsolete.

Mr. Neogy.—Considered by whom ?

Mr. Bajpai.—Considered by the Superintendent of the Institute. And 'declared' by the Superintendent, after consulting the Director General of Indian Medical Service. But the explanation of this increase really is that after the instructions which we had from the Committee last year, we asked the Superintendent to put away definitely in the category of obsolescent or obsolete stores, those which he could not dispose of.

Mr. Rangaswami Iyengar.—In other words, you think that everything that has been considered surplus has been declared obsolete.

Mr. Bajpai.—Yes.

Mr. Rangaswami Iyengar.—In previous years you kept a distinction between what was considered and what was declared ?

Mr. Bajpai.—As a matter of fact, I have come across it for the first time this year.

Sir F. Gauntlett.—I think there is an explanation. One is formal declaration and the other is merely expression of opinion, purely un-official.

Mr. Rangaswami Iyengar.—That is true, but why didn't they follow up that declaration ?

Mr. Bajpai.—We are trying to get rid of the "considered" things as well as the declared things.

Page 213.

970. *Sir F. Gauntlett.*—I have a note on C.-2 5. The budgeting appears to have been defective. The Public Accounts Committee might like to inquire why the provincial revenues could not be taken into account in framing the budget.

Mr. Bajpai.—The explanation is that the decision to share this expenditure between the Provincial Government, the Government of India and the Port Trust was reached rather late in the year.

Chairman.—The matter went before the Standing Finance Committee ?

Mr. Bajpai.—Yes, Sir.

Page 214, Purchase of serum bottles.

971. *Mr. Neogy.*—Why was there a larger reserve than necessary ?

Mr. Bajpai.—We have now reduced the provision under each one of these heads. I can give you the figures for 1927-28. Rs. 20,000 was provided for bottles in 1924-25. Only Rs. 6,000 has been provided this year.

Page 215.

972. *Mr. Cocke.*—The deposits rose in the Indian Research Fund : whose deposits are those ?

Mr. Bajpai.—The deposits of the Indian Research Fund Association.

Mr. Neogy.—They are permitted to fund their saving ?

Mr. Bajpai.—The reason is that when the Government of India first decided to make a grant of 5 lakhs a year to the Indian Research Association, the idea was that whatever was saved should be available for the foundation of a central research institute and capital expenditure thereon.

Mr. Neogy.—What sort of audit is done with regard to its internal accounts ?

Mr. Rajagopalan.—The audit is done by the Pay and Accounts Officer.

Page 219, (a) (5).

973. *Mr. Neogy.*—There was a very large saving, Rs. 28,000, on account of the transfer of printing from private presses to the Government Press ? What is the explanation ?

Mr. Bajpai.—The figures entered in the Agricultural Adviser's Budget were based on the actuals of the last three years. The Controller of Printing and Stationery saw no reason why the publication work of the Agricultural Adviser should be done by private agency and he thought it ought to be done by the Government Press.

Chairman.—Does that mean there was an actual saving ?

Mr. Bajpai.—It means a saving so far as this head is concerned.

Chairman.—Does that mean that the Government printing is done free ?

A.—Yes.

974. *Sir F. Gauntlett.*—(a) (6) (2). The supplementary estimate was necessarily large ; I have raised the question whether it is desirable to take grants until the end of the year.

Mr. Bajpai.—The only explanation I can give the Committee is that the proposal for this expenditure actually materialized in August 1925. At that stage the Agricultural Adviser was asked whether he could anticipate savings, under any heads and he said definitely he could not.

Chairman.—It was something of the nature of a new service ?

Mr. Bajpai.—It was an entirely new service.

Chairman.—Partly also, we wanted to bring it to the special notice of the Assembly. The supplementary grant was to be sanctioned by the Legislative Assembly ; I think there was a reason for getting their approval.

Mr. Bajpai.—There were three things. One was the Anand Ceremony, the second was the sugar cable service, and the third was Rs. 85,000 for the fumigation of imported American cotton.

Mr. Rajagopalan.—Rs. 29,000 was surrendered as soon as it was known it was not required.

975. *Chairman.*—The estimate for the Creamery seems to have been rather far out ?

Mr. Bajpai.—They were just making a beginning at the time and there were no data to go upon at all. Rs. 55,000 was provided for the development of the creamery and owing to the slump in the demand, they did not develop it to the extent they originally intended.

976. *Mr. B. Das.*—Are they doing any useful work ?

Mr. Bajpai.—They are doing both educative and commercial work in Bangalore and Wellington.

Page 223.

977. *Sir F. Gauntlett.*—The saving was more than the whole of the supplementary grant.

Mr. Bajpai.—I may state for the information of the Committee that we did adopt in the last Budget the system of a lump deduction from the Agricultural Adviser's Budget.

Page 225.

978. *Mr. B. Das.*—You did not acquire the land under the Land Acquisition Act ? If so, you still have got to pay ?

Mr. Bajpai.—We took the farm over from the military so there was no question of land acquisition.

979. *Mr. Cocke.*—I would draw attention to the footnote on page 225.

Mr. Campbell.—My report to the best of my recollection is mainly in connection with the valuation of the assets,—nothing of importance which will affect the profit except the question of the valuation of assets and depreciation.

Sir F. Gauntlett.—If there are any points to which you call special attention in your report which you deem worthy of bringing to the special notice of the Committee, I think they should be extracted ?

980. *Mr. Bajpai.*—There is one general statement in regard to these two losing concerns. We ourselves have taken up the question of separating what you might describe as the commercial side from the purely educational and experimental side.

Chairman.—There is a whole lot of these trading and commercial accounts following.

981. *Mr. B. Das.*—I would refer to the balance sheet on page 232. Can the item of Rs. 9,616, loss up to the previous year on the right hand side be explained ?

Sir F. Gauntlett.—I presume it means that in one year there was a profit of Rs. 982 and in the other years the gross loss was Rs. 9,616.

Mr. Campbell.—These accounts are not in the form in which I present accounts ; they are in the form in which they appeared in the Accountant General's accounts for some years, I understand. The question was discussed as to whether a proper commercial form should not be embodied in this statement. This is explained in connection with the trading accounts for Karnal on pages 226-229. There is a lot of information which is really not necessary which does not appear in my trading account.

982. *Chairman.*—I would commend to the Department to consider in consultation with the Auditor General the question of the form in which these are exhibited.

Mr. Cocke.—I notice the balance sheet on page 232 is signed by your Assistant Director ?

Mr. Campbell.—The figures have all been checked with my own accounts. It is merely a question of presentation.

983. *Sir F. Gauntlett.*—I would suggest, minute details of these trading accounts are not really necessary for the Public Accounts Committee.

984. *Sir F. Gauntlett.*—There is one important comment on page 236 : Rs. 11,000 loss due to deaths,—that of course was due to a serious outbreak of disease. The loss on page 237 is very heavy, partly due to that.

Mr. Bajpai.—These were imported cattle and there was an outbreak.

985. *Mr. B. Das.*—Page 239, fees realized about Rs. 3,700. Is it satisfactory that you should charge these small fees from students who come from all over the country ?

Mr. Bajpai.—We have to take fees if we are going to run these as paying concerns.

Mr. B. Das.—But you have lost so many thousands, otherwise ?

Mr. Bajpai.—But the fees do go some way to make up the loss.

Mr. B. Das.—But you should consider that students travel from the Punjab, the United Provinces, from all over the country to learn the dairy system there.

Chairman.—It is for the Provincial Government to defray the expenses of any such concession.

Paragraph 49.

986. *Mr. Bajpai.*—The position is that we are now considering the proposal that hereafter these officers should not be allowed the concession unless they make out a special case for it.

Paragraph 51.

987. *Mr. Bajpai.*—This was really the mistake of the Agricultural Adviser and he has been warned to be more careful in future. We have communicated your comment to the Agricultural Adviser, that responsibility attaches to the Head of the Office who signs the bills.

988. *Chairman.*—Veterinary services : we have got an excess here, and there was an excess last year. This is an unsatisfactory form of excess because it is, as far as I can see, due directly to the action of the men in charge.

Mr. Bajpai.—I shall not be able to make an explicit statement on the subject because the case is *sub judice*.

Chairman.—We have got to recommend to the Assembly some action in regard to this excess under Civil Veterinary Services.

Mr. Bajpai.—This is explained by the various details under the various heads.

989. **Chairman.**—We have got to satisfy ourselves first and then put up a report to the Assembly to certify to them that they should vote this excess. It is a little difficult in those circumstances to say that we understand that the question of disciplinary action is under consideration unless at any rate by the time we present the report in the Assembly the Department is in a position to say what action has been taken.

Mr. Bajpai.—I fear it will not be possible.

Mr. Kaula.—The excess is covered by the allotment out of the reserve.

Chairman.—What is the real reason for the excess ?

Mr. Bajpai.—I have nothing to add to the various details put forward here. The bulk of the supplementary grant is explained on the ground that we had to meet heavy demands for sera from the provinces. I have obtained figures for the receipts. Whereas the estimated receipts from sales were 7 lakhs the actual receipts were 12 lakhs. A supplementary estimate of Rs. 85,000 was presented in February 1926.

990. **Chairman.**—How is it that that supplementary estimate was insufficient ? Does it not show some lack of knowledge of the progress of expenditure ?

Mr. Bajpai.—I think it shows a lack of foresight on the part of the officer ; he pitched the demand lower really than was necessary for his purposes.

Chairman.—The Committee would be in a position to say that this excess was actually covered by appropriation from the reserve but at the same time there is no special explanation before us why this supplementary demand was insufficient ?

Mr. Neogy.—The indication in explanations (d) to (e) is that in consequence of the prevalence of some severe disease, there was an unprecedented demand from Provincial Governments for sera and vaccines.

991. **Chairman.**—(h) is a particularly bad case. Rs. 13,000 was first asked for, making a total of Rs. 17,000; in February 1926 the actual expenditure was Rs. 40,000 more.

Mr. Bajpai.—It was more or less guess-work on the part of the officer.

Chairman.—When you were before us a year ago you intimated that you would be overspending in this grant in the next year too, so that I think this really arises on paragraph 56.

Chairman.—I suppose this question of the irregularities will have to come before another Public Accounts Committee. The matter is *sub-judice*. We shall have to draw attention to this being *sub-judice*. The Public Accounts Committee of next year will have to examine it. Of course it is a little bit difficult to recommend an excess vote to the Assembly when you have not got the facts.

Mr. Bajpai.—The irregularities are not directly relevant except from the broad point of view of under-estimating.

The Committee then adjourned till 2'45 in the afternoon.

**Evidence taken at the 13th meeting of the Public Accounts Committee
held on Friday, the 12th August at 2-45 p.m.**

PRESENT :

(1) The Hon'ble Sir Basil Blackett, K.C.B., K.C. S. I. *Chairman.*

(2) Mr. H. G. Cocke.

(3) Maulvi Abdul Matin Chowdhury.

(4) Mr. B. Das.

(5) Mr. A. Rangaswami Iyengar.

(6) Mr. N. M. Joshi.

(7) Mr. K. C. Neogy.

Members.

(8) Sir Frederic Gauntlett, Auditor General.

(9) Mr. C. W. C. Carson, Controller of Civil Account.

(10) Mr. G. Kaula, Accountant General, Central Revenues.

(11) Mr. T. K. Rajagopalan, Officer on Special Duty

(12) Mr. D. C. Campbell, Director of Commercial Audit.

Were also present.

Mr. G. S. Bajpai, Deputy Secretary, Department of Education, Health and Lands.

Mr. N. J. Roughton, Deputy Secretary, Commerce Department.

Mr. G. H. Spence, Deputy Secretary, Legislative Department.

Mr. A. F. L. Brayne, Secretary, Finance Department.

Witnesses.

992. *Chairman.*—Grant 62, page 253 : Here we have another excess grant : is this covered by appropriation from reserved ?

Mr. Bajpai.—It has been met by appropriation from reserve.

Mr. Rangaswami Iyengar.—What is the cause of this excess ?

Mr. Bajpai.—1925-26 was an exceptional year for emigration to Malaya and the Inspector of Emigrants had to go to various places—Negapatam, etc.—to look after the arrangements ; also there was a pearl fishery in Ceylon and we deputed a special officer to look after the people there. Madras informed us rather late in the year about this excess and so we had to fall back on the reserve.

993. *Mr. Joshi.*—You are receiving from Emigration Rs. 3,17,000 and spending only Rs. 1,10,000 ; do you approve of the principle of making a profit out of the emigration of labourers ?

Mr. Bajpai.—I do not say that I approve of the principle but there is no necessity actually to spend it to the actual amount that may be earned. The idea really was that we should realise enough to make the department self-supporting.

Mr. Rangaswami Iyengar.—Is it not therefore a case in which you should consider a case for reducing ?

Mr. Bajpai.—We have already done so ; the fees to Ceylon have been reduced. We have not by any means reached the limit of our expenditure.

Mr. Rangaswami Iyengar.—Can you not strengthen your protective machinery in Ceylon and Malaya ?

Mr. Bajpai.—We have already appointed an assistant to the Emigration Commissioner in Ceylon ; in due course we shall go up to Finance Department with proposals for placing the organisation here and in the provinces on a more efficient basis. The fees are paid by the Governments of Ceylon and Malaya ; the emigrants do not pay the fees. I should say the total amount of the savings up to date would be about 5 or 6 lakhs.

Q.—That has all been absorbed in the general balance ?

Chairman.—Yes.

Mr. Neogy.—I should like to see it funded.

Mr. Rangaswami Iyengar.—It would be much better used in strengthening the emigration protection.

Mr. Joshi.—That is my point.

Chairman.—It is recognised that the extent of the surplus gives the department a strong extra argument for additional expenditure if they can make it out.

994. **Sir F. Gauntlett.**—With reference to item A at page 259, has any stock been ever taken of the Imperial Library ?

A.—That is a question we are considering now ; I do not think we have taken any stock so far.

995. **Mr. Das.**—On page 399, item E, you have transferred certain grants from primary to secondary ?

Mr. Bajpai.—The explanation is that Government thought they should relieve district boards of all responsibility for expenditure on secondary education and leave them to devote their reserves to primary education. That is the policy in regard to Delhi ; I cannot say anything about the North-West Frontier Province because that is really managed by the Foreign and Political Department.

Chairman.—It is a fairly general policy to make local bodies responsible for primary education ?

A.—Yes.

Mr. Rangaswami Iyengar.—So far as Madras is concerned, I do not think that is the policy.

Chairman.—I was putting it the other way : we regard primary education as the first charge on local bodies' funds for education.

Mr. Rangaswami Iyengar.—It would be as well if it is put to the provinces ; it will help us.

Mr. Bajpai.—We have really no *locus standi* ; but we have adopted the policy ourselves.

996. **Mr. Joshi.**—There is no provision in the budget for a grant with regard to item D.1 on page 402.

Mr. Bajpai.—The explanation of that is that until about the middle of that year, these gardens were dealt with by the local authorities who were responsible for nazul administration generally on behalf of the

Government of India. About the middle of that year the Chief Commissioner came up with a proposal that the Government of India should take over the administration of these nazul properties, because the municipality and the local bodies were not managing it properly. We sanctioned that, but at the same time it was arranged that we would pay these local bodies the expenditure incurred by them on the upkeep of public gardens which is a legitimate public charge. The Government of India takes the income now.

Paragraph 3 (a) of the Auditor General's letter.

997. *Mr. Bajpai.*—Explained that some of the local governments had specifically objected to any form of the Government of India's control over land and land revenue as going against the spirit of the reforms, and it was finally decided that it should be left over for the Statutory Commission to consider. At present the Government of India exercise control over the pitch of assessment and the period of settlement ; everything else has been handed over to local governments.

Mr. Rangaswami Iyengar.—Do they not exercise control over legislative proposals ?

Mr. Bajpai.—I do not know whether that arises.

998. *Chairman.*—There is an excess of £918 representing the expenses of an officer on deputation to British Guiana in connection with an Indian Colonisation Scheme, in the Secretary of State's Appropriation Account.

Mr. Bajpai.—The deputation was sanctioned by the Secretary of State.

Mr. Bajpai.—As regards the item of expenditure on " Dome of the Rock, Jerusalem ", I do not know anything.

Sir F. Gauntlett.—I also spoke to Mr. Littlehailes and he said he knew nothing about it.

The Chairman thanked the witness who then withdrew.

999. *Sir F. Gauntlett.*—Before another witness comes in, might I make a statement bringing up to date the information with regard to the office at Peshawar ? We have just received a letter from the Chief Commissioner stating that it will not be possible for us to have the building at Peshawar because it is wanted more urgently by the Military Works Department for the housing of their executive staff who are now housed in out of the way places.

Mr. Rajagopalan.—A site has been secured and plans and estimates have been called for and it is now a question of getting the money for it.

Mr. Roughton called in and examined.

Grant 35, page 162.

1000. *Mr. Neogy.*—There is a large saving under contingencies.

Sir F. Gauntlett.—That is partly due to the old trouble that the budget estimate was not under the head under which the expenditure was eventually put.

Mr. Neogy.—That explains Rs. 8,400.

Chairman.—How do you explain the considerable saving apart from that ?

Mr. Roughton.—Item A, can be explained as non-utilisation of leave salary : I think that practically covers the whole of A. B is also explained in the notes—“ Due to appointment of men drawing lower rates of pay in permanent and deputation vacancies. ” C is due to small savings all round—there are no large items.

1001. *Chairman.*—Would you draw the conclusion that the budget was probably an over-estimate based, not so much on average of past actuals, as on sanctioned posts ?

Mr. Roughton.—Yes.

Grant No. 43, page 173.

1002. *Mr. Neogy.*—I don't understand the description Building repairs, outfit, material and personnel.

Mr. Roughton.—Building repairs and outfit and personnel—this is due to the reconditioning of the “ Lady Fraser ”, one of the pilot vessels of which the original estimate was 3 lakhs and the final cost was Rs. 3,63,000. This work was carried out by a private firm.

1003. *Mr. Abdul Matin Chaudhury.*—Is it a fact that in the Bengal Pilot Service Indians have so far been excluded ?

Mr. Roughton.—No, the rules are that Indians should first be selected in India, and as a matter of practice, whenever there are vacancies they are advertised in India. We only recruit in England if there are no applicants in India.

Mr. Abdul Matin Chaudhury.—Is there a single Indian in the Bengal Pilot Service ?

Mr. Roughton.—There are some statutory natives of India.

Mr. Abdul Matin Choudhury.—That is, according to the previous rules only Europeans and Anglo-Indians were allowed to be recruited to the Pilot service ?

Mr. Roughton.—The rules have been in force for a long time. I can send you a copy of the rules if you like. So far as my knowledge goes, vacancies are always offered first to the statutory natives of India.

Mr. Abdul Matin Choudhury.—And not to pure Indians.

Mr. Roughton.—No, all Indians are eligible for appointment.

Mr. B. Das.—Has any Indian been appointed ?

Mr. Roughton.—I have no recollection of it. On the last two occasions vacancies were advertised but none came forward, and so we had to recruit through the High Commissioner.

1004. *Mr. Joshi.*—May I ask whether you have a large pilot service only in Bengal and nowhere else ? I don't see any grant for Bombay.

Mr. Roughton.—That service is run by the Port Trust in Bombay. There is a Port Trust in Bengal as well and this service is managed by this body, but it is on the Government of India budget. We are inquiring into the whole thing now. We have got a set of accounts which have just been prepared to put the whole thing on a self-supporting basis.

Chairman.—The position now is that it is actually costing the Government of India something, with the result that the Commerce Department

with the help of the Finance Department have taken up the question of making the service self-supporting. . . .

Sir F. Gauntlett.—The question of commercialising accounts is being considered.

Page 174.

1005. *Mr. Joshi.*—B (2) (i) expenditure on account of a wireless Inspector. Was this an urgent appointment ?

Mr. Roughton.—The wireless inspector has to inspect the wireless apparatus of ships under statutory rules. Before his appointment we used to employ a Royal Indian Marine Wireless Inspector, but now we have got our own inspector.

Mr. Joshi.—But why did you not include this in the Budget ?

Mr. Roughton.—We did not realise in time that we would not be able to continue to have the services of the Royal Indian Marine Inspector. It was not foreseen at the time the budget was prepared.

Page 175.

1006. *Mr. Neogy.*—C-1. There is a large saving of Rs. 20,000 and odd under Bombay due mainly to non-utilisation of the provision for expenditure at Aden which was classified as non-voted. Is expenditure at Aden treated as non-voted ?

Sir F. Gauntlett.—There must have been a decision upon that, because a supplementary grant was obtained evidently to meet that expenditure.

Page 176.

1007. *Mr. Cocke.*—E-1 (4) Contingencies. Is it due to the Department not being aware of the expenditure it was going to incur ?

Mr. Roughton.—We were not aware of these charges in time.

1008. *Chairman.*—What steps have you taken to follow the course of expenditure during the year ?

Mr. Roughton.—The new instructions have been brought into force this year since the beginning of 1926 under which we get much more information.

Chairman.—Are you personally concerned with this ? Do you find that the instructions are being followed properly ?

Mr. Roughton.—It is too soon to say anything. I think in future the position will be much more satisfactory.

Page 177.

1009. *Mr. Neogy.*—E. (1) (5). We find that the expenditure at Aden was classified as non-votable. Was it done because of the personnel or because expenditure in Aden was to be treated as non-voted irrespective of the personnel ?

Mr. Roughton.—It is a change in classification.

Mr. Joshi.—As regards this change in the classification, may I suggest to you that it will be convenient to the Assembly if at the time of the Budget you give a list of these changes, because it is very difficult for members to find out these changes.

Mr. Kaula.—Important changes which are made are notified in section III of this Report. A reference to page 72 will show the important changes made in classifications.

Page 177.

1010. **Chairman.**—There is a saving of Rs. 28,000 which is explained as due to less consumption of stores ?

Mr. Roughton.—The difficulty in this case is that when a Local Government comes up for a grant, we have to ask them if they anticipate any other saving, and if they reply in the negative, we are helpless. But I think we should be in a better position this year.

Page 35, Light House administration.

1011. **Chairman.**—As the matter of commercialisation is under discussion, I don't think we can say anything more on it at present.

Mr. Roughton.—We have our Light House Engineer who has gone round the coasts of India and inspected all the Lighthouses. He has produced a capital account so that we are in a position properly to provide for depreciation and put the whole thing on a basis of commercial undertaking.

Chairman.—Legislation is being undertaken and steps are also being taken to commercialise the whole thing.

Grant No. 57, page 246.

1012. **Mr. Neogy.**—Grant A. (Bounties to steel industry). I suppose there is a clause in the Steel Protection Act which requires that a substantial portion of the materials to be used in the railway wagons and other articles for which we pay bounties are to be of Indian origin. Does audit require a certificate to that effect whenever payment is made to any firm manufacturing wagons or other things for which we pay bounties ?

Mr. Roughton.—As far as I know, there is an arrangement for it.

Mr. Kaula.—There are arrangements but whether the Audit goes into it or not, I am afraid I cannot say off hand. I shall however obtain the information* for the Committee.

Grant No. 59, page 250, Commercial Intelligence.

1013. **Mr. Neogy.**—There is a large saving under E. Payments to Railways and Provincial Governments for Frontier Trade Registration. This is due to Provincial Governments not having preferred claims for the cost of preparation of the statistics. Is it the first year in which they did not prefer any claims or has that been the practice ?

Mr. Roughton.—That has been the practice. Sometimes the claims are delayed, and sometimes they are not made at all.

Mr. Neogy.—On what basis do you budget for this amount ?

Mr. Roughton.—We budget for the amount on the assumption that we may have to pay so much, but we escape paying it sometimes. As a matter of fact, a lump sum was put in in that particular year, but the whole thing is being reorganised. We did not really know how much we would have to pay. The sum has been very much cut down ; we have altered the system. We are now collecting statistics of Railway Stations further away from the Frontier as accurately as we can get them.

*Since supplied.

Page No. 451, Ecclesiastical.

1014. *Mr. Neogy.*—Why is it that there is a large saving of 4 lakhs ?

Mr. Roughton.—We have already taken steps in the matter. We have taken special precautions since last year by writing to Local Governments to make deductions from the grant against officers expected to be on leave.

1015. *Mr. Joshi.*—Will this new Church measure make a great difference to your budget ?

Mr. Roughton.—It does not make any difference to the payment of Chaplains because they are still paid by Government, but we are proposing to have a block grant to the Metropolitan instead of providing for expenditure on a variety of items. We expect the budget will be reduced. The Church measure won't come into force for some time, because supposing the Church Bill goes through now, it is likely to come into force in January.

Paragraph 82 of Report.

1016. *Mr. Rajagopalan.*—This double payment unfortunately took place just before the Pooja holidays. The mistake was subsequently discovered and the clerk was warned. It is only a hundred rupees. It was due to the mistake of not going through the register to see whether payment was made already or not. Unfortunately both the bills came through the same bank.

Chairman.—I think it is a minor matter.

Page 464, Explanation A.

1017. *Mr. Neogy.*—How is this expenditure divided ?

Mr. Roughton.—It was divided half and half.

(The witness then withdrew).

Mr. G. H. Spence was called and examined.

Page 153, Legislative Bodies.

1018. *Chairman.*—What is the reason, Mr. Spence, for this big saving ?

Mr. Spence.—I do not know if I can point to any sufficient reason, but partially it was due to the fact—I think I am right in saying—that this was the year in which the walk-out policy was adopted in the Assembly. That reduced the amount of daily allowances at the rate of Rs. 20 a day for about 20 days. But I think there was also overestimating.

Mr. A. Rangaswami Iyengar.—You will find a large saving in the Council of State also ?

Mr. Spence.—There I may say that Honourable Members are not very regular in their attendance. But we are bound to make provision on the assumption that Members will attend regularly.

Chairman.—Don't you think after a few years on the basis of your expectations based on previous experience you will be able to make a reduction ?

Mr. Spence.—We have made a substantial reduction on the basis of what happened the year before, and we went down by another Rs. 30,000. We have received a reference from the Accountant General, Central Revenues, sent up at the instance of the Auditor General asking us to consider the matter and we are now considering it.

1019. *Mr. Neogy.*—Note to B. 3—an allotment of Rs. 3,200 was sanctioned by the Finance Department out of the reserve at their disposal. Why was this necessary when there was a large saving under that heading ?

Mr. Spence.—That was a special case. As a matter of fact—we acted possibly wrongly, but we acted on a deliberate view of what we believed to be the right thing to do. This Rs. 3,200 was the amount paid on account of passages sanctioned by the Secretary of State for Sir Frederick Whyte on the conclusion of his term of office. We took the line that though there would very likely be a saving of this amount from the allowances of members of the Assembly, it would nonetheless be improper to put Sir Frederick Whyte's Rs. 3,200 against that head. If we were wrong and there was no saving we would then have to go to the Assembly to grant Rs. 3,200 for Members' travelling allowance which we had raided.

1020. *Mr. Neogy.*—Was not that foreseen that his passages would have to be paid ?

Mr. Spence.—We never for a moment anticipated that we would have to meet any such demand. Sir Frederick Whyte asked towards the end of his term of office whether he would be granted return passage. We said, as we understood the position, he would not. He then made a formal application which was submitted to the Secretary of State who sanctioned this grant.

Page 72, paragraph 99.

1021. *Mr. Neogy.*—It has been ruled by the Legislative Department that the passage pay is non-votable. This change of classification of expenditure from voted to non-voted—is that a matter for discussion amongst us, or are we entitled to put a question to the witness representing the Legislative Department.

Chairman.—Mr. Spence would tell you that the views of his department are almost invariably obtained on the meaning of the law when a question arises whether any item is votable or non-votable.—As to the question who raises the question, I suppose he is in most cases the Auditor General. I think the Auditor General, regards, or rather the Auditor General in his capacity as Accountant General regards it as his function to declare as regards every single item of expenditure whether it is voted or non-voted.

Sir F. Gauntlett.—I have to record it in my accounts whether it is voted or non-voted, and if my classification as non-voted or voted is not accepted, a doubt arises and I have to refer it.

Mr. Neogy.—Not accepted by whom ? By the department concerned ?

Sir F. Gauntlett.—Yes.

Mr. Neogy.—And then the matter is referred to the Legislative Department ?

Sir F. Gauntlett.—If there is any real doubt.

Chairman.—It generally is a case where we provide under voted and where under the amendment of the Government of India Act the Auditor General says it ought to be non-voted. For good, bad or indifferent reasons the department says it should like to continue it to be voted. (Laughter).

1022. *Mr. Rangaswamy Iyengar.*—Where it is a question of a declaration of voted or non-voted, is it not also a matter which is primarily a concern of the Legislature ?

Sir F. Gauntlett.—The Act itself gives the final power in that matter to the Governor General.

Mr. Rangaswamy Iyengar.—All I say is that the Legislature is the primary authority concerned in this matter, and would it not be better that the Auditor General should also obtain the opinion of the Legislature as a matter of opinion ?

Mr. Kaula.—The opinion of the Legislature is taken in this report.

Mr. Rangaswamy Iyengar.—It is post-mortem.

1023. *Mr. Das.*—The Assembly ought to discuss the report of the Public Accounts Committee.

Mr. Rangaswamy Iyengar.—It is all done behind the back of the Legislature and we have no opportunity of putting forward our case whether a particular item ought to be voted or non-voted.

Mr. Neogy.—In this particular case it is rather curious that the passage pay has been treated to be non-voted irrespective of whether the ordinary pay of the officer is non-voted or not. You treat the additional pay as beyond the purview of the vote of the Assembly although his substantive pay is within its vote.

Chairman.—The Committee may discuss it, but I do not think we need Mr. Spence any longer.

The witness retired after having been thanked by the Chairman.

Mr. Brayne was called in and examined.

1024. *Mr. Das.*—May I enquire what is the practice in England—whether the report of the Public Accounts Committee is discussed on special days allotted for it.

Chairman.—A certain number of members very often try to get a discussion in the House of Commons. It is extraordinarily seldom that the House of Commons is willing to spare a day. I do not know whether the President would rule that the discussion of the report as a whole is hardly relevant to the actual excess vote.

Mr. Brayne.—There is some form of discussion in Bombay.

Mr. Rangaswamy Iyengar.—I find that the Bombay President very much relaxed the rules in this matter.

Grant No. 26. Page 147.

1025. *Mr. Brayne.*—I may mention as regards that large saving on post office cash certificates that we have now provided a very much smaller amount.

Chairman.—The provision is I suppose for the bonus that actually falls due and not the bonus that accrues. I suppose that the Colwyn Committee has commented on the question whether it is entirely right to provide only the interest that falls due and not the interest that accrues.

Mr. Brayne.—I think Mr. Cocke raised it in the Assembly.

Mr. Neogy.—Was not that wrong estimate in D. 3 due to the fact that cash certificates were continued for another five years ?

Mr. Brayne.—Very few cash certificates were discharged. It may have been possibly due to some being extended. Some are presented for payment before they are due. A considerable number come in about the third year. It very largely depends on money conditions generally.

Grant No. 40. Page 167.

1026. *Chairman.*—What is the general explanation of the over-estimate ?

Sir F. Gauntlett.—Entirely the establishment problem. Some 60 lakhs out of the 84 lakhs is pay of the establishment and simply the lump cut was not sufficient. There was a cut of 1½ lakhs and that was not sufficient.

Page 267.

1027. *Mr. Rangaswamy Iyengar.*—What is the necessity of this temporary establishment ?

Mr. V. K. Aravamudha Aiyangar.—The establishment for the currency offices is based on the permanent requirements, and any temporary work in connection with registration and cancellation of notes is carried out by a temporary establishment sanctioned from time to time. There is a certain scale of work prescribed which each man has to do per day and on that basis the establishment required is arrived at. There is a lump provision for temporary establishment and it is distributed during the year over the various currency offices. The Assembly raised the question in the first year in which this lump provision was made and a memorandum was submitted explaining it.

Grant No. 66. Page 270.

1028. *Mr. Neogy.*—I do not quite understand this note to A. 8—Due to payment to High Commissioner for Australia of mint refining charges and differences in valuation of gold bullion sent to Australia.

Mr. Brayne.—I shall get an explanation of this item and the note.

Grant No. 68.

1029. *Chairman.*—There is an excess vote. Can you give reasons for the excess ?

Mr. Brayne.—They are explained in the note on page 302. We asked for less than we ought to have asked for.

Chairman.—Why was not a supplementary estimate obtained to cover it ?

Mr. Brayne.—The Finance Department made a mistake.

Sir F. Gauntlett.—That is explained in Note 2.

Mr. Rangaswamy Iyengar.—There is a mistake in the calculation.

Mr. Brayne.—Yes.

Page 297-A.

1030. *Mr. Joshi.*—There is one amount which was sanctioned twice. Can you explain it ?

Mr. Rajagopalan.—The Pay and Accounts Officer got one order and also got a copy of it from the Accountant General, Central Revenues. He treated it as a single order, but the Accountant-General understood it to be two orders.....

Mr. Joshi.—There was no means of checking it ?

Mr. Rajagopalan.—It was at the end of the year I believe.

Page 328.

1031. *Sir F. Gauntlett.*—Payment made in Aden had to be transferred from voted to non-voted.

Chairman.—We have noticed that in several places in the accounts sums originally provided as voted have been classified as non-voted. Do you know anything about this, Mr. Brayne ?

Mr. Brayne.—No.

Chairman.—We will look that up and let the Committee know.

1032. *Mr. Neogy.*—Grant No. 70.—There is a payment of Rs. 370-15-0 to meet the charges on account of the pay of stenographer to the Maharaja of Bikaner, representative of India in the League of Nations Assembly at Geneva.

Mr. Brayne.—A stenographer is generally supplied as a rule from the India Office.

Chairman.—The question turns up in each case whether we are to supply them or not.

Mr. Neogy.—You do not pay the expenses of the Ruling Princes who represent their order at the League of Nations.

Mr. Brayne.—They represent India.

Mr. Neogy.—Technically they do represent India. Do you pay all their expenses ?

Chairman.—There is a scale laid down for all representatives.

1033. *Mr. Jashi.*—There are items of payment to meet the cost of journey of Madras and Bengal Governors to Delhi and back. Are the amounts paid out of Central Revenues ?

Chairman.—If they are summoned for a conference by the Governor General, they are paid out of the Central Revenues.

1034. *Mr. Neogy.*—Item (iii) on page 342 refers to share of the cost of Political Department. What is that ?

Mr. Brayne.—Certain States have been transferred to the Government of India. The Kathiawar States are now under the Government of India. A large number of States, such as Kholapur and Miraj, are still under the Government of Bombay as Agents for the Government of India, and the question under consideration this year was what share the Government of India should pay of the establishments in Bombay, that is to say, of the Secretariat Establishment.

Chairman.—It was afterwards decided.

Sir F. Gauntlett.—There was no expenditure under that in this year.

Mr. Neogy.—As for those States which are not directly under the Government of India but are in political relations with the Provincial

Governments, do you have to pay in every province the expenses of the Political Agents ?

Mr. Brayne.—Yes, this merely refers to a share of the Secretariat charges.

Page 343.—Note A.

1035. *Mr. Rangaswami Iyengar.*—“ Represents refund to Provincial Government on account of revision of the rate of interest charged from 1921-22 to 1924-25 in respect of Irrigation Capital Outlay prior to the Reforms and after 1916-17.” Was it on account of a claim preferred by the Provincial Government that the rate was high ?

Mr. Brayne.—The rate has now been standardised.

Mr. Rangaswami Iyengar.—Have you also standardised the rates in regard to provincial balances ?

Mr. Brayne.—Yes. If the balance is deposited with the Government of India for more than six months, we allow interest at 2 per cent. below the Government's borrowing rate ; if it is over 12 months we allow interest at 1 per cent. below the Government's borrowing rate. If it is under six months we do not allow any interest.

Page 345.

1036. *Mr. Rangaswami Iyengar.*—Under note A reference is made to change of procedure of the adjustment of refunds to Provincial Governments. What is the change ?

Mr. Kajagopalan.—The budget was originally framed under Refunds ; it was afterwards decided to take it under ‘ Miscellaneous adjustments ’.

Chairman.—It was not really a refund in the proper sense.

Sir F. Gauntlett.—That question is still under consideration. I cannot find any charge under Adjustments with Provincial Governments. I am asking the Accountant General and the Examiner of Customs Accounts to clear up the matter.

Chairman.—In view of the extinction of Bengal's contribution it was arranged that no refund of customs duty on Government stores should be made to Bengal.

Mr. Neogy.—Could it be described as a change of procedure ?

1037. *Chairman.*—It is a decision not to continue the payment of refund to Bengal. The reason for the excess on this vote is I think just the same as the others. Shall we be able to avoid excess under this vote ?

Mr. Brayne.—It is extraordinarily difficult to arrive at an estimate.

1038. *Mr. B. Das.*—It is said under G. 2, page 346 that the excess in Bombay was caused by refund of audit fees to the Karachi Port Trust.

Chairman.—Do you know anything about the refund of audit fees to Karachi Port Trust, Mr. Brayne ?

Mr. Brayne.—No.

Chairman.—We can find that out. We will look it up.

1039. *Mr. Neogy.*—Here is the ‘ Dome of the Rock, Jerusalem ’ mentioned again on page 444.

Mr. Rangaswami Iyengar.—Who made the increased grant ?

Chairman.—We are trying to find it out.

1040. *Mr. Joshi.*—Under (17) it is said that the moiety of the renewed grant of Rs. 3,000 to Trinity College was not paid. Why is that grant paid ?

Chairman.—That is for training of I.C.S. students.

Page 445.

1041. *Mr. Joshi.*—Commission on pensions and leave allowances paid abroad come to a very large figure, Rs. 80,000.

Mr. Brayne.—It is paid in the Colonies. There are a very large number there.

Mr. Joshi.—What is the rate of commission ?

Mr. Kaula.—It differs for each Colony, and in return we also get commission for paying their pensioners here.

1041. *Mr. Cocke.*—Are the Home Department responsible for Rs. 60,000, secret service fund ?

Chairman.—That is the same figure that we have dealt with before. This is the Secretary of State's expenditure.

Sir F. Gauntlett.—This is exactly the amount of the grant and it is curious.

Chairman.—We give a certain amount, and whatever remains after expenditure is carried forward to the next year. It is treated as expenditure. They give a certificate for the expenditure incurred, but the whole amount is entered as spent.

1042. *Mr. Joshi.*—G. 5 on page 447.—I want to know what this grant is.

Chairman.—It is a payment by the Inland Revenue Department to the High Commissioner for services rendered to the Income-tax Department at home in regard to leave and other salaries of Indian officials.

1043. *Mr. Neogy.*—There is mention of a short recovery of Rs. 1,86,000 under State Railways in G. 1 (ii).

Chairman.—We shall have to ask the Railway people about that. We will take a note of that.

Page 497.

1044. *Mr. Joshi.*—Charges for destruction of coin come to Rs. 1,81,000. Does it come to so much ?

Chairman.—That is the difference between the metal value and the face value of coins returned from circulation.

Page 498. Loans and Advances bearing Interest.

1045. *Mr. Brayne.*—We have asked Provincial Governments to make a better estimate of their requirements for loans.

Chairman.—There is material difference between an over-estimate on a Revenue charge and an over-estimate on Capital charge. An over-

estimate on Revenue charge means that you have got to raise more taxation than otherwise will be necessary. An over-estimate on Capital charge merely affects the ways and means position, and the estimates of the probable Capital expenditure that are given at the time of the budget are illustrative rather than accurate.

1046. *Mr. Neogy.*—A. 2 (3). This item refers to an urgent loan to the Mental Hospital, Ranchi. What was the urgency ?

Mr. Brayne.—It is a Home Department case. I remember the early stages but I do not know the later developments.

Mr. Neogy.—It must have been given through the Provincial Government. What is the exact position ?

Chairman.—There is a special Act, Ranchi Hospital Act or something. We could deal directly with that institution.

1047. *Mr. Neogy.*—Item A. 2 (6) refers to advances under special laws. Grant of Rs. 1,00,000 was not utilised. What are the special laws and why was this grant made ?

Mr. Aravamudha Aiyangar.—There are various Acts, under which, if advances are given, they are specially classified, for example the Bundelkhand Encumbered Estates Act.

Mr. Rangaswami Iyengar.—Are not the Encumbered Estates Act loans under the Provincial Government ?

Mr. Aravamudha Aiyangar.—This is only for central areas.

1048. *Mr. Rangaswami Iyengar.*—Loans to Government servants, House building advances and advances for purchase of motor cars. Are these advances in respect only of Central Government officials ?

Mr. Brayne.—They are for all.

Mr. Rangaswami Iyengar.—The entire expenditure on advances for motor cars is under the central budget ?

Mr. Brayne.—Yes.

1049. *Mr. Neogy.*—Who are the people entitled to get advances for purchase of motor cars ?

Mr. Brayne.—Nearly all officials, higher officials. It largely depends on the officer's pay. If a clerk on Rs. 700 asks for a motor advance of Rs. 10,000, he won't get it. He would be allowed an advance for a motor cycle. I think he cannot have more than four months' pay.

Mr. Neogy.—What is the rate of interest ?

Mr. Brayne.—5 per cent.

Chairman.—That is one of the reforms that I am responsible for, getting interest on advances.

Mr. Neogy.—What is the rate of interest for house building advance ?

Mr. Brayne.—I think it is the same. We get more than we actually pay and make a slight profit on it.

Mr. Rangaswami Iyengar.—I am only asking whether this system of giving motor car allowances should really be a normal feature ? What is the position, for instance, in the services ?

Mr. Brayne.—It is recognised that in certain cases we have to give allowances for maintaining motor cars. These advances are only given if the officer requires the car for Government work, not if he requires it for private work.

Mr. Neogy.—It indirectly serves as an aid for the motor trade.

Page 66.

1050. *Mr. Rangaswami Iyengar.*—I am unable to understand whether the motor cycle was really worth Rs. 1,800. It has been certified so.

Chairman.—It was a new second-hand one, I believe.

Appendix XI.

1051. *Chairman.*—There was a question raised last year, about an excess of Rs. 17 lakhs of interest. The statement seems to explain the position.

Mr. Brayne.—We have cut it down very severely this year.

Page 150.

Mr. Kaula.—Staff household and allowances of the Governor General. There is an excess vote there.

1052. *Chairman.*—What is the reason for not coming up for a supplementary grant ?

Mr. Brayne.—The excess is mainly special haulage charges. There was no time to come up with a supplementary grant. It is said here “ The question of improving the procedure regarding control of expenditure under this head is under the consideration of Government.”

Chairman.—It is the same as the Executive Council : we have arranged to evaluate tours in advance. We might as well add that in view of what happened in the end of March, the expediency of asking for a supplementary grant can easily have been foreseen.

Mr. Rangaswami Iyengar.—It does cost us a good deal to have a change of Viceroys.

1053. *Mr. Neogy.*—Under E. 6 there is a note that “ the question of raising the grant of Rs. 10,000 for miscellaneous by Rs. 4,000 as recommended by the Private Secretary is under consideration of the Finance Department.” What has happened to it ?

Mr. Brayne.—We agreed the other day to raise it. It has been at that rate since before the war.

Grant 39—Payments to Provincial Governments.

1054. *Mr. Neogy.*—Is there any uncertainty left yet with regard to these claims or has the matter been finally settled ?

Chairman.—We are getting nearer every year to a complete settlement and I think we have an understanding now with the Provincial Governments that they will not raise any new claims for arrears.

Mr. Brayne.—They do not raise claims for small amounts ; we have settled most of the big cases.

The Committee then adjourned.

**Evidence taken at the 14th meeting of the Public Accounts Committee
held on Friday, the 19th August at 3 p.m.**

PRESENT :

- | | |
|---|--------------|
| (1) The Hon'ble SIR BASIL BLACKETT, K.O.B., K.C.S.I. | Chairman. |
| (2) MR. H. G. COCKE. | } Members. |
| (3) MAULVI ABDUL MATIN CHOUDHURY. | |
| (4) MR. B. DAS. | |
| (5) MR. A. RANGASWAMI IYENGAR. | |
| (6) MR. N. M. JOSHI. | |
| (7) MR. K. C. NEOGI. | |
| (8) SIR FREDERIC GAUNTLETT, Auditor General. | |
| * (9) MR. G. KAULA, Accountant General, Central Revenues. | |
| (10) MR. J. M. HARTLEY, Accountant-General, Railways. | |
| MR. J. D. V. HODGE, Deputy Secretary, Home Department. | } Witnesses. |
| MR. A. A. L. PARSONS, Financial Commissioner, Railways. | |
| MR. A. M. HAYMAN, Director of Finance, Railways. | |

1055. *Chairman*.—You very kindly promised to give further information on certain points which were held over that day. The excess grant for the Executive Council...

Mr. Hodge.—These are the figures under the head of each member of Executive Council. (Produces a statement). They show considerable excess in the three Memberships in which there were changes in incumbency during the course of the year. I got these figures only recently from Delhi and I have not been able to find out what tours they represent.

1056. *Chairman*.—The next point is with regard to the excess under the Staff Selection Board.

Mr. Hodge.—The number of candidates who appeared was 628, the number selected was 122 and the number of those who have been appointed was 109.

1057. *Chairman*.—The next point relates to secret service expenditure.

Mr. Hodge.—The form of the certificate is this :—

“ I certify that the expenditure charged in this Bill could not, with due regard to the interests of the public service, be avoided ”.

* Was present only during Mr. Hodge's examination.

Mr. Neogy.—Who signs the certificate ?

Mr. Hodge.—The Director of the Intelligence Bureau.

1058. *Chairman.*—There is an excess vote here under grant No. 41, page 170.

Mr. Hodge.—I have got the details of these. They are pleaders' fees, court-fee stamps and so on. As a matter of fact, we did not know of this excess till the following July.

Chairman.—The figure Rs. 40,000 is a fixed contribution ? How does it happen to be slightly exceeded ?

Mr. Hodge.—Rs. 40,000 is the fixed contribution and Rs. 3,000 contingencies. The actual cost of contingencies is Rs. 3,108. I have got the details of the actual expenditure here and it consists mainly of fees to pleaders and court-fee stamps.

Chairman.—You did not know of this before the following July ?

Mr. Hodge.—We got it from the Local Government.

Chairman.—You get information on the progress of expenditure ?

Mr. Hodge.—We do not, not from the Local Government.

Chairman.—And you have not made any arrangements to do so ? I suppose the Bengal Government provides this expenditure and then you budget ?

Sir F. Gauntlett.—I do not know the arrangements sufficiently well to understand why payment should be made through the provincial Government.

Chairman.—I think we need not spend time over it.

Grant No. 42, page 171.

1059. *Mr. Hodge.*—This happens to be a second class Residency. In places like Hyderabad, etc., which are first class Residencies, the demand is included in its proper head. There is a Hyderabad head and so on, but Baroda has no head of its own and so it is brought in here.

Sir F. Gauntlett.—Why should that be the only cantonment where the charge occurs ?

Mr. Hodge.—Apparently it is the only second class Residency in which a police force is maintained.

Chairman.—By whom is it incurred ?

Mr. Hodge.—It is under the Baroda Resident.

Mr. Joshi.—Why is it not placed under the Political ?

Chairman.—There is not a Baroda head. In the case of Hyderabad this police appears under the general heading relating to Hyderabad. But there is no grant for Baroda separately.

1060. *Chairman*.—We may ask the Accountant General to look into the question of classification. We come to Delhi.

Mr. Hodge.—The statement was correct in substance but not literally correct. The position is this. When we receive the Delhi Budget we divide it up according to its heads and send the various portions of the budget to the administrative departments concerned, as for instance, the education part of the budget to the Department of Education, and so on. The Departments concerned do what is necessary. They report their final figures to the Finance Department and they also report to the Home Department. If it is a question of getting the approval of the Standing Finance Committee to a particular project they do that and tell us after it has been done. So, in a sense literally these things do go to us, but practically we have at present nothing to do with them.

Chairman.—That is to say, the Chief Commissioner is the only officer who is watching the expenditure and there is no department that is really successfully watching the expenditure ?

Mr. Hodge.—He watches the expenditure with the help of the audit officer, but in addition to that, in the year subsequent to the year with which we are dealing we have called for statements in December and early in January regarding his proposals for re-appropriations, additional grants, supplementary grants, etc.

Chairman.—The answer really then is that the defect, if there was one, has been remedied by the general arrangements made for watching control.

Mr. Hodge.—I rather gather the point is whether the Home Department should take an active interest in those parts of the budget which are considered at present to concern other departments.

Chairman.—We are merely looking at it from the point of view that some one department is watching the progress of expenditure.

Mr. Hodge.—The answer to that is "No" in that case. As I say, we watch the expenditure with which we are administratively concerned, but I do not think we watch any other.

Chairman.—This statement you have called for in December and January is in respect of the grant as a whole and not merely in respect of your own portions of the budget ?

Mr. Hodge.—That is so. I have not got a copy of it here. If I may, I will look into that matter further.

Chairman.—The whole point is that in addition to the Chief Commissioner there is some department of Government which is watching the expenditure. We have I think laid it down that there must be some one department which does it. I think you will find that your answer from what you have said is that you are doing it now.

1061. *Chairman*.—Now let us pass on to the Andaman and Nicobar Islands...

Mr. Hodge.—I wired at once to the Chief Commissioner, but I have not got any more information than I had before.

The witness having been thanked by the Chairman retired.

Messrs. Parsons and Hayman were called in and examined.

1062. *Chairman*.—I think the easiest way is to take up the appropriation report of each grant and then the letter press.

Mr. Parsons.—The general explanation I would like to give covers a great many points raised under these grants both in the Auditor General's letter and in the Appropriation Report, particularly where the Auditor General has criticised the budget estimate.

Chairman.—If you have got to make a general statement, it will help us.

Mr. Parsons.—The Auditor General expresses some general conclusions at the beginning of his letter, the first of which says that there have been serious errors and omissions in the preparation of the original budget estimates. I was not quite sure whether in that statement he was referring to the estimates as prepared by the Railway Department (Railway Board) or by the Railways themselves.

Sir F. Gauntlett.—I think I have no concern with the estimates prepared by the railways themselves. I think the only thing sent out is the estimate prepared by the Board.

Mr. Parsons.—The position, then, is that though in a few things there may be some omissions and errors I am not quite sure that the charge of serious errors is entirely sustainable. I have been through the actuals under each grant to see whether there were large excesses. There was a very large excess, particularly in the capital expenditure, but all I can say is that we do very much better now than we did before.

Chairman.—By excess you mean saving ?

Mr. Parsons.—The original estimate was excessive, but our saving under Capital under New Construction was a departure from the original grant of Rs. 2½ crores, whereas in the previous years it used to be 17 or 18 crores. That was because we introduced, as I think this Committee is aware, a system of lump sum cuts by which we checked the optimism of our Agents and we ourselves only asked the Assembly for the amount which we thought was likely to be actually spent. I admit that 2½ crores is still a fairly large proportion. It is not easy to say exactly what that lump sum cut should be to a grant of 25 crores expenditure, which depends very much on what we do during the course of the year in the case of stores. In these years we are doing better and nearer to our estimates, and we do our very best to make our lump sum cut approach the actuals as much as possible. These are estimates and we cannot be certain, particularly on these big capital figures, of the exact amount that we should spend.

We also had in this year a saving of nearly 2½ crores under repairs and maintenance and operation, which is a big saving and may be thought to indicate rather careless budget estimate, I do not think it does. A good deal of the expenditure under that head depends entirely upon our revenue receipts. In this particular year we had a considerable falling off in receipts compared with the previous year. The real figure to look at is not the expenditure figure alone, but the net figure. What we tried to do in budgeting was; having arrived at the figure which we thought was our expectation of

receipts in the following year, to estimate our expenditure as closely as possible with regard to receipts. If our expectations of receipts failed, we would spend, in what is described as the dependent expenditure, less. If our expectations were improved upon, we should have to spend more than what we asked the Assembly for, but we always keep as far as possible to the estimate. That is on the portion of what is called the dependent expenditure coming under grant No. 5. In addition, in this particular year there were certain items under repairs and maintenance which we expected we should spend when we framed the budget estimate and finally did not spend, partly because there was unrest in the workshops on the North Western Railway, and for that reason we did not spend as much as we expected on repairs. We had, I think, Rs. 70 lakhs in the budget for automatic couplers, a scheme which as you must be aware has not yet materialised and that has lapsed. Considerable economies in bridge repair and maintenance of rolling stock were carried out. I am myself thinking at present, if I may mention about the future, whether it will not be desirable with regard to the repairs estimates of railways to follow the same procedure as we do with the capital expenditure and make a lump sum cut. If we try and cut down the demands of railway administrations for repairs, the result might be that they will postpone repairs which it is desirable to carry out but which would be more expensive if they were postponed. I am thinking therefore whether in the next budget we should not apply exactly the same system of giving the railways a grant which they ask for for repairs and for financial purposes making a lump sum cut. I think it is done, in other civil Departments of Government.

Sir F. Gauntlett.—Might I say that I do not think that it would be in any way contrary to the principles which this Committee has accepted with regard to lump sum cuts. All repairs are in the nature of works and it is essentially in regard to works estimates as a whole that we feel the need of the lump cut.

Chairman.—Mr. Parsons has made this general statement and the easiest course is to take the Auditor General's letter and go through each of the defects mentioned there. "There are often serious errors and omissions in the preparation of the original budget estimates." It is in reply to that that Mr. Parsons has made this statement.

1063. *Mr. Neogy.*—Serious errors and omissions—do they cover the same point as was made by Mr. Parsons explaining the reasons why the estimate were not reached in actual process of working?

Sir F. Gauntlett.—I think my general conclusion was based on a number of individual points which I bring to notice in the rest of my letter. It merely summarises the specific statements on different points.

1064. *Chairman.*—Those, I suppose, are the particular cases to which we will come later on.

Mr. Parsons.—They are mentioned in paragraph 50 of your letter. I can give immediately a general statement on (b) here which is an admission of the correctness of the Auditor General's statement. The unfortunate part is that there is not yet an absolute uniform procedure on different railways and it is a trouble to me as it is to the Auditor General. It is also a great

nuisance when we prepare the estimates. What we have done now is that we have put an officer on special duty to see if he cannot get the procedure more uniform by going into the budgets of the various railways. I hope to receive his report by the end of the month. I trust that we shall be able to get a much more uniform procedure by next year. But I must admit the correctness of the Auditor-General's statement.

Sir Frederic Gauntlett.—It is more difficult in the case of railways because you are dealing with semi-independent bodies.

Mr. Parsons.—And partly I think it is also due to the organisation of the railways. It is not very easy to get charges classified uniformly when you have the divisional system on two or three railways and the quasi-divisional system on some others and the departmental system on others. The Auditor-General has pointed out the extraordinary variations on the North-Western Railway between the estimates as sanctioned by the Assembly on their submission by the Railway Board and the distribution of the sums by the Agent of the North Western Railway and the final figures in the accounts. In that particular year we introduced the divisional system. The difficulty is that it is not easy to get any exact uniformity in the accounts of railways.

Sir Frederic Gauntlett.—I would only add one comment and that is the classification of the accounts. It is the peculiar account of the agency through which a transaction is carried out. Consequently as the agency of different lines is different, the classification will be different. I am not objecting to that but what I do say is that when it is decided that a particular transaction should appear in the accounts it ought to appear in the budget.

Mr. Parsons.—I agree with that entirely.

1065. *Chairman.*—The provision is already in excess.

Mr. Parsons.—The details as put forward in the budget, as I think I explained last February, represent Agents' hopes as to what they are able to do in the case of individual schemes in the course of the year as those schemes are taken up. I cannot hold out much hope that we shall always be able to get the details of the budget worked up to exactly in practice. We may be held up by acquisition difficulties in the case of a new line and yet we may be able to get ahead more quickly than we anticipated with another line.

1066. *Chairman.*—"Reappropriation during the course of the year was inadequate", what does it relate to?

Mr. Parsons.—I think here they refer to the reappropriation by sub-heads, which should have been done by the railways themselves. If so, the explanation is given in paragraph 16 of Mr. Hartley's report. There is no doubt that the railways did not in this particular year recognise the necessity of making reappropriations. Actually, in the accounts as presented by the Accountant-General, Railways, he has not included, if I am right in saying, the additions to the demands which under their powers the Railway Board or the Railway Department of the Government of India made to the various grants. So, the statement here does not actually represent what happened.

Mr. Hartley.—I have followed the instructions for preparing the appropriation report. I have taken the pink books on which the total demand of

the Assembly is based as the detailed demand of the railway grant. I have treated that as an original grant. The question is whether I can take any further additions made by the Railway Board as alterations to that grant or whether I must stick to each grant.

Sir Frederic Gauntlett.—Was that during the course of the year ?

Mr. Parsons.—The position is that we have given a grant of, say, a few crores and have distributed it over individual railways. Now, we are not going to spend more than a crore, possibly less than a crore, and the Agent of another railways is going to spend more than what we provided for in the original grant. Supposing the Bombay Baroda and Central India say that under the head "Working Expenses" they want an extra 5 lakhs over and above what we have allowed them, supposing we knew that there were 10 or 15 lakhs which were not going to be spent on any account, it is quite open to us to give 5 lakhs to them without any chance of exceeding our grant. As a matter of fact, we do not exceed our grant as a whole.

1067. *Chairman.*—But the Accountant General is obviously in a difficult position. Supposing you start by distributing a grant of one crore over all the lines and then on a certain date of the year you add 5 lakhs to one of those lines, thus making the total of 105 lakhs, unless you take 5 lakhs formally from somebody else...

Mr. Parsons.—As a matter of fact, what happens is that the pink books contain under capital heads much more than what is actually granted by the Assembly.

Mr. Hartley.—It makes reappropriation very difficult. My own feeling is that I ought to be guided by the grant sanctioned by the Assembly. The question is what is that grant ? Is it the main grant or are we to be guided by the distribution made in the pink books which, in my opinion, is very much more ; it exceeds the grant very much.

1068. *Chairman.*—Obviously you are guided by the grant made by the Assembly.

Mr. Parsons.—We tell the Railway Administrations that they can spend so much but very frequently I withdraw from the grant as shown in the pink book quite a considerable sum.

1069. *Mr. Neogy.*—May I assume that the pink books contain even un-sanctioned items of expenditure ?

Mr. Parsons.—The pink book is an indication of what the railway programme is ; it by no means represents a definite programme.

1070. *Sir Frederic Gauntlett.*—There is one point which I do not understand and that is that the grant as sanctioned by the Assembly is equal to the total of the pink books. I do not quite understand how you can add anything to one railway unless you subtract it from another railway.

Mr. Parsons.—The point of subtraction from another railway is not very difficult. If the total grant is not going to be exceeded, the question whether we should then subtract it from another railway is raised and I myself do not see for the purposes of financial control that it gives me any assistance if I just

take away from one railway and put it under some other railway, I know from my total figures that I am going to have a saving of perhaps 10 lakhs. It is not at all likely that I shall know under which individual railway that particular saving will occur. Unless my figures are much more up-to-date than they are at present, I do not think I can do more than what is done at present with much advantage.

1071. *Sir Frederic Gauntlett*.—My I suggest that in essence, then, you are applying to revenue expenditure the principle which has only been accepted with regard to the capital expenditure. That is, you are sanctioning for individual railways a larger sum than the grant.

Mr. Parsons.—No.

Sir Frederic Gauntlett.—If you do not take away from one railway then you are in effect sanctioning on the railways as a whole a larger sum than has been granted by the Assembly. You are running the risk, and that is the principle which has been accepted with regard to capital expenditure. That is not the principle, as far as I know, which has been accepted in respect of revenues.

Chairman.—What Mr. Parsons is really doing is that he is taking the responsibility of saying “that I propose to re-appropriate within the savings which I know exist on an year’s grant a sum of 5 lakhs to a particular railway.” He has on himself taken the responsibility and I think he is justified in doing so.

1072. *Sir Frederic Gauntlett*.—Then we come back to the position that occurs in the Army where we called attention to the large numbers of re-appropriations made at the end of the year. Should not Mr. Parsons be allowed to do that?

Chairman.—Provided he takes the further step at the end of the year of regularizing these re-appropriations. I think he is within the letter of quite correct procedure.

1073. *Sir Frederic Gauntlett*.—If there is eventually at the end of the year a correct reappropriation, such a reappropriation should be mentioned in Mr. Hartley’s report. It should be mentioned that there is an excess in a particular railway over the amount entered in the pink book but that has been covered by the Railway Board under its powers of reappropriation.

Mr. Hayman.—What happens is this. We do not during the course of the year make reappropriations to cover the anticipated excess expenditure on particular railways. We authorize such railways to incur expenditure to the higher limits in the month of February we get a complete return from all administrations and in March we sanction complete reappropriations of which we supply a copy to the Accountant General.

1074. *Mr. Das*.—I have found from attending this Committee that whenever a reappropriation is made in any department the Finance Department is consulted. In the case of the Railway Department I now understand that is not the practice. The next point which is troubling me is that Mr. Parsons, as the member of the Board, reappropriates money to a Company-managed railway if he thinks fit. How far can the policy be correct that money

which has been allotted for the State-managed railways and which belongs to the State can be allotted to the Company-managed railways without coming to the Assembly or without consulting the Finance Department ?

Mr. Parsons.—With regard to the first point, I exercise under the supervision of the Finance Member the powers of the Finance Department.

Chairman.—The Financial Commissioner exercises on behalf of the Finance Department the powers of the Finance Department in this matter subject to the ultimate control of the Finance Member.

Mr. Parsons.—With regard to the other question of State and Company-managed railways, I may say that I deal with them in exactly the same way. I think there is a little misunderstanding in regard to the position of the Company-managed railways. They get a fractional portion of the net receipts and are expected to keep lines in good running order just as State-managed railways are expected to do. No distinction is drawn between the two. It is just as bad for the Government of India if the Bengal Nagpur Railway is not given sufficient funds to carry out the repairs as it is for them in the case of the North Western Railway.

1075. *Chairman.*—To what extent are your powers of reappropriation exercised subject to the Finance Committee on Railways ?

Mr. Parsons.—To no extent ; it is not within their purview. As a matter of fact, actually when I put the budget before them, I always also place before them the revised estimates of the current year. I also put before them the demands for supplementary grants.

1076. *Mr. Das.*—May I ask the opinion of the Auditor General whether there is any encroachment on the powers of the Assembly by the adoption of the method by Mr. Parsons with regard to the expenditure on State and Company-managed railways ?

Sir Frederic Gauntlett.—In audit I apply very strictly the rules of reappropriation which are laid down by the Governor General in Council. I see that every reappropriation which is ordered by an authority is within the powers conferred upon him by the Governor General in Council.

Chairman.—The position of the Assembly is clear enough. They grant votes under 15 heads for the running of the railways and reappropriations within those heads are recognised as legitimately within the function of the administrative authorities within each head.

1077. *Mr. Joshi.*—How much power you, as the Finance Member, have delegated to Mr. Parsons as your representative ? Are there any rules or this is done merely by discretion ?

Chairman.—I, as a Finance Member, have no powers. The nearest answer that I can give is that Mr. Parsons occupies the position of the Finance Secretary for Railways.

Mr. Parsons.—The rules by which we are governed are those of His Excellency the Governor General in Council under which particular departments of the Government of India are entrusted with a particular business. I am entrusted with the of financial side of th railway business with the provision that I should consult the Finance Secretary with regard to any aspects

of my work which encroach on his work. If, for instance, this year I find that I was going to spend less than 25 crores of capital expenditure it would be my duty to let him know of it. If, on the other hand, I have to spend more than 25 crores, I shall have to ask him because the Finance Department is responsible for seeing that the money is there to spend. On the other hand, the powers that I do exercise on the railway side are exercised by me under the authority and control of the Finance Member to whom I have personal access. If there is a disagreement between me and the Members of the Railway Board, the case comes to the Honourable the Finance Member.

1078. *Mr. Joshi.*—So the powers are delegated to the Railway Board as such and you exercise them as a member of the Board.

Mr. Parsons.—I do not act as a member of the Railway Board but as a member of the Railway Department of the Government of India. The Railway Board possess certain individual powers of their own under an old Schedule. In practice, we do not use those powers; we use the powers of the Government of India in railway matters.

Chairman.—In practice the arrangement now is that in all financial matters irrespective of the financial powers that devolve on the Railway Board, the Financial Commissioner has the responsibility for exercising financial powers and he exercises that responsibility subject to the same control from the Finance Member as any other member of the Finance Department.

1079. *Mr. Neogy.*—What are the classes of cases in which you consult the Finance Member?

Mr. Parsons.—That really depends upon my discretion, as is the case with any Secretary to Government, as to what cases are of sufficient importance to bring to the notice of the Hon'ble Member.

Chairman.—I can add to this that as a matter of working arrangement Mr. Parsons keeps me in close touch with him on all important financial questions connected with the railways.

1080. *Mr. Rangaswami Iyengar.*—I take it that as a member of the Railway Board you have powers of sanction in respect of such matters as are delegated by the Government of India to the Railway Board under the Act. Do you exercise that power individually or as a corporate body?

Mr. Parsons.—The position is exactly the same as it is with regard to other departments. Though the Railway Board as such have powers under the Schedule, they are not used. In all cases involving financial issues they come either to me or to the Finance Branch under me.

1081. *Mr. Rangaswami Iyengar.*—In regard to all matters regarding financial sanction which are within the powers defined by the Railway Board's Act you act as a member of the Railway Board to sanction such expenditure.

Mr. Parsons.—We do not use that particular procedure now because as part of the Government of India we have much wider powers.

Chairman.—Whether the powers have formally been delegated or not, all financial powers are exercised by Mr. Parsons as a member of the Finance Department.

1082. *Mr. Rangaswami Iyengar.*—That is to say, as the Government of India. Therefore, I take it that it is practically the Government of India which sanctions the expenditure and not the Railway Board. That is the present practice.

Mr. Parsons.—Yes, that is the present practice. We use the much wider powers which have been delegated to the Government of India by the Secretary of State.

1083. *Mr. Das.*—Do I understand that the decision of the Railway Board is subject to your approval ?

Mr. Parsons.—In every financial matter my approval is required.

1084. *Mr. Rangaswami Iyengar.*—What is your exact position in the Board ?

Mr. Parsons.—I am equally responsible with other members of the Board for the general management of the railways. With regard to the question which do not raise financial issues, the constitution of the Railway Board is that the Chief Commissioner of the Railways is the sole technical adviser to the Government of India on railway matters and the Secretary to the Government of India in the Railway Department.

1085. *Mr. Neogy.*—Does not your position as the Financial Commissioner of Railways differ in this particular point from the position enjoyed by the Financial Advisers of the other departments of the Government of India in that you are identified with the administration.

Mr. Parsons.—In matters which do not raise financial issues the final say rests with the Chief Commissioner of Railways and not with me.

1086. *Mr. Rangaswami Iyengar.*—May I take it that, generally speaking you do form part of the Railway Board and therefore you have your say? So far as financial matters are concerned, you act as part of the Government of India.

Mr. Parsons.—The actual arrangement is that all financial cases including those in which the Railway Board as previously constituted had powers are referred for the approval of the Financial Commissioner.

1087. *Sir Frederic Gauntlett.*—Do I take it that even though the matter financially be within the powers of the Railway Board, the Board as a whole would not outvote you ?

Mr. Parsons.—If I do not agree with the Board and the Railway Member agrees with the Board and I do not withdraw my objection, then I shall take my side of the case to the Honourable the Finance Member, and if the Finance Member agreed with my view, then the method of settling the disagreement between the two departments will be the ordinary method of the Government of India.

1088. *Mr. Neogy.*—Has any such occasion arisen so far ?

Mr. Parsons.—I remember one case which occurred in my time.

1089. *Mr. Neogy.*—Don't you find your position rather anomalous ?

Mr. Parsons.—Not in the least. The fact is that both sides try to work in agreement. If a disagreement arises, it is probably due to lack of full information and when the full information is given, then one side or the other sees which is the correct view. I have myself found no difficulty.

Chairman.—We have been a very happy family after all. As I have always said, this arrangement does require real amicable co-operation between a larger number of individuals than some of the other regular arrangements in the Government of India.

Mr. Parsons.—It requires an amicable co-operation between me and my Railway Colleagues and also, if I may say so, between the Finance Member and the Railway Member.

1090. *Mr. Cocke.*—In the event of your not agreeing to a certain project, have they a right to go over your head in any way?

Mr. Parsons.—The case goes to the Commerce Member and he deals with it and then if I am still sticking to my decision I may take it to the Finance Member.

Chairman.—Let me illustrate it by a hypothetical case. Supposing there is a new project for an entirely new railway line. The Railway Board is very keen on building that line, but the financial result is doubtful. The Financial Commissioner says that he is not prepared to agree with the majority of the Board. He insists on saying: "If this case is pressed against me, I will take the Finance Member's orders." The Finance Member agrees with him generally. Then the majority go to the Commerce Member and he agrees with them. Then you have got a perfectly clear case between the Finance Department and the Railway Department.

Mr. Parsons would not agree to any big project without coming to me, even if he agrees with his colleagues.

Mr. Parsons.—In actual practice the Chief Commissioner now is the sole final technical advisor. He can overrule both the other members.

1091. *Chairman.*—I think the best way is to take page 83 and look at the Appropriation Accounts and then come back to the letterpress. "Commercial Lines."

Mr. Parsons.—There is an excess of Rs. 5,000 under voted. The Committee I understand wishes an explanation of that small excess and particularly I presume whether we could not have anticipated this extra Rs. 5,000 at the time that we put up a supplementary grant. The reasons which gave rise to this particular excess of Rs. 5,000 were, first of all, in this year the Railway Board reduced their establishment and after we had asked for a supplementary grant it was decided to allow some men who were reduced with long service to take a certain amount of leave and their salaries came within this year. That caused part of this excess grant. The rest of it is accounted for by the Controller of Printing presenting a larger bill than was expected.

1092. *Mr. Rangaswami Iyengar.*—You mean to say that you had cut your establishment charges so fine that you were not able to find out that this extra expenditure would be incurred?

Mr. Parsons.—We got the estimates pretty nearly accurate except for the printing charges.

1093. *Mr. Joshi.*—What I want to know is this. Mr. Parsons says that this excess is due to certain changes in the personnel.

Mr. Parsons.—We reduced the establishment during the year and after we put up the supplementary grant we decided to give certain of the men reduced a certain amount of leave. The result of that was that certain leave charges came into payment in the course of 1925-26 and the balance in 1926-27.

Mr. Joshi.—My question is this. You make changes in the personnel to suit your work, there is no doubt about that, but should there not also be some financial consideration in the changes that you make? Suppose you find that you want to make a certain change in the personnel of your Board but you find there is no provision, should you not wait for some time?

Mr. Parsons.—You mean we should fail to secure economy because we have not sufficient money at the time? In that case my answer is No, we always endeavour to obtain economy at once.

1094. *Chairman.*—But an economy may involve supplementary sums.

Mr. Parsons.—In this particular case these people served us a long time and we thought it worthwhile giving them a little bit of leave in this particular year—a thousand rupees or so. I do not think we should postpone making an economy because a certain amount of initial expenditure will be incurred. You have not to pay the salaries of these men for the whole of this year.

1095. *Chairman.*—Mr. Joshi's point is supposing it occurred in circumstances when it was too late to get a supplementary grant and you realised that it would involve a supplementary grant, would you not postpone for a month until you got your Budget provision?

Mr. Parsons.—I do not think I should. I think it would be more in the interests of the Railways to get the economy straight off.

1096. *Chairman.*—Even to the extent of incurring an excess vote?

Mr. Parsons.—I should consider it more important to get the economy immediately, and I would like to put before the Committee my views generally on the question of these excess votes, though there are very few such votes here. We are attempting to get our revised estimates as near as possible. We do not allow a margin for excess votes. It is quite likely that we should err a bit more on the other side.

Mr. Joshi.—My point, if I may put it a little more bluntly, is this. You say you have done it for the sake of economy. I want to know whether the Department even for the sake of economy is justified in deliberately spending more money than is granted.

Chairman.—I would like to enforce that, Mr. Parsons. Supposing you put up a supplementary in February. There is not the same objection to that supplementary being slightly in excess of your actual requirements as there is when you are putting up an original estimate at the beginning of the year

in which the Budget is based. That is a separate point I was on here; but if after your supplementary is put up, which is late in February, you find that you will either have to incur an excess vote or postpone an economy involving the expenditure of more money on a voted service than has been sanctioned, deliberately, without the authority of the Assembly, then that expenditure ought not to be incurred.

1097. *Mr. Hayman.*—Supposing we make up our minds after we put in a supplementary that we want to bring an appointment under reduction by giving a gratuity or something of the sort, the payment it is true may involve an excess grant but we are convinced that we do not want the man after the 1st March, shall we keep him on till the 1st of April?

Chairman.—Certainly, unless you can produce a supplementary grant.

1098. *Mr. Rangaswami Iyengar.*—The whole point is if you do want to effect an economy by paying a gratuity, would it really matter if that gratuity is paid after the 1st of March.

* *Mr. Hayman.*—The gratuity is paid under the terms of the service agreement.

* *Chairman.*—If it is due under the contract on the 1st March, you must pay it on the 1st of March.

1099. *Mr. Rangaswami Iyengar.*—That is true but would it matter if you delay it for a few days so that you can put it in your Budget estimate.

Chairman.—In the absence of Parliamentary provision of a sum for paying that gratuity, you are not justified in paying it in spite of your contract. Parliamentary provision should have been obtained for meeting your contract.

Mr. Hayman.—The point arises very acutely in the case of Railways when we have sometimes to send away a lot of the establishment.

Chairman.—It cannot arise acutely between the time you prepare your supplementary estimate and the 1st April. If it does arise, I put it to this Committee that deliberately spending money over and above the provision made for the voted services by the Assembly is an offence which you ought to avoid at all costs.

Mr. Parsons.—In this particular case it did not arise.

Chairman.—No, but it arises out of your answer, Mr. Parsons.

Mr. Parsons.—I shall of course obey the orders of the Government of India.

Chairman.—The question is really of the supplementary estimate being reasonable and good.

Mr. Parsons.—It cannot be absolutely successful because I do not like myself asking for more in the supplementary estimate than I think is going to be spent, though I may be wrong.

Mr. Rangaswami Iyengar.—Between the two the other is the more serious offence.

Mr. Parsons.—Of course it would be preferable to have a margin on my side.

Chairman.—The difficulty this Committee has to face is that overestimating involves overbudgeting and overbudgeting leads to unnecessary taxation ; while underestimating involves the expenditure of money without the sanction of the Assembly. The best way out of that is to recognise that supplementary estimates are often unavoidable and some times even creditable. But deliberately spending money if you know that you have not got it seems to me to be an act that no one ought to commit.

Mr. B. Das.—It may be well if we recommend the Government to lay down definite rules in this matter.

Chairman.—Of course the point made by Mr. Parsons that we do not want to postpone an economy unnecessarily is a good one and such loss of money should be avoided but not at the expense of spending consciously money that Parliament has not provided.

Mr. Parsons.—It is in practice extremely difficult in all cases to put before the Assembly proposals for a supplementary grant in time. Of course I do not in the least wish to take away from the control of the Assembly, nor have we done so in this case.

1100. *Mr. Neogy.*—You could have foreseen this particular expenditure. It relates to the headquarters of the Railway Board.

Mr. Parsons.—We cannot get all the details.

1101. *Chairman.*—This was largely due to printing charges being brought to account after the end of the year. It is only a matter of Rs. 5,000 but the principle is one we have got to stick to, to justify our existence at all. Now we will take paragraph 44 of the Auditor General's letter :—

“ If the Accountant General has mentioned in his notes all the cases in which excesses under sub-heads have been covered by reappropriation the Public Accounts Committee will doubtless agree that too little attention has been paid to this important feature of financial control.”

Have you, Mr. Hartley, mentioned all the cases ?

Mr. Hartley.—Only one was left out—the Madras and Southern Mahratta Railway ; their report came in the other day.

Sir F. Gauntlett.—Mr. Hartley has drawn attention in paragraph 16 of his report that this is due to the fact that the decision to prepare the appropriation accounts by sub-heads corresponding to the sub-heads of demands was arrived at after the close of the year 1925-26 and the necessity for making re-appropriations within the sub-heads of a grant was not realised by the Railway Administration before this decision was communicated to them. I only draw attention to that because of what Mr. Hayman said that he actually had followed the procedure for every year.

1102. *Chairman*.—Then we come to Grant No. 2—Commercial Lines, page 84.

Mr. Neogy.—Here again there is an excess vote.

Mr. Parsons.—Here I must plead guilty. The only explanation of this excess is that given in the footnote—that certain officers whose pay is voted were transferred to certain posts of Government Inspectors for which provision was made under non-voted charges.

Mr. Rangaswami Iyengar.—Has there been a net saving ?

Mr. Parsons.—Yes, on the grant. The actual position was that two officers were posted as Government Inspectors.

Mr. Neogy.—When were the postings made ?

Mr. Parsons.—These two particular people were posted I think after we prepared our revised estimates.

Chairman.—The fact was that you did not realise its effect ?

Mr. Parsons.—I very much doubt whether it was brought to the notice of the Finance Branch. One officer was, I think, an officer of the East Indian Railway—his pay was votable. The postings were probably made after we put up the supplementary estimates.

Chairman.—The fact is that the administrative section did not bring it to the notice of the financial section. Can you take steps to stop this sort of thing ?

Mr. Parsons.—Yes. I must plead guilty on this occasion.

Chairman.—I always have sympathy when it is a question of voted and non-voted ; but you have now taken steps to stop that ?

Mr. Hayman.—Yes.

1103. *Chairman*.—Then we can have a statement that there was failure to inform the financial section and that steps will be taken to avoid that in future.

Grant No. 4—page 88.

Mr. Neogy.—We find that your estimates about the Lee Concessions were always in excess of actual requirements : almost invariably we find under some heads remarks like that “ Over-estimation of payments on account of Lee concessions ”.

Sir Frederic Gauntlett.—I have a general comment on that, Mr. Neogy, in paragraph 48 of my letter :—

“ The Railway Board when scrutinising the budgets might have checked more carefully the manner in which provision was made for payment of Lee concessions. The Madras and Southern Mahratta Railway made no provision whatever.”

I think that was the point with reference to errors and omissions in the budgeting.

Mr. Parsons.—The position was that the orders came out in February and I think special arrangements were made to pay the arrears before the end of the

year. What happened on the Madras and Southern Mahratta Railway was that they thought they had about 34 lakhs available from savings and then they found they had not.

Sir Frederic Gauntlett.—My point was that there was no provision whatever in the Budget estimates for the Madras and Southern Mahratta Railway.

Mr. Parsons.—I don't think it was agreed upon at that time.

Mr. Neogy.—But you made provision under some other Company-managed Railways.

Mr. Parsons.—My recollection is that we cut out the provision in the Budget. There was some discussion in the Assembly and it was agreed that we should prefer to put it up again. This particular railway had not originally provided anything.

Chairman.—You had a supplementary for the purpose of the Lee concessions money and you distributed that to various railways. In the case of the Madras and Southern Mahratta Railway you did not think it necessary to add any provision to their total requirements because you thought they had savings. It was not that there was no provision made.

On page 89 the Auditor General has a comment paragraph 45 of his letter—to the effect that the budgeting on the Bombay, Baroda and Central India Railway seems to have been poor.

Sir Frederic Gauntlett.—I was only comparing the original 299 lakhs against the actual expenditure of 365. That is an increase of about 23 per cent. Part of it is due to the Lee concessions.

Mr. Rangaswami Iyengar.—At page 90 also the same question again arises—the general question of leave salaries.

1104. *Sir Frederic Gauntlett.*—I have a question on that, Sir—why these delayed adjustments occurred on this Railway alone during the last quarter of 1924-25?

Mr. Hartley.—There were delays on other State Railways as well, though smaller delays. We got the statements from England some time, I think, about the 10th of May, and those had to be dealt with in my office and then distributed to the Railways. Under the rules the books have to be closed on the 10th May. There was a little delay in my office.

1105. *Mr. B. Das.*—I have a question to ask on page 90 about the Aden Railway. Is that going to be transferred to Great Britain or is it going to be an Indian Railway?

Mr. Hayman.—The question is now under consideration.

Mr. Parsons.—I have not seen the file myself. At the moment we have not transferred it. It is still in our control. I am afraid I cannot answer your question.

1106. *Mr. B. Das.*—Page 97. There is an excess here on the Madras and southern Mahratta Railway of Rs. 78,000.

1107. *Chairman*.—That is the same explanation—Lee concessions. Page 98. Attention is invited by the Auditor General to the comments of the Accountant General.

Sir Frederic Gauntlett.—The original estimate was 4,87. The actual expenditure was 606.

Chairman.—The explanation is really found at page 111. Other expenses show an excess.

Mr. Parsons.—It was due to defective budgeting.

Chairman.—Is there any other explanation besides defective budgeting ?

Mr. Parsons.—No. There was an increase in rates and taxes, but I think it was due to defective budgeting.

Sir Frederic Gauntlett.—Then on page 99 we come to that very curious transaction on the North-Western Railway which Mr. Parsons mentioned. It is in paragraph 77 of the Report and paragraph 18 of my letter.

Mr. Parsons.—The position is that we introduced the Divisional system on the North-Western Railway in the course of that year. The budget was put forward for the Administrative charges under the old departmental system and when the Agent distributed these grants, he did so taking into account the divisional system. The effect of the divisional system was to transfer a good many charges from one head to another.

Mr. Rangaswami Iyengar.—Would you find this excess under any other head ?

Mr. Parsons.—Whether there are excesses or not will depend on the original estimates. In the North-Western Railway, you will find increases under some heads, such as the engineering and it means that the salaries of certain people were quite definitely allocated.

Mr. Rangaswami Iyengar.—I understand your point. Can you show it in this report ?

1108. *Chairman*.—There is considerable overestimating under Grant 4. Is that set off by underestimating in the grant of the North-Western Railway in one or other of the other grants ?

Mr. Parsons.—I have not attempted to collect particular figures.

Mr. Rangaswami Iyengar.—Probably if you look into the North-Western Railway budget, you can find it out ?

Mr. Hayman.—We could not readily get a proper classification on the introduction of the divisional system as between Demand 4 and Demand 5.

1109. *Mr. Rangaswami Iyengar*.—On page 117 there is a big saving. How is it explained ?

Chairman.—Will it be difficult Mr. Parsons to put in a statement ?

Mr. Parsons.—I think it would be rather difficult. But I may say that the reason for this variation under the heads was the introduction of the divisional system.

Mr. Rangaswami Iyengar.—Therefore we must find out whether this thing which occurs here occurs elsewhere also ?

Mr. Parsons.—There is no overbudgeting.

Chairman.—If your explanation is that it was not overbudgeting, we want to assure ourselves whether it is so.

Mr. Parsons.—If we probably look into it, we can put in a statement.

Chairman.—What we want to be satisfied with is whether there was overbudgeting in the North-Western Railway.

Sir Frederic Gauntlett.—These variations are explained in the statement on the general question of overbudgeting.

Chairman.—You can put in a statement ?

Mr. Parsons.—Yes, if it is wanted.

Mr. B. Das.—When there is overbudgeting, I take it Mr. Parsons has the power of reappropriating from one head to the other.

Mr. Rangaswami Iyengar.—The whole excess has occurred because of the introduction of the divisional system, or is it really due to a case of bad overestimating ?

Mr. Parsons.—If you turn to paragraph 18 of the Auditor General's letter, you will see that there is no bad overestimating by the Agent when he distributed the sums under the various sub-heads. Paragraph 18 will show you that the Agent overestimated only under the head Agency.

Sir Frederic Gauntlett.—A general statement of the budget regarding the North-Western Railway is to be found at page 80.

Chairman.—This seems to be under the revenue head.

Mr. Parsons.—That is under head 5, Revenue—Repairs and Maintenance operations. The overestimating is partly due to the reasons I have already given. The trouble to start with is we do not spend as much as we expect.

Sir Frederic Gauntlett.—I have referred to the general question of overbudgeting. I think the statement on page 80 shows that the expenditure was nearly 124 lakhs less than the grant.

Chairman.—I do not think we need pursue that point any further.

1110. *Mr. Rangaswami Iyengar.*—In page 109 under contribution to the provident fund, the expenditure is less. Do you mean to say that you are not able to spend the sum budgeted ?

Mr. Parsons.—It is not very easy to say exactly what amount is required. We cannot make a correct forecast of what amount is required. It all depends on the date of retirement of the individuals.

Mr. Rangaswami Iyengar.—What is the difficulty in giving accurate figures ?

Mr. Parsons.—It is not easy to give accurate figures in a very large establishment where everybody is on the provident fund system. There are many casualties in the course of the year which we cannot foresee.

Chairman.—If you look at the explanation given by the Burma Railways you will find the reason for the variation.

Mr. B. Das.—Do all the superior Railway officials join the provident fund ?

Mr. Parsons.—In the State-managed railways the engineering officers used to have pensions, but the ones recruited now come under the provident fund.

1111. *Chairman.*—Have you any explanation for the great saving of over 17 per cent. on the rolling stock ? (Page 119).

Mr. Parsons.—I think 70 lakhs is due to automatic couplers, and about 15 lakhs due to special repairs. The chief railway is the North Western Railway.

Chairman.—That is due to economies over the railways.

Mr. Parsons.—Yes.

Mr. Rangaswami Iyengar.—Now that automatic couplers have been referred to I may say for the information of Mr. Parsons that a recommendation for nearly one crore was made for the automatic couplers. It was resolutely opposed by the non-official members as an unnecessary provision.

Mr. Parsons.—We must be very glad that it has not been spent.

Mr. Rangaswami Iyengar.—What I want to draw attention to is that when this provision was made, a motion for reduction was actually made in the Assembly and it was defeated at the instance of the Government on the ground that this provision was absolutely necessary. It now transpires that this provision was not at all necessary. Does this not show that this provision was made in the budget without proper enquiry ?

Mr. Parsons.—The position as I understand it is this. At that time they expected to be able to go ahead with the automatic couplers scheme. Everybody was of opinion that in that year they wanted money.

Mr. Rangaswami Iyengar.—May I state what my recollection is ? When this sum was budgeted for, we were told that this capital charge was meant as an additional improvement to the existing rolling stock and that it should be put to capital expenditure. As a matter of fact we were told by Mr. Sim that the actual expenditure was not capital cost but that it represented the cost of removing the existing couplers and paying for the new ones. He made a detailed statement in regard to this project and wanted to put in more than a crore of rupees. Then we found there was a great deal of controversy as to the expediency or practicability of this expenditure and we find now that the whole of this sum has lapsed. My point is whether we are right in assuming that there was no proper scrutiny on this provision. It ought to have been scrutinised more closely before provision was made in the budget.

Mr. Parsons.—I am afraid I am not prepared to admit that it was not properly scrutinised.

Mr. Joshi.—Have you given up the idea of automatic couplers ?

Mr. Parsons.—They are still examining what types of automatic coupler should be adopted and also about the cost. There is no doubt the cost will considerably increase over and above what we expected at the beginning.

Mr. Rangaswami Iyengar.—Even if the cost is more, it will not be a capital charge, it will be a revenue charge. Is it worth while pursuing it when the Assembly was against it ?

Mr. Parsons.—It is being examined. We shall see what the financial effect would be. Whether it is debited to capital account or revenue depends on the facts and the rules of allocation.

Mr. Neogy.—Have you anybody in your staff on whose advice you can depend regarding the purchase of machinery ?

Mr. Parsons.—Yes.

Mr. Neogy.—Or is it the new fangled idea of somebody not in the Railway ?

Mr. Parsons.—It is Mr. Wrench's proposal.

1112. *Chairman.*—It is really a general question. Provision is made for automatic couplers entailing considerable expenditure this year and in the end nothing has been spent. What is your justification for including the sum of 70 lakhs for this expenditure in the original estimates ?

Mr. Parsons.—Because at the time they expected to spend it, and subsequently they found difficulties in deciding on the type of automatic couplers that are to be used.

Chairman.—Surely at the time when the 70 lakhs was inserted you had reached a stage when you had decided on the particular kind of automatic coupler to be used ?

Mr. Hayman.—Yes, that is so. The technical side informed Mr. Sim that they would be able to decide within the year upon a particular class of automatic coupler, but there were difficulties about getting a suitable transition device. They hoped that they would be able to incur the expenditure in the course of the year. When this transition device question was being discussed, other questions arose. Naturally we are investigating the whole question. We want to adopt the most suitable form of coupler ; one which would be most economical.

Chairman.—It really comes to this, that provision was made for a particular expenditure before you had really arrived at a decision as to the particular kind of automatic coupler to be used ?

Mr. Hayman.—I would say, that this was partly so.

Chairman.—Is that a frequent case of overestimation ?

Mr. Parsons.—No. I do not think there are other cases in my experience.

Mr. Rangaswami Iyengar.—Are there not many cases in which this kind of provision is made ?

Mr. H. G. Cocke.—My recollection was that it was put as a tentative provision.

Mr. Rangaswami Iyengar.—My recollection is to the contrary. My recollection is they said " This is the first instalment. If this provision is finished, we will have to buy automatic couplers right through in all the railways which

could entail much larger expenditure. We are going to spend this sum this year and in subsequent years we will come for larger expenditure". Is it not rather strange to embark on a scheme like that without proper investigation or scrutiny and without any sort of check ?

Mr. Parsons.—There was a very careful check and scrutiny on the technical side.

Chairman.—I think we are entitled to make some comments because the technical officers were allowed to swell the budget by putting in this provision in the budget.

Sir Frederic Gauntlett.—I have made a general comment on that particular point. The point is, I presume, that after provision had been inserted in the budget, new estimates of the cost were prepared and this is the revised estimate of the cost.

Mr. Parsons.—We have not yet got a revised estimate of the cost. We have got some rough figures. We have not got anything like a correct estimate.

Sir Frederic Gauntlett.—Provision was made in the budget before final estimates were prepared.

Chairman.—That is admitted. It was one technical point which has been explained.

Mr. Parsons.—We have incurred a certain amount of small expenditure in experimenting with the various types. That is the only thing done.

1113. *Mr. Neogy.*—Why were the engines belonging to the North Western Railway transferred to East Indian Railway, Eastern Bengal Railway and the Sukkur Barrage ? Is it that the North Western Railway was overstocked with engines ?

Mr. Parsons.—Yes.

Mr. Neogy.—What is the reason ?

Mr. Parsons.—The reason is this. Previously it was always considered necessary to keep in reserve certain locomotives, for mobilization, over and above the requirements of railways. Subsequently partly because the lines on the frontier had been strengthened and brought into use, and the locomotives on the main line could be taken throughout the whole line, and partly because of the general arrangements over the whole railway, they admitted a transfer of engines without vitally affecting the internal services. This was the reason why they thought it to be unnecessary to keep so many locomotives actually in reserve for mobilisation purposes. Those are the main reasons for the overstocking.

Mr. Neogy.—Is it only the North Western Railway that keeps a reserve of locomotives ?

Mr. Parsons.—I think there is no other railway so far as mobilisation reserve is concerned.

1114. *Chairman.*—In page 120, under machinery and tools, there has been a consistent under-estimation ?

Mr. Hartley.—The mistake was in classification.

1115. *Mr. B. Das.*—Why is there so much of surplus stores so far as North Western Railway was concerned? There was only an expenditure of 64,000, whereas there was a stock of more than 3 crores. Was there any check by the Railway Board when the stores were indented for?

Mr. Hayman.—The Railway Board do check the indents. New stores would be purchased only when there was no stock.

Chairman.—I think the answer is quite simple. There is a check and every endeavour is made in ordering new stores to see the exact amount of stores already in stock.

1116. *Mr. B. Das.*—I have another suggestion to make regarding the system of preparation of the budget of the railways. The Assembly is given only this small book. It does not contain as much detail as the civil budget. Considering the way in which it is classified by the Accountant General, Railways, it is very difficult for the Assembly to criticise the railway budget. It would be much better if they are put in the same way as the civil budget.

Chairman.—That is a question to be decided by the Standing Finance Committee on Railways. They scrutinise the budget and they have prescribed the form in which it has to be prepared.

Mr. Rangaswami Iyengar.—My impression is that this very question was gone into by a special committee, and we decided that the general presentation of the budget should be under the heads which now appear.

Mr. Joshi.—I think Mr. Das' point is that the details of the grants also should be given in the budget book according to the different railways.

Chairman.—The pink book does contain those details.

Mr. Joshi.—That is true. My friend's point is that those details should also be given in the budget.

Mr. B. Das.—We can then criticise the budget much better.

Mr. Parsons.—I am afraid you will not find any general agreement on that point. We give details in the pink book and not in the railway budget with a view to prevent the members of the Assembly having to handle an unwieldy document.

Mr. Rangaswami Iyengar.—We used to get these details along with the financial statement in the foolscap size. We felt that that was a bewildering document. In consequence of a special report which the Auditor General had submitted to us, we introduced the present system. If my friend Mr. Das wants any information, I am sure it will be supplied by the Railway Board.

Chairman.—I am afraid Mr. Das is raising a question on which a decision had been arrived at two years ago.

Mr. Joshi.—My friend Mr. Das does not want all the details. In the estimates, he only wants the totals according to each railway. He does not want all the details.

Chairman.—The arrangement of railway budgeting is at present very much in the hands of the Standing Finance Committee on Railways. All these forms are approved by them. If the present system is to be changed, it has to be done by the Standing Committee.

Mr. Rangaswami Iyengar.—May I say one thing? I agree with Mr. Das in this sense that the pink books which are practically prepared by the railway administration give much fewer details for the use of the Assembly than what the other departments give. Generally we find we get very little light in the budget estimates of the railway administration.

Mr. Parsons.—The trouble is this. We are dealing with a much larger establishment than any other department. The members of the Assembly have very little time to go through big books. The whole question is to what extent it is in their interest to go through so many books.

Chairman.—The further discussion can be avoided. The point raised is one for the Standing Finance Committee on Railways.

Mr. B. Das.—I only want the items spent on each railway.

Mr. Parsons.—When the two budgets were separated the Standing Finance Committee on Railways specifically approved this system of preparing the budget.

Chairman.—If there is a feeling that the system should be changed, we must record in our reports that reference should be made to the Standing Finance Committee on Railways.

Mr. Rangaswami Iyengar pointed out that it was the established convention that in respect of the form of demands of grant the Public Accounts Committee should be the proper authority to be consulted.

Chairman.—I quite agree in general, but in this case it would be better to leave it to the Standing Finance Committee.

1117. *Mr. Cocke.*—I should like to call attention to the satisfactory figures of compensation and trust they will show more progress with the watch and ward staff.

Mr. Parsons.—The percentage of net amounts paid during the last quarter on the East India Railway was only .031—a considerable improvement on the figures before, which were 1.2 or 1.3. The latest statistics also show a very satisfactory percentage accompanied with a reduction in the cost of watch and ward and the staff engaged on claims, also a reduction in the number of unsettled claims.

Mr. Neogy drew attention to the saving under Aden Railways on page 128.

Mr. Hayman said that the Military Department at that time paid for the expenses on the section mentioned.

1118. *Chairman* called attention to the Auditor General's comment on pages 133 and 134—Capital—New Construction.

Mr. Parsons.—This is a new construction. We are not able to say quite definitely at the time the budget is prepared whether a particular railway would be taken up because ordinarily the survey has been undertaken the previous cold weather and we do not know the actual or probable results of the surveys by the time the budget is prepared. We therefore put in particular schemes and hope some of them at any rate will fructify. I think we ought to have a free-hand really to vary our programme irrespective of the 31st March. We

do get held up, particularly by land acquisition and are not able to spend as much on particular lines as we may hope we shall when we frame the estimates. In fact this is one of the reasons why we have adopted the lump cut expedient.

1119. *Chairman*.—What is the reason for the excess vote on page 132 ?

Mr. Parsons.—It was due to a system by which the amounts were entered in the accounts of the year while the payment was actually made during the following year ; the practice had now been altered and now corresponded to that of other railways.

1120. *Chairman*.—I would just draw the attention of the committee to page 3 of the report—paragraph 12—where the excess is shown as 152 under this head—whereas on page 132 it is given as 135. Which is correct ?

Mr. Hartley.—I cannot say from memory : I shall inquire.

1121. *Mr. Neogy*.—On page 133 again, the Auditor General refers to the Raipur-Parvatipur extension.

Mr. Parsons.—This is covered by the general explanation—we were not able to get on as quickly as we expected ; it is a big project connected with the new harbour at Vizagapatam. I think it is almost inevitable with regard to new projects ; I do not know of any method by which to prevent this : that is why we have resorted to this lump cut system.

1122. *Chairman*.—I am a little puzzled ; Account No. 7 states that the grant was 840 lakhs : on the budget in the next page the figure for probable savings is shown as 194 lakhs—total net voted 646 lakhs.

Mr. Parsons.—That is the lump sum cut.

Chairman.—I take it then that 646 is the grant sanctioned by the Assembly why do you not show it on page 134 ?

Mr. Parsons.—On page 134 we are comparing the expenditure with the allotments made to each railway.

Chairman.—But surely the first statement in the Appropriation Report ought to be the amount voted by the Assembly and unspent ?

Mr. Hayman.—We do not make a reduction by each railway.

Chairman.—It is, I think, important that we should have a table showing the actual vote of the Assembly and the actual expenditure incurred.

1123. *Chairman*.—On page 141, you have put in probable savings to get the right comparison.

Sir F. Gauntlett.—Even this very big lump out of 723 lakhs was not quite sufficient.

Chairman.—It was very near.

Mr. Parsons.—I think the Auditor General from his previous experience knows how extremely difficult it is.

1124. *Mr. Neogy*.—On page 147, there is a very large saving under East Indian Railway.

Chairman.—A very full explanation of the reasons is given : these are of course the individual cases which justify the lump cut.

1125. *Mr. Das.*—May I ask a general question in regard to Grant No. 8? The Government of India borrows money on the capital account for the railways, and if the railways over-estimate their budget and say they want 12 crores while they can actually spend only 8 crores the Government of India have to pay interest on the remainder. What is the safeguard?

Chairman.—This is a very important question that, I hope will be settled some day by an extension of the separation of the railway and general budgets, so that the railways will budget themselves and borrow themselves direct in the market on the security of railway stock. That is the future that I look forward to, but at present we borrow both for the provincial governments and for the railway department and we take the risk of borrowing an unduly large amount. In 1925-26, 1926-27 and 1927-28 we have not suffered any loss because we have not been misled by any of these estimates.

Mr. Parsons.—After all this was the first year that we tried this lump cut system and I hope the Committee will recognise that; also that this year's estimates were much better than previous ones.

Chairman explained the position further: this year they were keeping up the balances by means of treasury bills as things have worked out so that they were borrowing with reference to the monthly cash position and not really with reference to the railway estimates; the ways and means budget put before the Assembly was illustrative rather than accurate.

1126. *Mr. Das.*—Then I take it in 1925-26 the Government of India did not borrow in excess on behalf of the railways and provincial governments?

Chairman.—In that year we had nothing but a conversion loan. We financed all new capital expenditure from the balances and receipts from Post Office Cash Certificates, etc. Our balances had gone unduly high in a sense because one of the first things I did was to try and get rid of all treasury bills for the time being. As for the Finance Department correcting the mistakes of the Railway Department, I think Mr. Parsons is quite justified in claiming that he did not make any particularly bad mistake this year. We recognise that it is difficult to estimate very accurately in advance; but ultimately you do want to get to the position where the borrower is responsible for his own ways and means.

1127. *Mr. Joshi.*—The five year period for which Rs. 150 crores was borrowed is now over. Is it not due to the Assembly that you should now make a report as to what you have done, besides the information you have given in your annual reports?

Mr. Parsons.—That question was raised in the Assembly last session. We have explained definitely year by year what money has been spent and on what projects.

Chairman.—I think there is some misgiving about it and I am not at all sure that it would not be useful in order to clear it for the railway department to publish a fairly full statement of its capital expenditure going back to the date on which this programme was sanctioned.

Mr. Joshi.—My point is this: if you now think that nothing more is necessary than what you have given in the annual reports, why did you get your resolution passed for five years?

Chairman.—I think it is the same argument as Mr. Parsons used just now ; I was not there when it was done and I honestly do not think I would have done it ; but the argument used then was that the Acworth Committee had recommended that the railways were hopelessly hampered by the attitude of the Finance Department and that it was in the interests of India that a programme in the neighbourhood of Rs. 150 crores should be spent in the next five years to rehabilitate the railways ; it was the boom period.

Mr. Joshi.—Experience has proved that that estimate was a very great over estimate and that fact should appear somewhere in the report.

Chairman.—That has been stated over and over again ; but that particular resolution can be justified : I think the Assembly were absolutely right in insisting that there should be a real effort made to develop Indian railways—that was the real meaning of the resolution.

1128. *Sir Frederic Gauntlett.*—Page 171. There is an important point to be mentioned here, and that is, the figures do not agree with the corresponding figures in the Statement of Demand No. 10. That is why I called attention to it.

Chairman.—What was the demand ?

Mr. Hartley.—So far as the grant is concerned, the figure has been taken from the Board's budget. The figures under sub-heads are not those passed by the Assembly, but the total shown against the various sub-heads in this column have been taken from the budget books of individual railways prepared by the Railway Board.

Chairman.—After all, the comparison must be with the grant passed by the Assembly. That is an important point.

Sir Frederic Gauntlett.—I think we should emphasise that point.

Chairman.—What we are here to do is to compare expenditure with the grant.

1129. *Sir Frederic Gauntlett.*—I think the Railway Board might also look into the matter from their point of view. Page 179. I should like to know if the Financial Commissioner has power to allot from one head to another on this particular line ?

Mr. Parsons.—I can explain the point. It was the price at which this rolling stock stood in the books of the North Western Railway and was charged to capital. It was subsequently written back.

Chairman.—I suppose they stood in the books at a different figure from what they were sold at.

1130. *Chairman.*—Page 184. Here again the footnote seems to suggest that the Appropriation Report might be prepared in a slightly different way.

1131. *Mr. Neogy.*—Page 186. What are the advances made to the Arakan Light Railway under Subsidy ? I thought this railway was always a losing concern.

Mr. Parsons.—We had to pay them guarantees. At one time we thought that the payment should not be made, but we took legal advice, and we were advised to pay this amount.

Mr. Neogy.—Is this a proper head to charge? Did you pay this over and above the price that you settled?

Chairman.—The contract was such that we had to make payment not only of the sum required, but income-tax and supertax thereon. We bought that out now.

1132. *Mr. Das.*—Page 188. You have carried out new surveys for which you did not receive the sanction of the Assembly. I want to know what is the limit of the power of the Assembly in this matter and whether new surveys can be undertaken without the sanction of the Assembly?

Mr. Parsons.—So far as surveys are concerned, the answer is that almost every week, we get proposals to survey various possible railways, and within the limits of our grant which the Assembly gives us we take them up. We get suggestions from the Provincial Governments and from commercial bodies, and within the limits of our grant, we take up surveys which seem likely to produce profitable results.

Mr. Das.—If the project matures, I suppose it will be charged to its capital cost?

Mr. Parsons.—If we undertake the project, the expenditure is then written back.

1133. *Chairman.*—This original grant for surveys was Rs. 9,74. That was explained at the time to the Assembly as being for individual railways. These minor surveys correspond to the minor works.

Mr. Das.—I am referring to new projects.

Mr. Parsons.—We put down the new projects in the budget, and as far as we can we give the details of the surveys that we hope to be able to take up.

1134. *Mr. Neogy.*—Page 189. What is this Committee to examine the procedure for the disposal of scrap materials on the Oudh and Rohilkand Railway?

Mr. Parsons.—There were a few bad frauds on that Railway in connection with the disposal of scrap materials for auction, and we have had to put on an accounts man and an Engineer to thoroughly overhaul the procedure to see if it was right.

Sir Frederick Gauntlett.—That was called attention to in considerable detail in last year's Audit Report.

1135. *Mr. Rangaswamy Iyengar.*—I find that under these miscellaneous establishment charges, there have been numerous Committees appointed for which no grant was asked for. In some cases the expenditure very largely exceeded the sanctioned grant. Except in two cases, there has been excess of expenditure in all the rest?

Chairman.—How far was the Finance Committee consulted in this matter?

Mr. Parsons.—My general arrangement with the Standing Finance Committee is this. They are generally consulted on all proposals for permanent superior establishment, but I don't necessarily consult them on small Committees. There is no idea that I should consult them for a few thousands.

If I did so, the Committee would have to stay in Simla and Delhi during the whole year.

1136. *Mr. Rangaswamy Iyengar.*—There was a definite lump sum voted out of which you have spent only 1.5. Are not these Committees of the character described in 14-Miscellaneous Special Establishments ?

Mr. Neogy.—Are these establishments attached to the Railway Board or to the different Railways ?

Mr. Parsons.—All these Committees are under the Railway Board, and they generally submit their Report to the Railway Board.

Mr. Rangaswamy Iyengar.—Don't you think that if, as a matter of fact these Committees are a necessity to examine these things, you must ask for expenditure, or you must put down a special allotment for it ? Do you want these Committees every year ?

Mr. Parsons.—It is all experimental expenditure in the course of the year.

Mr. Rangaswamy Iyengar.—What I want to know is if it is necessary every year for the Railway Administration to have Committees should you not provide for those Committees by means of a grant ?

Mr. Parsons.—There are necessarily special inquiries in the course of the year some of which we cannot foresee. Where we know definitely about an inquiry, we come to the Assembly, but where we cannot foresee, we do not ask for a grant. Where we know at the time of the budget something about the inquiries, we always give details.

Mr. Neogy.—What are the considerations that determine as to whether a particular Committee or inquiry is to be mentioned specifically or is to be lumped up under 14 ? Is it the amount of expenditure ?

Mr. Parsons.—The actual procedure is that at the time the budget is framed, we give all details of the inquiries or Committee about which we know something ; the balance is the sum for various inquiries which in the course of the year it may become necessary to make.

Mr. Rangaswamy Iyengar.—I put it to you, Mr. Parsons, that you yourself particularise 13 items here for many of which you did not ask for any grants, and then it turns out that under all those heads you have had to spend money. If you had put all that under unforeseen expenditure, it would have been understandable.

Chairman.—It is not quite a satisfactory way. I think you may mention this and add a footnote. You could easily add a footnote to it and say "No estimate framed". It is only a question of form.

1137. *Chairman.*—Page 192. Did you take a supplementary for this ?

Mr. Parsons.—I think not. At present we have got no vote for it.

Chairman.—I am not at all sure if you do want a vote for it.

The Committee adjourned till 11 A.M. on Saturday, the 20th August 1927.

Evidence taken at the 15th meeting of the Public Accounts Committee held on Saturday, the 20th August at 11 a.m.

- (1) The Honourable Sir BASIL BLACKETT, K.C.B., K.C.S.I., *Chairman*.
- (2) Mr. H. G. COCKE.
- (3) Maulvi ABDUL MATIN CHOUDHURY.
- (4) Mr. B. DAS.
- (5) Mr. A. RANGASWAMI IYENGAR.
- (6) Mr. N. M. JOSHI.
- (7) Mr. K. C. NEOGY.
- (8) Mr. K. AHMED.
- (9) Sir FREDERIC GAUNTLETT, Auditor General.
- (10) Mr. J. M. HARTLEY, Accountant General, Railways.
- Mr. A. A. L. PARSONS, Financial Commissioner, Railways.
- Mr. A. M. HAYMAN, Director of Finance, Railways.

} *Members.*

} *Were also present.*

} *Witnesses.*

1138. *Chairman*.—Before we go on with the Railways, there was a question on page 447 with regard to the Central Government civil accounts, about which we decided to ask the railway representative. Page 447 under expenditure in England under the control of the High Commissioner—short recoveries of Rs. 1,86,000 under State railways. Anticipated recoveries did not materialise in the case of certain stores.

Mr. Parsons.—The explanation is that there was a lapse of about a crore each in the English material purchased by the East Indian Railway and the Great Indian Peninsula Railway. I don't know what the particulars were on the East Indian, but on the Great Indian Peninsula it was largely material for the electrification scheme. Therefore, the Stores Department did not get the percentage on the 2 millions as was expected.

With regard to the second part, I think the $\frac{1}{4}$ per cent. that is shown as charged is a clerical mistake for a half. The position is that our Consulting Electrical Engineers take direct charge of the purchase of these stores and the High Commissioner only did the shipping and accounting work. Therefore by definite agreement with him, instead of being charged the usual percentage (which I think is 2 per cent.) we were charged half per cent.

Mr. Das.—There was another question about the Postal Department.

Mr. Aravamudha Aiyangar.—The Director General has circulated a memorandum which shows that no action is necessary.

Page 193 of the Railway Appropriation Accounts.

1139. *Chairman.*—Appropriation to Reserve Fund. We just mentioned this last night. Here is an excess vote in circumstances in which it is almost impossible to avoid the risk of an excess vote. I don't know whether it will be possible for this committee.....

Mr. Rangaswami Iyengar.—I thought the Auditor General would be here. I think that this is a general question affecting the whole of the ways and means part of our budget. There are many parts of the budget, for instance, in which it is absolutely impossible for us to go on dealing with the question of over-estimating or under-estimating. Because there are instances in which loans are asked for private schemes, ways and means for various purposes, and in those cases we find that they take less and we have got to provide for more with the result that as a matter of fact there is no question of real expenditure involved. This is shown under the head of expenditure by reason of the fact that it affects the Central Government. I should like, Mr. Chairman, to examine the whole of this revenue position in the budget, and see exactly to what extent the verdict both of the Audit as well as of the Public Accounts Committee can improve the method on which we can deal with it. Take this excess vote of 50 lakhs. As a matter of fact, we ought to be thankful that it is there and there are many other cases in which provincial governments have asked for more money. The Government of course have taken to cutting down the estimates sent by the Railway Companies and I dare say the Central Government will in due course also cut down the total estimate required in a similar case. But I would like to examine the question: there are things like interest on debt, various reserve funds and various trust money where some people do draw the money which is due to them, some people don't. And in that way there is great variation in the budget figures. I should like to know whether it really forms part of the scrutiny which the Public Accounts Committee has to exercise over expenditure and if so what is the nature of the scrutiny which I dare say we are under duty to exercise but would it not be possible to separate these two aspects of the question? There are cases in which real expenditure is involved, where the revenue position is affected.

Mr. Parsons.—This question of the excess vote here arises only with reference to the appropriation to the Reserve Fund. It can also arise under working expenses. That is to say, it is quite conceivable that, however good my estimates are, I may get a rush of traffic—cotton or something—on my ordinary receipt side which will mean that I shall not have asked enough for my dependent expenditure.

Chairman.—Still, the working expenses raises a different area of thought. The trouble of course is we have applied or tried to apply wholesale to the Indian position the rules of appropriation which have grown up over a series

of years in England. Now the working expenses of a department, which necessarily depend on the volume of business offering, are obviously not a kind of expenditure that you want to control in the same way as the establishment of the Post Office or a Government Department or something of that sort. You obviously have got a different area of thought there. The point raised by Mr. Rangaswami is even more alien to the general idea of appropriation audit. This reserve fund is simply a book-keeping transaction and the actual amount of it must necessarily depend on the actual return. The figure is interesting from the ways and means point of view but the question whether there is an excess vote or whether a sufficient amount is provided in the estimate or whether the estimate is very wide of the mark has hardly anything whatever to do with the work of the Public Accounts Committee or the control which the Public Accounts Committee rightly exercises. And it does I think rather tend to obscure the real facts with which we are dealing when we mix up the figure of 50 lakhs of excess vote, which is obviously almost laudable, or at any rate something to congratulate ourselves on, with the heinous excess of Rs. 17,00 with which we were dealing the other day on another vote which may be due directly to failure to observe reasonable precautions in estimating and in controlling expenditure. There is one way we could do it fairly simply but I don't know whether it is altogether to be commended. For instance, when Mr. Parsons has arrived at an estimate that he is going to have 3,28,000 for a reserve fund, he might estimate for 4 lakhs. He might leave his figure of 3,28,000 as one which is to be used for ordinary budget purposes but he might put down the figure of 4 lakhs here recognising that it is an over-appropriation so as to avoid any question of an excess vote. The only other way is either to alter the Government of India Act or to ignore it. I don't think we can ignore it. So that I believe it really comes back to this that we must content ourselves with this until the Government of India Act is altered.

Mr. Rangaswami Iyengar.—How would you alter it ?

Chairman.—Well, I think that probably you might include a power to the Governor General after consultation with the Public Accounts Committee or something like that to declare non-votable (it almost comes to that) items of expenditure that are really only book-keeping or inter-departmental items.

Mr. Rangaswami Iyengar.—They can be put on what you call consolidated charges. All that we want is that separate transactions of this nature should be distinguished from the other, not that the scrutiny of the Legislature should be ignored. And therefore, we will put it in the list of votes which are more or less formal.

Mr. Cocke.—It seems to me, Sir, that we have got to recognise the vote, and I don't see how we can get away from it.

Chairman.—Of course, Mr. Rangaswami's point touches on another point of view, that the Public Accounts Committee is mainly concerned with scrutinising appropriation orders. I don't think that it is part of its business as such to become a committee of ways and means or to examine the ways and means side of the budget. You want rather a different kind of committee sitting at a different time of the year. The Standing Finance Committee confines itself purely to questions of expenditure.

Mr. Rangaswami Iyengar.—In any case, Sir, I don't think the scrutiny of the Legislature would be obviated. What I wish is to deal with expenditure which is of one character on the same principle as that employed for that of a different character. And therefore they should be separate, if possible.

Chairman.—We might have a paragraph in the report touching on this,—(It wants thinking out more than we have the time to do)—pointing out that this sort of excess is quite a different thing from excess vote and not really a significant figure at all.

Mr. Parsons.—I would like to have the remarks of the Committee on my appeal to them that they would also recognise the point I raised as to working expenses. I had no idea in my mind to take it away from the criticism of the Committee. But if more traffic offers, the necessity for an excess vote ought to be recognised. With the best intention in the world to avoid an excess vote, it may be absolutely unavoidable from the point of view of the Railway Department. I am not referring to the excess of Rs. 5,000 under Demand No. 1 or anything of that kind.

Page 194.

1140. *Chairman.*—This seems to be a very good estimate.

Page 195. Strategic lines.

Mr. Neogy.—On this I would like to know something about this frontier railway reserve under Miscellaneous.

Mr. Hayman.—We have to keep a certain amount of reserve material on the strategic lines which material could be employed at very short notice. We can't keep them in a regular stores depot at, say, Lahore. The expenditure in providing the reserve is kept under the strategic lines budget.

Mr. Neogy.—Since when has this been instituted ?

Mr. Hayman.—For a long time.

Chairman.—It has existed for a very long time but it has been brought definitely under the strategic lines and not kept under the ordinary working expenses or capital stores account, so as to bring it out clearly in its own place as part of strategic charges.

Mr. Joshi.—I want "operations other than fuel" to be explained.

Mr. Hayman.—You may have an operating staff moving from one portion of the line which is commercial to another which is strategic and you have got to find out the proper portion of the charge that is to be debited to one line or the other.

Mr. Joshi.—Lines are divided, even the strategic line is divided into commercial and strategic ?

Mr. Hayman.—The North Western Railway is divided into commercial and strategic and the strategic line commences at one point but you may be running your trains with your operating staff from a commercial point right on to strategic point. Then you have got to allocate the expenditure between the two. There are real difficulties in practice.

Mr. Parsons.—As a matter of fact, we can in certain circumstances go from a strategic line on to a commercial line.

Mr. Joshi.—Where does this North Western strategic line begin ?

Mr. Parsons.—I could give you a list. There are certain sections which are built for strategic reasons. As a matter of fact, there are some sections of the North Western Frontier Railway which are commercial.

Mr. Neogy.—Supposing a strategic line began to pay its way and prove profitable, would it then be classed as commercial.

Mr. Parsons.—We should consider the case.

Mr. Hartley.—It depends on the reasons for which it was built.

Mr. Neogy.—Who determines whether the line is to be deemed strategic or commercial.

Mr. Parsons.—The question is referred to the Finance Member. The classification of the existing lines was determined according as they were built or not built for strategic reasons.

Mr. Neogy.—Apart from the financial aspect.

Mr. Parsons.—That was the initial criterion. If you take an instance, the lines now being built in the Quetta direction (Fort Sandeman) are strategic. In any case I should always take it to the Finance Member.

Mr. Neogy.—Supposing the Army Department wants a particular line, is the Railway Department helpless about it and must as a matter of necessity build it ?

Mr. Parsons.—Now, take the recent case of the extension on to Fort Sandeman. We investigated the prospects and stated what we thought would be the loss in money. We then expressed our own opinion as to whether the line should be built or not. In certain cases like this particular case, there were reasons that if it was going to be built it would prove economical that it should be built straightaway. We returned the case to the Army Department who were requested to consult the Finance Department and Political Department.

Chairman.—It is a question for the Government of India, of course.

Mr. Parsons.—It is a question in which the Railway Department, after having put up all the information they can, give their own advice and leave the other Departments to decide.

Page 196.

1141. *Mr. Neogy.*—Here is again a reference to Reserve.

Under (6) "No allotments were made by the Railway Board out of the reserve." Which reserve is meant here ?

Chairman.—That is the supplementary provision of 3,19.

Mr. Hayman.—A certain amount was kept in reserve as we had not a proper estimate from the North Western Railway but we failed to make an allotment because we had not sufficient information at the time and up to the end of the year.

Chairman.—Still, there was no need to make an allotment for the year. The expenditure fell short.

Mr. Parsons.—Yes.

Mr. Neogy.—Is such a reserve kept usually?

Mr. Parsons.—We don't know why they wanted it, so we just put it down as reserve in the amounts to be distributed.

Mr. Neogy.—So, it is not a normal feature in your estimates?

Mr. Parsons.—No, it is not a head under which I should wish to have a reserve.

1142. *Mr. Rangaswami Iyengar.*—The Auditor General has a note on page 196. Under (3) "The Public Accounts Committee may wish to inquire whether it was known that this rolling stock....."

Mr. Parsons.—We were not aware that that rolling stock had to be sold.

Mr. Rangaswami Iyengar.—Originally you made no provision for rolling stock. Then you went to the Finance Committee with a supplementary demand for Rs. 12,48,000. As a matter of fact there is a *minus* expenditure.

Chairman.—The point is that your supplementary was entirely unnecessary and if you knew that the rolling stock was going to be sold at the time that you presented the supplementary.

Mr. Parsons.—We didn't in fact know.

Mr. Rangaswami Iyengar.—But you didn't provide for it originally. You thought there was no need for providing for any rolling stock on these strategic lines. Then subsequently you said we want 12½ lakhs. How did that arise? And then as a matter of fact you found 12½ lakhs were not required.

Mr. Hayman.—I think I can explain the position. The total value of the rolling stock on the North Western Railway including commercial and strategic lines, is divided between the commercial and strategic lines in accordance with certain formula. The formula being the engine mileage and train mileage. So you cannot make a very good estimate at the beginning of the year because it depends on the traffic on each section. So later on in the year we came to find out that under the formula the debit against strategic railways was Rs. 12,48,000. We didn't know then that a certain amount of rolling stock on these lines would be sold.

Page 197.

1143. *Mr. Neogy.*—Under (c) there is a remark "The lapse under IndiaTirhoot State Railway". The Tirhoot State Railway was worked by the Bengal and North Western Railway. Have they since purchased it altogether?

Mr. Parsons.—Oh no. It is a State-owned line worked by them.

Mr. Neogy.—But why should they raise this debenture?

Mr. Hayman.—This requires a very long explanation. Arrangements for providing funds on the Bengal and North Western Railway have grown

up in different ways. You have three forms of capital ; the capital provided by the Secretary of State for the Tirhoot State Railway ; the capital provided by the old Company raised on their own guarantee for capital expenditure on the company railway ; then the capital provided on the guarantee of the net earnings namely a sort of joint capital which could be utilised either on the State property or on the Company's property.

Chairman.—The simple point is this—leaving out the State Railway for the moment, you try to keep a definite proportion between the capital provided by the Company on its own credit and the capital provided by the Secretary of State for the line. You try to keep the proportions level. I don't mean absolutely equal, but level. Then the State Railway came in and would have upset that level unless you dealt with them specially by that means.

Mr. Hayman.—Not quite that, Sir. The Bengal and North Western Railway belongs to the Company, the Tirhoot State Railway is a Government-owned Railway worked by the Bengal and North-Western. Both together are known as the Bengal and North Western Railway system. The Bengal and North Western Railway for their own property first provided capital entirely on their own guarantee. For the Tirhoot State Railway the Secretary of State gave advances. Later, there were extensions to both systems and money was required for the capital cost of the open line requirements for all these lines, that is for the Bengal and North Western and the Tirhoot Railway and their extensions, and money was raised by joint debenture stock on the guarantee of the net earnings of the lines.

That money was apportioned from time to time between these two systems in accordance with the capital requirements, each paying their interest charges separately from their net earnings.

Mr. Parsons.—Let us assume for the moment (it is very far from the fact) that the original Bengal and North Western cost £100,000. That money was raised by the Company without any guarantee. The original Tirhoot railway cost another £100,000. That money was raised by the Secretary of State, and of course he is responsible for it. When both had been built, capital expenditure was still incurred on the system as a whole, that is another £100,000. That capital is subsequently distributed between the Bengal and North Western Railway Company and the Secretary of State according to how it was expended on each line. The whole of this capital however, is raised under a guarantee of the net earnings and this transaction referred to here is merely the exchange on the money which we have to send home to the Secretary of State without paying the interest on our portion of the £100,000. Is that more or less clear ?

Page 198.

1144. *Mr. Neogy.*—Under (1) renewal instead of replacement by fresh capital of debentures. What was this due to ?

Chairman.—I think I can answer that. This is really a ways and means question. There are certain outstanding debentures of various terms, most of them now short term, on the market in London. As they mature, according to the ways and means position they are either paid off or renewed or they

may be replaced by a fresh issue of capital stock of the company or something of that sort.

Mr. Rangaswami Iyengar.—You find it more expedient to renew the debenture rather than increase capital of the company.

Page 199.

1145. *Mr. Cocks.*—Why do we get a certificate of formal audit for the East Indian Railway and not for other Railways ?

Mr. Parsons.—Because the accounts of that railway are under the experimental separation of accounts and audit under me, whereas the account of the other State railways are under the Auditor General.

1146. *Mr. Neogy.*—Why are there not certificates in the case of company-managed railways given by the Government Examiners of Accounts ? Why don't you incorporate that here in the same way ?

Mr. Hartley.—Because they are given on the published accounts.

Chairman.—That certificate is not on the appropriation account but on the balance sheet.

1147. *Chairman.*—Sir Frederic, do you think the appendix is taken here ?

Sir F. Gauntlett.—It is just part of the letter press.

Mr. Parsons.—I can give a general explanation.

1148. *Mr. Neogy.*—May I know if this appendix is taken from any report made by Mr. Mitra or if it has been written up.

Mr. Hartley.—It is Mr. Mitra's report. In places I may have had to leave things out or to word it differently.

1149. *Mr. Cocks.*—In paragraph 4 there are 22 examples of irregularities. Is this the first year that this has been examined ?

Mr. Parsons.—Previously there was an Examiner of Accounts. This was the year in which the East Indian Railway came over to us and an extended audit was applied by Sir Frederic's officers.

These were not all irregularities. The position of the East Indian Railway was that their procedure was different from that of other State railways. I don't in the least say that their procedure was as good. But I don't think all these differences in system can be said to be irregularities. I am very glad they have been brought to our notice.

1150. *Mr. Neogy.*—Have we got sufficient experience of the system to say that this separation has resulted in an improvement not only upon the old company system as was obtaining on the East Indian Railway but also over the system of working on the State railways ?

Sir F. Gauntlett.—I think the answer is that it is very difficult to disentangle two causes which have been at work. There has been the taking over of the East Indian by the State,—the scrutiny of the old system of accounts which differs, as Mr. Parsons has explained, in some respects from the

State system of accounts, and there is also at the same time the independent audit. My own personal feeling is that we have discovered more in the first year of independent audit on the East Indian than we should have, say, on the North Western.

1151. *Mr. Neogy*.—Do I take it that if the State system of auditing were introduced on the East Indian Railway, then these irregularities might not have come to light ?

Sir F. Gauntlett.—I would not say that. But I quite agree with what I think is underlying your remarks that we cannot get a decisive answer to the question whether the separation is inherently beneficial until we apply it to a State Railway.

1152. *Mr. Neogy*.—Would it be correct to say that although we are making this experiment, there has been no important change in the constitution of the Accounts Department in the East Indian Railway even under the new system and it has remained practically the same as in the days of the Company ?

Mr. Parsons.—I should not subscribe to that myself.

1153. *Mr. Neogy*.—Supposing that was the view of the audit officer himself, Mr. Mitra, would you differ from him ?

Mr. Hayman.—It is not in accordance with the facts.

Mr. Neogy.—There is an extract from the audit report of Mr. Mitra in the newspapers : Mr. Mitra states in the introduction that ' it is no doubt true that many of the difficulties noticed in the work of the internal check had been in existence for a long time and may be said to be a legacy from the old days, but after the State took over the management, there has been no important change in the constitution of the Accounts Department and it has remained practically the same as in the Company days. It would therefore be hard, save for some outside influence to change these methods of work '. I find, Sir, that this observation has been omitted from this appendix, although the Accountant General, Railways was understood to say that this appendix was practically a reproduction of Mr. Mitra's note subject to certain verbal alterations. This is a most important point, and I think he should explain the reason why he thought it necessary to do so.

Mr. Hartley.—It must have been because I did not quite agree with what Mr. Mitra said there.

Chairman.—It is a little bit awkward to go behind to some other report which is not the report before us, but I do not want to stop this interesting discussion.

Mr. Hartley.—Mr. Mitra is a Chief Auditor under me the same as other Chief Auditors of State-worked railways. His report is a report to me and in preparing my report therefrom I should of course omit those portions of his report in which I did not agree.

1154. *Mr. Neogy*.—Am I entitled to point out that so far as the accounts side of the system is concerned, there has been no improvement even on the report of the audit officer himself ?

Mr. Hayman.—I understand that this report of Mr. Mitra's is the report for the year 1925-26. We took over the East Indian Railway under the separation proposals on the 1st December 1925. The first task we were confronted with was that there were serious arrears of work. This was due to two reasons. One was the amalgamation of the Oudh and Rohilkhand Railway with the East Indian Railway office. The second was the introduction of the divisional system of accounting, which was a very big measure. For three or four months, from December to March, we did not introduce any changes because we thought we would be foolish to do so. We thought we should tackle the arrears first. Since then under the direction of the Financial Commissioner very considerable changes have been made and you will hear about them later.

1155. *Mr. Neogy.*—I take it then that it is premature to make an observation like this that this change of system has led to remarkable results, on the statement made by Mr. Hayman just now ?

Sir F. Gauntlett.—In so far as it was a statement of fact relative to three months' work, it is correct because during those three months, as Mr. Hayman says, no changes were made, but the fact remains that Mr. Hayman assures us that since then there have been very considerable changes. But if you ask me what my opinion is of the result of those first four months of Mr. Mitra's work, my opinion is that it is a very successful result. From the audit side I am thoroughly satisfied.

1156. *Mr. Neogy.*—Can we say that similar irregularities may be going on over company-managed railways at the present moment ?

Sir F. Gauntlett.—We have our Government Examiners. The point there is that the Government Examiner works with a very small staff, and the instructions which obtained certainly up to a year or two ago, were practically to the effect that the Government Examiner was not to apply any minute check to those aspects of the accounts administration in which the interests of the Company and Government were the same. The auditor is confined to the points at which there was diversity of interest so that he can safeguard Government interests. He assured that the organization and administration of the accounts office were good. Of course we had the checking work done in these various company offices by test audit for three or four years, but if you ask me whether the result of this experiment is such as to induce me to ask for a larger staff for the Government Examiner, I say that every time.

Chairman.—I do not suppose really that this will affect anything in our report ?

Mr. Neogy.—We might point out the necessity of giving extra staff for the Government Examiners.

Mr. Hartley.—A report is under preparation now on the experiment of the extended audit in two Government Examiners' offices, one in Bombay and the other in Calcutta (the Bengal Nagpur and the Bombay, Baroda and Central India).

1157. *Mr. Rangaswami Iyengar.*—Would the bringing to light of the irregularities by the system of audit now on the East Indian Railway enable your Government Examiners for Companies' lines to improve matters ?

Sir F. Gauntlett.—Yes, if they had the staff and of course if we could get the co-operation of the Railway Board in insisting on their putting their houses in order, and that is a practical difficulty, because possibly there is a reluctance on the part of the Railway Board to interfere in minute details of administration.

Mr. Parsons.—I won't say that. Generally, we have to consider any proposal of that kind very carefully and in the light of the rights and obligations arising out of the contracts with the Railway Companies.

Mr. Rangaswami Iyengar.—I think it is a matter to which a reference should be made in our report, to this extent that with regard to this question of audit the position of the Government auditor in regard to Companies' lines differs in some respects, and it should be considered in the light of all these irregularities on the East Indian Railway brought out whether we cannot take steps to find out whether similar irregularities exist in other railways if necessary by means of additional staff and what improvements can be effected, subject to the rights and obligations arising out of the contracts with the Railway Companies. I should like Mr. Parsons to examine the contracts to see how far they enable you to exercise a closer supervision.

• *Mr. Parsons.*—I should have to do it for each individual railway.

1158. *Mr. Rangaswami Iyengar.*—The only point I want to put to Mr. Parsons is whether it is not worth while to get legal opinion exactly on the difficulties that he has found in enforcing supervision.

Mr. Parsons.—I do not know that we have had any special difficulties and in order to take legal opinion we should have to have a concrete case, I think.

Chairman.—The point then is this, that the Committee would like the question taken up whether in the light of experience gained on the East Indian Railway, improvements in the audit of Company lines can be introduced by means of an increase of staff of the Government Examiners, and that in that connection the question of the powers of the Railway Board under the contracts be examined.

1159. *Mr. B. Das.*—There is one point. The Accountant General, Railways, here gives as an appendix the report of the auditor. I thought the extract from the auditor's note would have been given by the Auditor General himself and not by the Accountant General; here we have seen a certain paragraph which went to criticize certain defects which had been omitted from this report.

Chairman.—This appendix is to the report of the Accountant General. He is perfectly entitled to put it in. He has told us quite frankly that he has as a matter of fact plagiarised; but that is not strictly our affair.

1160. *Mr. Joshi.*—We find from the experience of the East Indian Railway that the auditing on company-managed railways is not quite as good as on State railways; it is said that we can improve it by giving a larger staff. Is it not possible that these difficulties are due to the fact that the auditors on the company-managed railways are not independent of the Agents?

Chairman.—We cannot go back to that question; we have had it twice before.

1161. I want to suggest to the Committee that although it is perfectly true that certain defects have been found here, they are making more of those difficulties than is entirely justified. I do not want to quarrel with the view that probably auditing is better on the State railways than on the others, but there is a certain amount of begging of the question.

Have you, Mr. Parsons, any statement to make on paragraph 3 ?

Mr. Parsons.—Mr. Hayman has actually made a preliminary statement as to why [there were difficulties in the accounts office of the East Indian Railway, chiefly owing to the introduction of the divisional system and also to the amalgamation of the Oudh and Rohilkhand Railway with the East Indian Railway. That is the main reason I think for the large amount of arrears to which the Auditor General called attention.] It was very difficult to separate out the accounts, and they did get into arrears.

Paragraph 3.—The Traffic Book, Capital Works and other registers are up to date, but there are certain Oudh and Rohilkhand outstandings which are still being investigated. The Provident Fund registers are not yet up to date. We have made special arrangements including the use of machines which will bring them up to date very shortly.

I think generally you, Mr. Hartley, will support me that there has been a considerable improvement ?

Mr. Hartley.—Yes.

Mr. Parsons.—*No. I.*—Suggestions have been accepted.

No. II.—Instructions have been issued and I think there is no further trouble.

No. III.—Introduced.

No. IV.—Records of service already being maintained for State Railway and Companies officers and those appointed after 31st December 1924. Supply of forms being indented for all the other staffs ; a start is being made with the work.

No. V.—The East Indian Railway have prepared a price list but that is not at the moment a final price list because it depends upon a matter which we shall subsequently deal with.

Nos. VI & VII.—Stock verifications—This have been dealt with.

No. VIII.—Arrangements have been made to reduce the balances materially.

No. IX.—The levy of the charges is now made at all depots.

No. X.—They are now levying these charges. The East Indian procedure was different from that on State Railways ; personally I think it was defective. Such issue of fuel has been stopped.

No. XII. Sir F. Gauntlett.—It is I think essential that the representative of the Locomotive Department receiving stores into a workshop should be a man of status : that question of status arose very prominently in the Delhi case. One might suggest that such very valuable stuff ought not to be entrusted to a man who is comparatively low-paid.

Mr. Parsons.—The present position is that the weighing of materials at the time of issue is witnessed by the foreman or his assistant.

No. XIII.—They have made arrangements and this is being done.

No. XIV.—The chief accounts officer has made the necessary arrangements.

No. XV.—The rates are now revised periodically. The credit balances actually referred to were due to inaccurate estimates. Arrangements have been made to revise the estimates.

No. XVI.—This matter is under consideration. The question here is whether, when a holiday comes and a workman does not happen to be present either on the day before or on the day after the holiday he should get the benefit of the holiday. I understand the view of the administration is the one which Mr. Joshi will approve, that probably he should get the benefit of the holiday. That is still under examination but I understand that is the view.

No. XVII.—They have taken steps which will very largely reduce the amount of private work.

1162. *Mr. Joshi.*—Is it not advisable to stop this ?

Mr. Parsons.—If a workshop is not full of work, work of that kind enables us to keep the staff and carry on. I do not think it is a thing we should try to extend.

Mr. Cocke.—The result of that, Mr. Joshi, would be that certain workmen will be dismissed.

Mr. Joshi.—But there are also other troubles on account of officers getting their work done. I have had several complaints.

Mr. Parsons.—Instructions have been issued by the Chief Mechanical Engineer in June 1926 that no article or repair that can be obtained or undertaken in the open market or by an outside agency should in future be manufactured or executed in the railway workshops and that his prior approval is necessary to any work being undertaken for persons not directly connected with the railway.

Mr. Rangaswami Iyengar.—If you have got a workshop the temptation is for the officer to send it to the workshop on the ground that there is no repairing shop near by ?

Mr. Hartley.—In some cases officers find that Railway workshop charges are heavy owing to high overhead charges.

Mr. Parsons.—One has got to go to the Chief Mechanical Engineer before he gets such work done, and I should myself have thought that sufficient.

Chairman.—We might mention it needs watching.

No. XVIII.—Necessary instructions have been issued.

No. XX.—The question whether the invoice checking section should be strengthened is being considered. The point is whether it is worth while to put in a number of supervising and checking staff and whether that will prevent defective weighments to an extent that would justify its existence.

Mr. Hayman. No. XXI.—We have to admit that the procedure in force on the East Indian Railway is not as good as it ought to have been. A certain

amount of accounts work was being done by the Operating Department. Mr. Parsons during his last visit to Calcutta went into this matter and we have asked the Chief Accounts Officer to investigate the whole matter. A certain amount of the accounts work is being done by the Operating Department, and the Chief Accounts Officer has been asked to see whether he could not take over all the accounts work from the Operating Departments. We hope to receive a report soon and we hope also that all defects will be removed.

1163. *Chairman*.—No. *XXII*.

Mr. Rangaswami Iyengar.—I quite agree with what Mr. Parsons has said here, but I think the multiplication of supervising officers is scarcely a cure, because the cases generally show inadequate supervision on the part of these men.

Chairman.—There is the further point that it is important that there should be supervision even if it does not pay its way in order to prevent encouragement of dishonesty.

Mr. Parsons.—I was not thinking so much of the finance of the matter as of the cases in which the railways can be defrauded by collusion between the railway officials and the public, which are very difficult to deal with.

Mr. Rangaswami Iyengar.—Take the case of these luggage charges. I feel that no amount of supervising staff can prevent these things, and I think it would be best on the whole not to have these meticulous rules, but some simple easily worked rules. Sometimes at present they are strictly enforced and sometimes not. I take it there is no idea of making revenue out of them.

Mr. Parsons.—We do expect to make some revenue. The concession we make is provided in the free allowance.

1164. *Mr. Rangaswami Iyengar*.—My point is, is all this recurring expenditure on a huge staff worth while.

Mr. Hartley.—The staff more than pays its way.

Chairman.—I think the feeling of the Committee is this, that you make rather light of *XX* and *XXII*.

Mr. Parsons.—I had no intention of doing so at all. I think both important. It is a matter with which the Railway Administrations deal from day to day, and it is a question of the extent to which supervising staff can be put on. I will take this question up with the East Indian Railway and find out what the Chief Accounts Officer thinks should be done.

Mr. Hayman.—To show that we really have taken the matter seriously we have as an experiment put on staff to check invoices, cent. per cent. That is with regard to item *XX*. Item *XXII* has reference to matters dealt with by other Departments, and we will go into it with them.

Chairman.—I do not quite like this distinction between the Railway Departments. But I think the Committee is entirely satisfied with Mr. Parsons' statement.

1165. *Sir Frederic Gauntlett*.—Has the Chief Accounts Officer put up any reasons why many of these defects in the system have not been attended to

before ; because they seem very obvious and the fact of this amalgamation has not affected the reasons?

Mr. Parsons.—I do not think I have any general explanation of that fact from the Chief Accounts Officer. When I was there my own feeling was that under the old Departmental system there was some lack of co-ordination between the Heads of Departments. My feeling was that instead of the Chief Accounts Officer going in and talking to the Chief Engineer or whoever it may be, he wrote letters, and therefore these things were not dealt with as thoroughly as I should like. As a whole we agree with the criticism made by the Accountant General and are taking steps to improve the position. I have not been given any definite explanation, and what I have stated is the impression I have gained in going into it.

1166. *Chairman.*—We now come to page 1 of the report, section 1, General Review—Reappropriations. Paragraph 7.

Mr. Rangaswami Iyengar.—Did you explain on what basis you cut down the estimates of the Railway Administrations ?

Mr. Parsons.—We made the best guess we could of what they were likely to spend ; what we thought was likely to be their capacity to spend.

1167. *Chairman.*—Paragraph 9.

Mr. Joshi.—It would appear from the last sentence that larger cuts are necessary.

Mr. Parsons.—In this particular year it was. But last year our lump sum cut was rather too large, and we had to get a supplementary grant for capital expenditure.

1168. *Chairman.*—Paragraph 11.

Mr. Rangaswami Iyengar.—Is this part of the steps taken to make your estimate accurate ? Has this investigation been completed ?

Mr. Parsons.—I hope to get the report at the end of this month. I cannot say whether the estimates received this year from Railway Administrations will be any better.

Chairman.—Paragraph 12. We have dealt with excess grants. We shall have to recommend these to the Assembly.

1169. *Chairman.*—Paragraph 14.

Mr. B. Das.—I object to the transfer of officials from the voted to the non-voted side.

Mr. Parsons.—May I say straight off that it is quite impossible for me to accept that. Take an easy case, that of the inspection staff, who are responsible for the safety of the travelling public. They are selected from the engineers of all the railways. If they happen to be East Indian Railway officers they will be 'voted.' If they happen to be North Western Railway men they will be non-voted. I cannot avoid it.

Chairman.—I think the Committee is well aware that its work is very nearly doubled because of this difference in voted and non-voted.

1170. *Mr. Joshi.*—That is true. But if you read both 14 and 15 you will find that a large number of non-voted officers were appointed to voted posts, while there was only one voted officer appointed to a non-voted post. It is really checking Indianization.

Mr. Parsons.—It is doing nothing of the kind. We have a staff of officers whom we move about as the needs of the administrations require. A certain number are at present non-voted while an increasing number are voted.

1171. *Chairman.*—Paragraph 15. Here is a note by the Auditor General.

Sir Frederic Gauntlett.—The point which really arises out of 15 is that the whole of it is illegal. It is recognized right through that you cannot transfer money from one grant to another.

Chairman.—It is really something which has no meaning. No Department can formally make a transfer from a voted to a non-voted grant. It must apply for an additional grant.

Mr. Rangaswami Iyengar.—The position is that it must ask the Assembly for an additional grant. Only the Government as a whole has the power. That is really the question I want to ask the Auditor General.

Sir Frederic Gauntlett.—My answer will be the same as it was 3 weeks ago.

Chairman.—That is common to any Government. The distinction between voted and non-voted is a particular form. If it budgets at the beginning of the year for a balance of just a few pounds or rupees, and if in the course of the year there are savings in expenditure under certain heads, and increases of revenue under certain heads, it either ends the year with a large surplus or it may, either by asking the Assembly to vote additional sums for particular voted grants or by giving additional sums for non-voted purposes, use up some of that saving. But if you examine the accounts for the five years I have been responsible for the finances of the Government of India, you will find that the complaint against me is that every year I have finished up with a fairly large surplus which I have not appropriated to any other grant.

Mr. Rangaswami Iyengar.—I am misunderstood. I do not suggest that the Finance Department has not made the utmost savings. But my real point is that when the Assembly votes a certain sum and that sum is not spent, has the Assembly no power in regard to the reappropriation of that saving to some other grant ?

1172. *Mr. Neogy.*—I think there is a special point which arises in regard to Railway Department in this connection. I think the position is that if there is a saving under a voted head that saving ought to be absorbed in the general balances ; and if any further non-voted expenditure is required, that can be met from those general savings forming part of the general balances.

Chairman.—The savings on the railway budget now go to the railway reserve, subject of course to the Government's share in the surplus. The best answer which can be made to this point is, I think, that undoubtedly if the Assembly find cases in which they think that Government have taken advantage of savings on voted expenditure to incur large additional expenditure on non-voted items, then it is a matter not so much for this Committee as for the

Assembly as a whole, and this Committee might draw attention to it. But I should like respectfully to challenge any member of this Committee to say if he knows of any definite case of that kind.

Mr. Neogy.—Having regard to Mr. Parsons' peculiar position—for in one capacity he is Financial Commissioner for Railways and in another capacity he exercises the functions of the Finance Department of the Government of India—suppose a saving is made in a voted grant and it is absorbed in the general balances, then he can in his capacity as representing the Finance Department very easily reappropriate from that saving for a non-voted purpose.

Mr. Parsons.—In regard to the special position of the Railway Department, here actually the Assembly has I think a larger safeguard than anywhere else, because I place before the Standing Finance Committee all large schemes irrespective of whether the expenditure on them is voted or non-voted.

Chairman.—I think Mr. Neogy's question assumes more independence on Mr. Parsons' part of the Finance Department than I should like to admit. As the Finance Member I have a watching brief and I am sure he would not do a thing like that without coming to me. The interests of the general taxpayer and of the Finance Department of the Railways are united in the person of myself as the representative of the Finance Department.

Mr. Parsons.—I may say also that the question of large expenditure on non-voted heads does not arise, because as you know the only non-voted item is one of salaries of certain officers.

Mr. Rangaswami Iyengar.—I desire, Sir, that I should not be misunderstood. I accept unreservedly the position as put by the Finance Department that in cases where it does appear that Government has saved on the voted to spend on the non-voted, it would be within the competence of this Committee to ask the Assembly to deal with it. I accept that and desire to say that I do not say that any such thing has actually taken place or would take place so long as you are in charge of the Finance Department.

Sir Frederic Gauntlett.—I think the logical sequence to your arguments is that there ought to be separate powers for voted and non-voted.

Chairman.—It would be a very unhappy thing from the point of view of general finance. I think one can easily exaggerate the importance of this subject, because the number of purposes on which the Government can optionally spend non-voted money is extraordinarily small. They cannot add a large staff of non-voted people, because quite apart from the Secretary of State's approval, it involves a very much larger voted expenditure. The one direction in which the savings from voted grants may be spent—and there is always a possibility of that—is for military purposes.

Mr. Parsons.—I never sanction transfers from a voted to a non-voted grant. I am not quite sure of the correctness of paragraph 15.

Chairman.—As I say, a non-voted grant is nearly always for the purpose of expenditure on a few non-voted items associated with a large number of voted items. You cannot really increase your civil expenditure merely by additions to non-voted. You must trust the Finance Department.

1173. *Chairman*.—Paragraph 19.

Mr. Parsons.—All the items have been settled with the exception of one which was a colliery owned jointly by the Bengal Nagpur and East Indian Railways. The reason why it was not settled is because negotiations between the two companies have been going on. I know those negotiations have now been completed and I expect that this case also has since been settled, though I am not quite sure.

Paragraph 22.

1174. *Mr. Joshi*.—There is a sentence : “ which only indicates the weakness of internal audit under company-managed railways ”.

Chairman.—We threshed that out and came to some conclusion.

Sir Frederic Gauntlett.—I think the position was that it would necessitate alteration of contract.

1175. *Mr. Neogy*.—How does the position of the Accounts Officer on the East Indian Railway differ from the position occupied by the internal audit under company management? Is he not also answerable to the Agent? And does he not ordinarily carry out the Agent's instructions?

Mr. Parsons.—He is answerable to the Agent, but if he disagrees with the instructions he refers to me.

Mr. Neogy.—Ordinarily he is bound to carry out his orders?

Mr. Parsons.—It is more a question of co-operation.

Chairman.—It must be remembered he is not the auditor; he is only the Accounts Officer.

Mr. Neogy.—So far as the accounts side is concerned the position of the Accounts Officer is much the same as that occupied by the company Auditor. The position of Mr. Mitra is not very different from that of a Government Auditor.

Mr. Hartley.—On the old company lines he was more or less independent.

Sir Frederic Gauntlett.—There is one point in Mr. Neogy's question, and that refers to the dual relationship of the Chief Accounts Officer to the Agent on the one side and to Mr. Parsons on the other.

Mr. Parsons.—I think I am right in saying that that dual relationship existed under company management as well, namely, to the Agent and to the Board of Directors.

Mr. Neogy.—Do you think the Accounts Officer will take the risk of incurring the displeasure of the Agent by coming up to you.

Chairman.—In the case of the separation of accounts from audit you are able to have the position of the Accountant not merely that of a critic in the conscience from the expenditure point of view of the administrative authority but also their co-adjutor and co-operator. If he is also the auditor, it is undesirable that he should be in that position. But if he is not the auditor, then he is of great advantage under the new system.

Sir Frederic Gauntlett.—There is one important point and that is that the Chief Accounting Officer now is responsible for the efficiency of his internal check. If it is discovered that he has permitted an error to be made, he is responsible. Also if he has accepted an order that he ought not to accept, he is responsible. The corollary to that is that when he gets an order which he knows he ought not to act on, he is entitled, in order to save himself, to get that order in writing. An order in writing is shown to my audit staff so that the inaccurate order is brought to notice. That is the safeguard of the Chief Accounting Officer.

Paragraph 23.—Clearing House Scheme.

1176. *Mr. Joshi.*—May I ask one question on paragraph 24 where it is said that the chief obstacle to the establishment of a clearing house is the various rates. Do you refer only to passenger rates or to goods rates ?

Mr. Hartley.—Goods rates.

Mr. Cocke.—Have you any other Companies come into this arrangement now ?

Mr. Parsons.—The Bombay, Baroda and Central India Railway have asked us as an experiment for three months to let them have their accounts both under the old system and under the new system in order to determine whether they will come in or not. I feel fairly confident from the conversation I have had with Sir Ernest Jackson that they will come in. Other companies have not yet addressed us. The more Companies we can get in, the greater the economies we would effect. We have made some economies already and we shall effect more.

Paragraph 26.

1177. *Mr. Neogy.*—May I know when we can expect commercial accounts of these Railway Collieries ?

Mr. Parsons.—I had hoped to get Sir Arthur Dickinson's Report in June but I am expecting it any week now. I propose then to take special measures to introduce as quickly as possible such changes as may be decided on as a result of the consideration of his report.

Mr. Neogy.—I take it that the Railway Department undertakes to prepare the commercial accounts as soon as possible.

Mr. Parsons.—We propose to do so.

1178. *Mr. Neogy.*—Why do you make an exception in the case of the East Indian Railway Company. Do I take it that the reason why a special officer was appointed to carry on this audit work in regard to the railway collieries was due to the fact that so far as other collieries are concerned, they were not working satisfactorily.

Mr. Hartley.—The East Indian Railway account is a separate one.

Mr. Hayman.—Among other things, Mr. Parsons has under consideration the question of having one colliery accounts office for the East Indian Railway and the collieries that are at present under the colliery audit. A decision will be taken when we have considered Sir Arthur Dickinson's Report.

Paragraph 31.

1179. *Mr. Cocke*.—I should like to ask whether the difficulty referred to in the last line has been overcome ?

Mr. Parsons.—I have already sent to the Finance Department for circulation a Memorandum on the subject.

Chairman.—We have already dealt with this.

Paragraph 41.

1180. *Mr. Rangaswami Iyengar*.—I should like to ask a question about the South Indian Railway. Are they not the people who have made the largest profits ?

Chairman.—The percentages are, on the whole, high.

Mr. Rangaswami Iyengar.—Can you tell us whether this high percentage is consistent with the efficient administration ?

Mr. Parsons.—I think the administration of the South Indian Railway is efficient.

Chairman.—Its return on the capital outlay is very good compared to most other railways.

Mr. Rangaswami Iyengar.—Are you satisfied with these returns ? Do you think it would be worth while examining these figures ?

Mr. Parsons.—In the comparative statement we do find that this is the highest figure.

Mr. Rangaswami Iyengar.—My experience is that not only the rates are high but the service is very poor.

Mr. Parsons.—It is a little difficult for me to answer that question.

Mr. Rangaswami Iyengar.—The difficulty is that you have a share of the contract and if they have higher profits you share them.

1181. *Mr. Das*.—On the general system of budgeting, I find the Great Indian Peninsular Railway has dropped from 2,85,34,000 to 47,36,000. What I want to find out is whether there is any budget for the new capital grants and the expenses in those railways. Are these low profits in the previous years taken account of ?

Mr. Parsons.—I think you are aware that in deciding what capital we can profitably sink in a railway line we take into account the additional receipts which it is likely we will get on that line during the quinquennium which we are considering. To do that, we take into account the past figures.

Chairman.—The reduction in the wheat crop is largely responsible for the low scale of profit.

Mr. Parsons.—And also the cotton crop.

Paragraph 46.

1182. *Mr. Joshi*.—“ The improvement in earnings on the Eastern Bengal and Madras and Southern Mahratta Railways is mainly due to increased traffic in passengers.” Was not that a good cause for lowering the rates ?

Mr. Parsons.—I have asked our Statistical officer to examine the effect of the reduction in passenger rates but I have not had time to go into the matter.

Mr. Joshi.—In the case of the Madras and Southern Mahratta Railway the rates were lower, therefore the traffic is increased ?

Mr. Parsons.—I shall examine that point.

Chairman.—Were the rates lowered during the year 1925-26 ?

Mr. Parsons.—They were.

1183. *Mr. Neogy.*—It is stated that the deficiency on the East Indian Railway was due to depression in the coal industry. Are you going to help this industry ?

Chairman.—I am afraid that does not arise.

Table on page 15.

1184. *Mr. Das.*—The mileage of each railway should be given here and the train mileage will be given on page 18.

1185. *Chairman.*—One wants to be careful really not to overload these appropriation reports with the administration report figures.

Sir Frederic Gauntlett.—This table was introduced at the wish of this Committee and sets out the details which they said they wanted.

Chairman.—I think that is about all we can take in.

Paragrap 61.

1186. *Mr. Joshi.*—You get more revenue on account of introducing return tickets. Can you not introduce the same system on other railways ? If you do so, you will get more revenue. You are really losing on Great Indian Peninsula Railway. What happens is that travelling by intermediate class is of no use at all because by second class you get these return tickets very cheap.

Chairman.—These observations are very interesting but I suggest that they will be more useful in the Assembly than in the Public Accounts Committee.

Mr. Joshi.—I wished to draw the attention of Mr. Parsons.

Paragraph 65.

1187. *Mr. Joshi.*—The Auditor here makes certain remarks about certain office being over-manned. It seems he meant over-manned by clerks. Does the Auditor ever inquire whether the administration is overmanned with officers ?

Chairman.—Undoubtedly he would if he thought so.

Mr. Joshi.—But we do not see any such remarks anywhere.

Chairman.—Because he rather thinks the opposite.

Paragraph 69.

1188. *Q.*—Are the instructions to which reference is made here are fully understood now by the officers ?

Mr. Hartley.—I think so. Most of the economies have not been fully reported.

Paragraph 70.

1189. *Mr. Das.*—I do not quite understand the last two lines and I would like to have a little explanation of them. “But on the separation of the Railway finances the balance of the liabilities outstanding on 31st March 1924 was permanently debited to the Capital account and the Revenue account is now charged with the full interest on the amount thus debited to the Capital account, the balance required to make up the total annuity and sinking fund charges being met from General Revenues.” Do I understand that out of the general revenues there is something on behalf of the railways ?

Chairman.—The Sinking Fund is treated as a sinking fund for debt generally. The railways are debited with the capital they spend and they pay interest on that. It is the Government as the borrower which is using the Sinking Fund for reducing its liabilities.

Paragraph 71.

1190. *Mr. Rangaswami Iyengar.*—Was the arrangement of bringing out Accountants from England and America done with the sanction of the Finance Committee ?

Mr. Hayman.—It was put before the Finance Committee.

Mr. Cocke.—Are they likely to be here again ?

Mr. Parsons.—I understand from the last letter that I received from the India Office that they will submit their final report.

Mr. Rangaswami Iyengar.—Don't you think that they have been instructed to examine the preparation of these commercial accounts with reference to the preparation of accounts for budget purposes ? Are they dealing with that aspect of the matter ?

Mr. Parsons.—We wanted the view of the experts on commercial accounts. It will then rest with us and the other authorities to see to what extent we shall have to modify their suggestions in order to bring them into the budget of the Government of India.

Sir Frederic Gauntlett.—After we got the report on the Posts and Telegraphs it took us two years to find out as to which recommendations would be accepted.

Chairman.—Generally speaking, the form of commercial audit would give you extremely good division for keeping commercial accounts but they find great difficulty in assimilating the peculiar necessities of parliamentary budgeting and the presentation to Parliament.

1191. *Mr. Neogy.*—In the case of the Postal inquiry by these expert accountants if I remember aright, we had not only to pay very handsome fees but also had to meet their medical bills, dentist's bills and cigarette bills which ran to several hundred rupees. I suppose you are not paying these Accountants on the same scale.

Mr. Parsons.—I am glad to say that we kept our men very well and they did not require their teeth to be looked after.

Paragraph 73.

Mr. Parsons.—The statement in paragraph 73, although correct at the time when it was written, is not correct now. Until we receive Sir Arthur Dickinson's report we should continue the existing procedure of budgeting and accounting.

1192. *Mr. Joshi.*—Regarding Lee concessions, what is the proportion of increase to the total salaries paid? You have now got 77 lakhs.

Chairman.—This includes arrears. It was not a recurring total of that grant.

Mr. Parsons.—So far as arrears were concerned they were paid up.

Mr. Joshi.—Can you give us the proportion? Is it 20 or 25 per cent.?

Mr. Parsons.—I am afraid, I have not got the figures.

1193. *Mr. Rangaswami Iyengar.*—In respect of railway grants, as well as in other grants there has been a great deal of over-estimating regarding the Lee concessions.

Mr. Neogy.—Here is another point. We find that after distributing 33,54,000 to the individual railways, a balance of 3,46,000 was kept in reserve by the Railway Board. To that extent, certainly the Railway Board could have foreseen that the amount would not be necessary. Even after distributing to the various railways, there were savings. Why did you ask for 3,46,000 more?

Mr. Parsons.—I presume we overestimated the amount required.

Mr. Hayman.—We had to make a guess.

Mr. Neogy.—I take it that you made an estimate without taking into account the requirements of the different railways.

Mr. Parsons.—Yes.

1194. *Mr. Neogy.*—Immediately after getting a supplementary grant, you keep that sum of 3,46,000 in reserve?

Mr. Hayman.—We had to make an estimate on the data available in the Railway Board office from the classified list of railway establishment. On the basis of voted and non-voted salaries, we had to make an estimate of the total amount required. In the meantime we took the precaution to ask the different railway administrations who have got better knowledge as to the number of Asiatic and non-Asiatic officers. Their estimates came later on and on going through their estimates we found that we do not require the total amount that we asked for. Therefore we kept the balance, a small sum of money, in reserve.

Mr. Neogy.—Are some officers domiciled and others not?

Mr. Parsons.—There may be two brothers, one of them domiciled out of India and he may get the allowance, whereas the other may be domiciled in India and he may fail to get the allowance.

1195. *Mr. Neogy.*—In paragraph 77, there is a suggestion by the Auditor General that the actual expenditure should be shown side by side. You

have got only two columns, whereas in the Auditor General's letter, we get three columns.

Mr. Parsons.—Yes.

1196. *Mr. Joshi.*—What was the disciplinary action taken against the person mentioned in paragraph 79 ?

Mr. Parsons.—The officer is at present on leave and he is coming back shortly, unless he retires. The case is under consideration.

Mr. Neogy.—This happened in 1923-24 ?

Mr. Parsons.—This was in 1925-26. If I might suggest, I should prefer not to be examined on this particular point until next year.

Chairman.—The case is under consideration. We will note this for discussion next year.

1197. *Mr. Rangaswami Iyengar.*—Regarding the losses of cash mentioned in paragraph 86 can you make a comparative statement ?

Mr. Hayman.—It is in the report which Mr. Parsons placed before the Assembly.

1198. *Mr. Rangaswami Iyengar.*—Regarding irregularities mentioned in paragraph 88, was there definite proof of dishonesty against the Executive Engineer ? Have the Railway Board examined this case ?

Mr. Parsons.—No.

Mr. Rangaswami Iyengar.—You really think that it is merely a case in which dishonesty is not proved ?

Mr. Parsons.—There was merely strong suspicion ; we could not get definite proof.

1199. *Mr. B. Das.*—Has the Railway Board introduced a general system of rules to check such irregularities ?

Mr. Hayman.—Yes ; we have measures to check the system of fraud.

Mr. B. Das.—Is it generally applicable to all systems of railways ?

Mr. Hayman.—Yes.

1200. *Mr. Neogy.*—Regarding the actual cost of coal supplied mentioned in paragraph 91, does the actual cost include sinking fund and rate of interest or does it merely represent pitsmouth rate ?

Mr. Parsons.—The pitsmouth rate is at present intended to cover all these charges.

1201. *Mr. Das.*—Have any steps been taken to check the wrong payment of contractor's bills endorsed to a third party ?

Paragraph 93.

Mr. Parsons.—We have brought this case to the notice of all railway administrations with the request that steps should be taken to prevent such wrong payments.

1202. *Mr. Das.*—When a contractor does not pay the money he owes to the railway and has taken money which does not belong to him, should not his name be struck off the list of contractors ?

Mr. Parsons.—I imagine that the contractor in this case has been removed from the list. I imagine there is no chance of his ever getting any further contracts.

Mr. Joshi.—Why not you stop this system of endorsing bills to third parties ?

Mr. Parsons.—I should have to examine whether we can stop it.

Chairman.—I do not think we can stop it. That is a matter of business.

Sir Frederic Gauntlett.—I call the attention of the Committee to the last three lines of paragraph 95 :

“ The measurement book entries were not considered reliable by the court on the evidence of the Sub-permanent Way Inspector that he had copied them from his rough diary.”

That is a case where the Court has expressed the view recently that the keeping of correct measurements of initial records was of primary importance.

1203. *Mr. Rangaswami Iyengar.*—One point arises out of this. People generally prepare what is called rough notes and then they get it on to another book and they produce that in court. If you have an original book, the document that is produced is then treated as a copy. The court probably wanted the production of the original. I think instructions should be issued that these measurements should be maintained as original or primary documents.

Mr. Hayman.—There are strict instructions to that effect.

Mr. Rangaswami Iyengar.—I am referring to the fact that there is no use in your saying that you have the originals in the shape of rough books. That introduces complication.

Mr. Parsons.—There are instructions to that effect.

Paragraph 97.

1204. *Mr. Das.*—Who is responsible for the loss of records ? Was it wholesale destruction or was it the destruction or loss of a particular record ?

Mr. Parsons.—Only a telegram was not forthcoming. The telegram was destroyed whether advertently or inadvertently I do not know.

1205. *Chairman.*—Have you taken measures to check a recurrence of such cases ?

Mr. Parsons.—We have issued letters to all railway administrations drawing attention to this case and asking them to make proper arrangements.

Paragraph 99.

1206. *Mr. Das.*—Who was responsible for the misappropriation ? Only the lower staff seems to have been punished.

Mr. Parsons.—The people responsible were the station master and particularly the station master's clerk ; he was dismissed. The pay clerk was

dismissed. I do not think there has been anything very unfair in the action taken there.

Paragraph 111.

1207. *Mr. Joshi.*—I would like to know who made these purchases of unnecessary machines. Were these purchases made locally?

Mr. Parsons.—The machinery was all from England. It was obtained actually not only for the workshops at Burwadih but for all divisional headquarters. Originally plans were prepared for the construction of certain lines and for repairs for 301 miles, but it was subsequently reduced to 153 miles and it was also found that the mechanical plants required much lighter repairs. That resulted in the surplus of machinery. We bought this machinery as an insurance against the existing machinery failing us. Out of this surplus list, machinery valued at Rs. 47,860 has so far been disposed of and it fetched Rs. 36,808. The remaining machinery is going to be transferred to one of the East Indian Railway workshops.

1208. *Mr. Joshi.*—Were not these plans finally made before the machinery was purchased?

Mr. Parsons.—The plans which were originally prepared had to be changed.

Paragraph 120.

1209. *Mr. Das.*—Have you introduced the Rowan Bonus system to other railways?

Mr. Parsons.—A special officer, Mr. Wrench has been deputed to go round the various workshops and introduce reforms. Mr. Wrench recently told me that he was hopeful that owing to the introduction of revised methods of working, etc., he hoped to show a saving of half a crore.

Paragraph 122.

1210. *Mr. Das.*—Why are the stores which are not expected to be utilised indented for? Is any check kept by the railway board with regard to the indent for stores?

Mr. Parsons.—We were proceeding to take action in regard to this important matter. We discussed it with the Auditor General and Accountant General, Railways; but we have actually left over the issue of orders until we get Sir Arthur Dickinson's recommendation who was asked to go into the matter. I think he is going to recommend the maintenance of some type of materials at site accounts. That is how the matter stands at present.

1211. *Mr. Rangaswami Iyengar.*—What we want to know is whether you have looked into the question of the misleading manner in which stores have been reduced?

Mr. Hartley.—Yes. To take one instance. Stores in engine sheds on the North-Western Railway used to be treated as charged off to repairs as if they had actually been used on engines. This has now been changed and these stores are treated as imprests, thus remaining on the books as part of the stores balance. As the stores are actually issued they are shown as such in an imprest account which is sent in periodically for recoupment of balance. Only the cost of such items as are recouped are charged to working expenses.

Paragraph 123.

1212. *Mr. Das.*—It is said :

“ It is hoped that these suggestions will tend to bring down the balances at the debit of Materials at site or at any rate bring to light any tendency to purchase special stores long before they are actually required ”.

In view of the large surplus stores, what I would suggest is one special officer should be deputed to go through new indents.

Mr. Hayman.—We have already taken action to prevent stores being obtained for unsanctioned works. No indent for materials can at present be made against works programme until the work is actually sanctioned. The Railway Board has also issued orders that once a work is sanctioned, it must be proceeded with rapidly to completion. You will not have the past danger of stores being taken to the site of works long before they are required.

Chairman.—I think the committee are satisfied that attention having been drawn to this point, it is being attended to with real zeal.

• *Mr. Parsons.*—I do not want to give an incorrect statement of stores balances.

Paragraph 124.

1213. *Mr. Joshi.*—What is meant by “ adjusted by debit to revenue ” ? Does it mean writing down the value of stores. I want to know the distinction between reduction of stores by writing out and valuation by real reduction. You say you have got so much stores. The balance may have been reduced either by revaluation or by not purchasing more. How can you distinguish between the two ?

Mr. Hartley.—In paragraph 124 you will find the figures.

Sir Frederic Gauntlett.—Reduction by revaluation will appear only in the valuation accounts, whereas reduction by non-purchase will appear in both the accounts.

Paragraph 126.

1214. *Mr. Joshi.*—I want to know whether the responsibility was brought home to the superior officers in this matter ?

Mr. Parsons.—The actual position was this. The proposal was an attractive one from the traffic point of view. Subsequently it happened to be a case in which our expectations were not realised. Before we started the line, we did not get any guarantee from the firm that they would give us a certain amount of traffic in each year.

1215. *Mr. Neogy.*—The Auditor General in commenting on this says that this is perhaps the most serious individual case brought to notice in the report. Was any explanation taken from the Agent ? He seems to have taken an extraordinary step in pushing forward the scheme disregarding the ordinary rules of business. Has the Railway Board satisfied itself about the blame to be attached to the Agent for doing this on an urgent footing ?

• *Mr. Parsons.*—As I have already said, at the time we took up the scheme, it was certainly an attractive one. The error, in my opinion was in the railway not obtaining a guarantee from the firm at the time when the work

was started. The Agent must have satisfied himself by taking a guarantee that the traffic would be enough as to make the line worth building. I really admit there was an error. We have been able to remedy it now by taking a guarantee from the firm.

Mr. Neogy.—Who is responsible for the error initially ?

Mr. Parsons.—The Agent.

Mr. Neogy.—Don't you think something should be done to bring home the responsibility of that officer in this matter ?

Mr. Parsons.—The particular officer has left service of the railway.

Chairman.—We might endorse the view of the Auditor General that this was an unfortunate case. We have already obtained a guarantee from the firm.

Paragraph 130.

1216. *Mr. Das.*—Have any steps been taken to check the irregularity ?

Mr. Parsons.—Yes.

Paragraph 143.

1217. *Mr. Das.*—Why were only the Inter and Third class passengers prosecuted ? Why were the second class passengers let off ?

Mr. Parsons.—We cannot prosecute them if they pay up.

Mr. Neogy.—The question came up before the Advisory Committee whether legislation should not be undertaken to amend the Railway Act and make it an offence even for second class passengers to travel without ticket ?

Mr. Parsons.—I shall be glad if the law is altered.

Mr. Cocke.—Why not ask the Advisory Committee to consider it ?

Mr. Parsons.—I presume it will be within the competence of this committee to do so ?

Chairman.—Yes. We ought to make a recommendation that this should be considered.

Paragraph 144.

1218. *Mr. Joshi.*—Why should you not appoint a crew for each carriage ? I think it is done in Europe.

Mr. Parsons.—I do not think so. I have travelled in France and other countries and I do not think you are right.

Mr. Joshi.—Probably there is one for two or three carriages.

Mr. Parsons.—If they are corridor carriages, it is possible to put one man for the whole carriage. But corridor carriages have not been so far successful in India. They take so much of space.

Paragraph 150.

1219. *Mr. Neogy.*—Here the audit authority considered that the disciplinary action taken was not sufficient. What has happened since ?

Mr. Parsons.—We are inclined to agree about this particular case and have told the Agent that the clerk concerned ought to have been discharged. The Agent was told that the action taken against the staff at the receiving station was quite inadequate. He has just submitted a further explanation. I have not seen the letter myself but it is under consideration.

Paragraph 151.

1220. *Chairman.*—The Auditor General has some comments.

Mr. Parsons.—I agree with the Auditor General's remarks.

Paragraph 153.

1221. *Mr. Neogy.*—Here also the Accountant General is inclined to think that there was a lack of supervision on the part of the gazetted officers and that they should share the responsibility for this overpayment. What has happened since ?

Mr. Parsons.—The Home Board expressed their keen dissatisfaction with the case and we concurred with their view. It is not possible to take further disciplinary action in view of the following facts reported by the Agent : "there was a lack of effective organization in the goods section, the direct responsibility was difficult to fix as there has been considerable changes in the personnel of the Department and all the officers responsible have left the service. In this case not only the officers but the clerks also who were responsible have left the service." The excuse was that the mistake occurred at a time of considerable pressure.

Chairman.—I don't suppose that is a bright spot in the administration.

Paragraph 155.

1222. *Mr. Das.*—I find that here the Military Department repudiated the claim for rent. I don't think that fair to the Railway Department.

Mr. Parsons.—Well it is a charge due from 1902. That is the reason why we did not press the claim against them. It is almost impossible to do so.

Chairman.—Rent is now being recovered ?

Mr. Parsons.—Yes.

1223. *Mr. Rangaswami Iyengar.*—Can you tell me why no disciplinary action has been taken against the officer on the South Indian Railway mentioned in (ix) of paragraph 156 ?

Mr. Parsons.—It was because individual responsibility could not be fixed. We did not like the case at all.

Mr. Rangaswami Iyengar.—There are too many people involved in it, I suppose ?

Mr. Parsons.—Yes, it comes to that. We have written one of the stiffest letters I have seen in my experience of railway administration.

1224. *Mr. Neogy.*—Sir, I wanted to ask about this case of a brickfield siding in the Eastern Bengal Railway mentioned in (ii) of paragraph 15 what has been done ?

Mr. Parsons.—It appears that the Agent had left the service and the railway authorities considered nothing would be gained by putting him on his defence or by communicating their censure on his conduct of the case.

Mr. Neogy.—Does the Agent enjoy any pension ?

Mr. Parsons.—Yes.

Mr. Neogy.—Why do you think you cannot get at him in this way ?

Mr. Parsons.—I am doubtful whether we can touch pensions.

1225. *Mr. Neogy.*—I want to know what the exact position is in such matters. Supposing a man retires on pension is that a sufficient justification for not taking any action that might otherwise have been justifiable ?

Chairman.—We had the whole question of pensions up before, didn't we Mr. Neogy ?

Mr. Parsons.—I think it was examined by the Government of India but I am a little doubtful.

Mr. Rangaswami Iyengar.—It is being examined, I think.

Chairman.—It is obviously only in gross cases that we can do anything. This is not a case where we could have interfered.

Mr. Neogy.—The question is whether it is not proper in such cases at least to communicate censure, if any censure is justified, to him.

Mr. Parsons.—Mr. Hayman thinks that the case about pensions is still under consideration.

Chairman.—The question of action against pensioned officers is a general question which I think we closed.

Sir F. Gauntlett.—No, it is not closed yet. The cases to which I call special attention are paragraphs 65, 66 and 82 of the last Audit Report (to which Mr. Iyengar has referred). 66 refers to overpayment to contractors on the Bengal Nagpur Railway.

Mr. Parsons.—The action taken appears to be that the two officers who were responsible for the loss were removed from the company's service and no gratuities paid to them. We have already dealt with 82.

1226. *Chairman.*—Then we come to paragraph IV under (b) Appropriation Report.

Mr. Joshi.—I want to ask one question. They reduced the 1st and 2nd class fares, and the result was a decrease in the earnings. I hope they will make a similar mistake in the case of 3rd class fares.

1227. *Mr. Neogy.*—I see Rs. 3,57,000 was written off for the castor-oil plantation.

Mr. Parsons.—That was dealt with in last year's report.

Chairman.—This is simply the final result of that.

1228. *Mr. Joshi.*—I have not had an answer to my question. Why were these 1st and 2nd class fares reduced ?

Mr. Parsons.—Because we thought it would stimulate traffic.

Mr. Joshi.—But you did not actually stimulate it.

Mr. Neogy.—Have you increased the fares since ?

Mr. Parsons.—No ; at the present moment the whole thing is under my examination. It is too early yet to say whether the reduction in the fares will have the effect of stimulating traffic. I am trying to examine the question but we have not had a long enough experience. The only thing I can say is it does not seem to have stimulated traffic as fast as we thought it would.

Mr. Joshi.—If you did not succeed in stimulating traffic as you expected, then certainly it was your duty to increase the fares again and get more revenue.

Mr. Parsons.—I am afraid I cannot quite accept that.

Chairman.—I think that concludes our examination of the Railway accounts. I would like to say that I have been personally struck by the preparations made by Mr. Parsons and Mr. Hayman for answering questions here. There was not a single case in which they were not able to give us some facts at any rate which threw light on it.

The Committee adjourned *sine die*.